2021 Annual report

Assumption Life

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We acknowledge that our head office is located on the unceded traditional territory of the Wolastoqey (Maliseet) and Mi’kmaq since the building’s construction in 1970.

The pandemic continued to be part of our lives for the second consecutive year, but our year in 2021 shows our strength of adaptation through adversity.

Our teams demonstrated flexibility and agility to pivot in response to our many daily challenges.

Their extraordinary adaptability was reflected in Assumption Life's commitment to our clients, our partners, and our communities. A commitment that remained as infallible as ever.

Our strength lies in our teams, as well as in our solid strategic planning upon which we relied once again with confidence over the last year."

- Sébastien Dupuis, CPA, CA
President and CEO

2021 in one word: collaboration

Collaboration has been our motto for the last year.

Our team members live collaboration in their daily lives to offer new products and solutions that make a difference for our partners, our advisors, and our clients. This collaboration, together with the trust, the commitment and the leadership of our employees who give their all, make it possible for Assumption Life to offer one of the best experiences.

We also commend the collective effort that led to the progress seen in our country. We wish to particularly commend the devotion and courage of essential workers that helped keep us safe during the last 24 months, as well as those of all the Canadians who answered the important call to solidarity.

Thank you!

Highlights of the year

Transformation of our Simplified Issue products line

"Assumption Life is known for the quality of its products and we made them even more competitive to meet the needs of our advisors. We are building on our solutions and the efficient sales process, for which Assumption Life is known, to continue offering a unique experience. Choosing us means choosing a hassle-free process policies issued within a few hours."

- **Luc Bossé,** Vice-President, Sales and Marketing

The Maple platform for our group insurance virtual care option

"This past year has been unlike any other. By providing virtual care, we hope to relieve the stress plan members face when needing to access general practitioners, whether it's because they have a non-urgent care issue, don't have access to a family doctor, or require support for other healthcare needs."

- **Rachelle Gagnon,** Vice-President, Group Insurance

Acquisition of a new Canadian portfolio

"We are a relatively small company in the North American insurance industry, but, once again, we show that we can stand out with our collaboration spirit to create international relations. We are extremely proud of this initiative and of this addition to our capital."

- **Michel Allain,** Vice-President, Chief Financial Officer and Chief Actuary

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UV Assurance distributes Assumption Life funds

"In our company, as well as with UV Assurance, our business strategies relies on a solid network of advisors. We take to heart making a difference by offering them solutions to make their work easier and help them achieve their objectives."

- **Réjean Boudreau,** Vice-President, Chief of Organizational Development and Client Experience

Agility and innovation

Message from the President and CEO

The COVID-19 pandemic continued to be part of our lives for a second consecutive year, but we have shown our strength of adaptation when facing adversity. Thus, our teams have shown flexibility and agility all through the last year to pivot in response to the many challenges of this pandemic. Their extraordinary ability to adapt was reflected in Assumption Life's unfailing commitment to our clients, our partners, and our communities. Our strength lies in our teams, as well as in our solid strategic planning upon which we relied once again with confidence over the last year.

ACHIEVEMENTS AND INNOVATIONS

Innovation means pushing the envelope and thinking differently. With agility, we have built our digital capacities to better serve our clients, our advisors, and we have transformed our operational model to be even more competitive.

We have thus launched new products in Individual Insurance with a new suite of Simplified Issue products combined with a streamlined process. Moreover, our product suite and technologies have evolved to offer more effective and simple investment tools, as well as turnkey solutions for our advisors. These new solutions can be found in our investment platform Vesta which successfully combine speed and ease of use.

In group insurance, we have launched a virtual care option.

On the financial side, Assumption Life has acquired the Canadian portfolio of a major American company, a testament to our collaborative spirit and the proof that our Company stands out in our highly competitive industry.

We maintained our A– Excellent rating from the agency A. M. Best for the 22^{nd} consecutive year, thus confirming once more our financial solidity.

These successes are mainly due to our teams and our fantastic partners who live daily our values of leadership, collaboration, commitment, and trust.

VALUABLE COLLABORATIONS

For us, 2021 was a year of collaboration. Our company has formed many strategic alliances with partners such as UV Insurance, UNI Financial Cooperation with our subsidiary TKS, as well as a collaboration with a national player in digital distribution. These partnerships will play a key role for our future and will help us achieve our long-term strategic objectives.

Moreover, TKS continued its growth with the creation of a new application, new distribution channels, and a breakthrough in the Quebec market.

Still on our subsidiaries side, Louisbourg Investments continued to grow with offices in Moncton, Halifax and Vancouver. One of its most recent achievements is the launch of the commercial real estate fund GENERATION with DuParc Group and this partnership led to the Terrasses du Marché project in Dieppe.

COMMUNITY

Even with physical distancing, Assumption Life remained close to its communities to make a difference. From health to education, we supported over 90 organizations and initiatives across Canada. We have supported, among others, the CHU Dumont Foundation as we continued to be the Official Partner of the Tour of Hope for the fourth year in a row, the fundraising campaign for the Coopérative Carrefour Santé Communautaire Inkerman, and also the Atlantic Cancer Research Institute. Moreover, the Assumption Life Foundation awarded scholarships to four educational institutions and to 19 students to help them in their academic success.

For the second consecutive year, we have distinguished ourselves in the Atlantic Provinces with our exceptional culture that made us one of Atlantic Canada's Best Employer for 2022. Let us also mention that Assumption Life has received one of Canada's Volunteer Award from Employment and Social Development Canada for the year 2020. This recognition was accompanied by a donation of $5,000 that we gave to the Beauséjour Family Crisis Resource Centre.

Finally, the leadership and the real desire to make a difference have inspired our people to give more than 800 volunteer hours. Their devotion humbles us, and we thank them for their extraordinary contribution.

The year 2021 was one of exceptional resilience for the members of our team. To recognize their numerous efforts and to continue to be listening to their needs, we offered an additional day off that, combined with Remembrance Day, offered them an extra-long weekend to relax.

FOCUSED ON THE FUTURE

The year 2022 promises to be exciting and, already, we can see that it will rely on diversity in all its facets in response to the large movements that drive our society. Assumption Life's large family will remain true to the image of our clients, our partners, and our communities to offer innovative and inclusive solutions.

Thank you to everyone who contributed directly and indirectly to our great achievements of the last year: our employees, our board of directors, our executive team, our partners, our clients, and our communities. A special thank you to Andrée Savoie. I am personally grateful for her commitment to the company, and for the relationship of trust we have had through her mandate as Chair of our Board of Directors.

Whatever circumstances awaits us in the coming year, I'm convinced that we will rise to the challenge together, find solutions, and move forward with success.

Thank you.

SÉBASTIEN DUPUIS, CPA, CA
President and CEO

2021 in a glance

FEBRUARY

- One of the best financial results of our history – 2020 AGM
- Among Atlantic Canada's Best 2021 Employers
- Internal conference with M. Leyla Sall, Professor of Sociology at Université de Moncton, during Black History Month

MAY

- Presenting Sponsor for the CHU Dumont Foundation Tour of Hope for the 4th year

JUNE

- Launch of the Generation Fund by Louisbourg Investments and DuParc Group

JULY

- Launch of new Simplified Issue products in Individual Insurance
- Addition of a virtual care option in Group Insurance
- Five new Select Portfolios added in investments

AUGUST

- Presenting Sponsor for the 10th edition of the Acadie Rock Festival
- Assumption Life Golf Tournament Fundraiser: over $100,000 raised for ACRI

SEPTEMBER

- Partnership with Maple
- A- rating from AM Best for the 22nd consecutive year
- Partnership Assumption Life, UNI Financial Cooperation, and our subsidiary TKS
- Partnership with UV Insurance
- Transformation of our suite of Simplified Issue products in Individual Insurance
- Internal conference with Brian Francis; producer, director and scriptwriter from the Elsipogtog First Nation, as part of Truth and Reconciliation day

KEY EVENTS

COMMUNITY COMMITMENT

NOVEMBER

- 4-day weekend for the mental health of our employees
- Lighting of our building in support of the Tree of Hope Campaign for the CHU Dumont Foundation

DECEMBER

- Acquisition of the Canadian portfolio of an American company
- Recipient of a National Volunteer Award
- Initiative in support of British Columbia communities affected by flooding

Financial information

$2.1 BILLION
Assets under management

$9.5 MILLION
Profit attributable to policyholders

$170 MILLION
Premium income

156%
Solvency ratio as of December 31, 2021

$162 MILLION
Policyholders' equity

Our consolidated financial statements can be found at the end of this report or on our website at assumption.ca.

A- (Excellent) from A.M. Best for the 22nd consecutive year

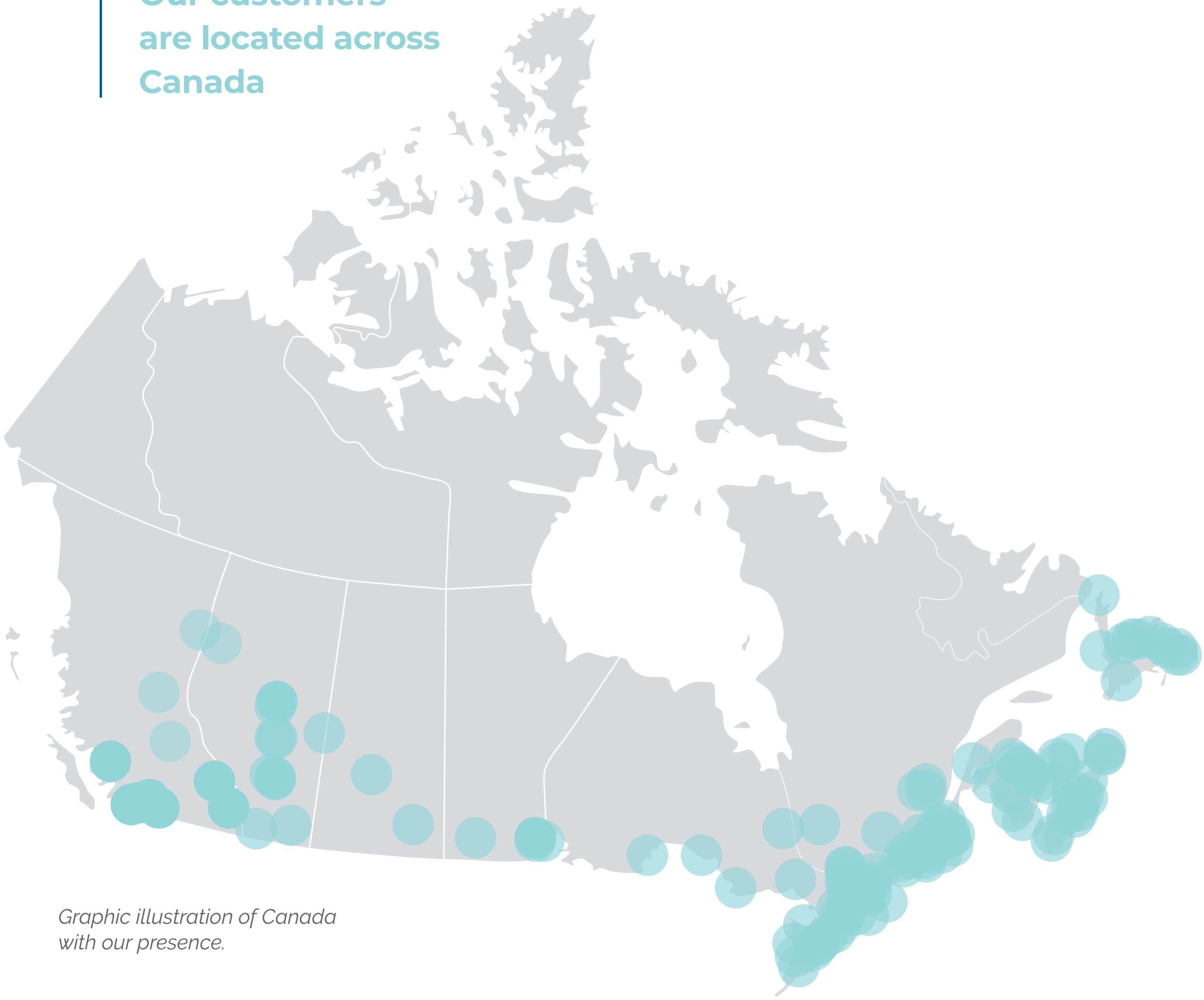
"Our constant results show our capacity to manage risks during the highs and lows of the industry over the last 22 years.

We are extremely proud of this achievement which is one of the highest levels obtained by a company of our size".

- Michel Allain, F.S.A., FCIA – Vice-President, Chief Financial Officer and Chief Actuary

West to East

Our customers are located across Canada



Graphic illustration of Canada with our presence.

An exemplary collaboration

Message from the Chair of the Board

For the second consecutive year, the COVID-19 pandemic has had an impact on our personal and professional lives. With courage and devotion, our teams have demonstrated agility and adaptability through their actions while our corporative value of collaboration was Assumption Life's guiding principle.

This exemplary collaboration has helped us adapt to changes with flexibility and contributed to everyone's safety. I would also like to highlight the work done to safeguard the health and safety of all the employees, whether they chose to work from our head office, from their home or in a hybrid format.

Last year's successes can be measured with the accomplishments related to our strategic plan. On the corporate culture level, the employees invested a lot of effort as part of our strategic orientation "Align talents and the organization on the 2022 vision". This exercise aims to give tools to all the employees for adopting constructive behaviors that will facilitate achieving strategic objectives as well as growth. The results obtained gave us the "Corporate Award of Merit" from Human Synergistics. This award is given to organizations that have proven the implementation of a constructive culture. This award was received in January.

Another priority will be building upon the solid foundation established to enhance our technological processes and to continue to position ourselves competitively in the market.

Furthermore, our financial success forms another important achievement that we need to celebrate, and the details can be found in this annual report. I would still like to highlight that these results are the best in our history.

Beyond the numbers and business strategies, 2021 was once again a human success. Together, we constantly adapted. We showed extraordinary flexibility and we progressed in an innovative way to continue to meet the needs of our clients and to offer the unparalleled service that sets us apart.

Finally, I bow out with a sense of accomplishment after my third mandate as Chair of the Board of Directors. The experience was extremely rewarding on many levels, and I am happy to have collaborated with highly qualified professionals who really aim to make a difference. The human warmth of Assumption Life's family is an exceptional reality upon which our people build a bright future for our company.

Thank you from the bottom of my heart to my Board colleagues who will continue to work tirelessly to guide Assumption Life towards new horizons. I also want to sincerely thank the executive team, as well as all employees for their unwavering devotion and commitment. Thank you for making a difference every day for your colleagues, for our business partners and for our communities. I will follow with great interest your next achievements and advancement towards the growth of this Acadian jewel across Canada.

Finally, thank you to our loyal clients and to our business partners. You can count on our continued support to achieve financial security.

Beyond the numbers and business strategies, 2021 was once again a human success.

I leave you with this quote from Mr. Gilbert Finn: "Assumption, started from afar, has not started from nothing: valiant founders and their successors have paved the way for economic mutuality in service of those who placed their trust in it."

Thank you for your trust.

ANDRÉE SAVOIE, ing.
Chair of the Board of Directors

Board of Directors

Andrée Savoie
ICD.D
Board Chair
President and CEO, Adelin Properties

Sébastien Dupuis
CPA, CA
President and CEO, Assumption Life

Yvon Fontaine
B.Sc.Soc, LL.B, LL.M
Vice-President of the Board
Corporate Director

Geneviève Laforge
LL.B, ASC
General Secretary of the Board
Director, Organizational Development, Assumption Life

Ivan Toner
ICD.D
President, MelamTech Consulting

Alain Bossé
President and COO, Groupe Savoie

Marc Landry
Vice-President, IT & Logistics, Major Drilling

Lise Casgrain
MBA, ICD.D
Corporate Director

Adrienne O'Pray
Executive Director, McKenna Institute

Steven Ross
Corporate Director

Bernard Tanguay
FCIA, FSA, ASC
Corporate Director

Louise-Anne Comeau
Vice-President, New Energy Markets and Innovation, Emera

Senior Management

Sébastien Dupuis
CPA, CA
President and CEO

Michel Allain
F.S.A., FICA
Vice-President, Chief Financial Officer and Chief Actuary

Réjean Boudreau
B.B.A.
Vice-President, Chief of Organizational Development and Client Experience
Interim Vice-President, IT and Chief Digital Officer

Rachelle Gagnon
MBA, CHRP
Vice-President, Group Insurance

Luc Bossé
B.B.A.
Vice-President, Sales and Marketing

We're listening

At Assumption Life, it's important for us to say that taking care of our mental health and the mental health of others is a daily commitment.

Our teams, particularly in Human Resources and Group Insurance, are listening and constantly improving our health and well-being offer to meet the needs of our employees, our clients, our families and our communities.

In 2021, Assumption Life employees received an additional day off, Friday November 12, permitting them to benefit from a four-day long weekend. This measure was in response to the stress of the pandemic to help employees take care of their mental health.

Moreover, we offer to all employees:

- Virtual health care services with access to free visits
- Floating days
- Family responsibility leave
- ActiVie gym
- Employee Assistance Program
- No interest loan program for fitness and travel

Together, let's be there for each other as every gesture counts.

"As an employer of choice in Atlantic Canada, we want to support our employees as much as possible during the pandemic. We encourage other employers to express their gratitude for the efforts of their employees on a daily basis. Our people are the most valuable resource of any company, and we owe it to them to ensure their well-being."

- **Réjean Boudreau**, Vice-President, Chief Organizational Development and Customer Experience

Board member attendance

Board of Directors 2021	Board Meeting Attendance	Committee Meeting Attendance	Subsidiary Meetings Attendance
Andrée Savoie	6/6	18/18	3/3
Sébastien Dupuis	6/6	18/18	10/10
Ivan Toner	6/6	9/9	0
Yvon Fontaine	6/6	10/10	8/8
Lise Casgrain	6/6	11/11	7/7
Bernard Tanguay	6/6	9/9	3/3
Marc Landry	6/6	14/14	3/3
Alain Bossé	6/6	8/8	3/3
Steven Ross	6/6	9/9	3/3
Adrienne O'Pray	6/6	8/8	0
Louise-Anne Comeau	5/5	6/6	0

Prize awarded in 2021

National recognition

Our employees truly make a difference in their communities, and their unwavering dedication was recognized by a national volunteer award.

Our Acadian company was honored in the "Business Leader" category for the Atlantic region for 2020 Canada's Volunteer Awards presented by Employment and Social Development Canada.

As part of this national recognition, a $5,000 donation was made to a charitable organization on behalf of Assumption Life and we selected the **Beauséjour Family Crisis Resource Centre.**

Together, let's make a difference.

Since its foundation in 1903, Assumption Life stayed true to its mission to make a difference in communities. Through its social responsibility program, the company redistributes 6% of its net benefits to non-profit organizations.

Here are a few organizations and initiatives who received a contribution over the years:

- Sistema New Brunswick;
- Atlantic Cancer Research Institute;
- CHU Dumont Foundation Tour of Hope;
- Coopérative Carrefour Santé Communautaire Inkerman;
- Canadian Red Cross.

Committed to making a difference

Our team is committed to making a difference in our communities every day. This philosophy is expressed in many ways in the company's philanthropic efforts with a particular emphasis on health and education initiatives.

Our recipient of the Denis-Losier 2021 Scholarship, in the amount of $10,000, is Sue Duguay.

Our golf tournament in support of the Atlantic Cancer Research Institute resulted in a donation of $100,000.

Our involvement in numbers

Over the past year, Assumption Life and our employees have shown great generosity by donating their time and supporting various causes and organizations.

Here are a few numbers that attest to the exceptional efforts and commitment of all towards our communities.

More than **90** **ORGANIZATIONS AND INITIATIVES** received donations

6% **OF THE COMPANY'S NET PROFIT**

23 **ASSUMPTION LIFE FOUNDATION SCHOLARSHIPS**

Involvement sectors

HEALTH

EDUCATION

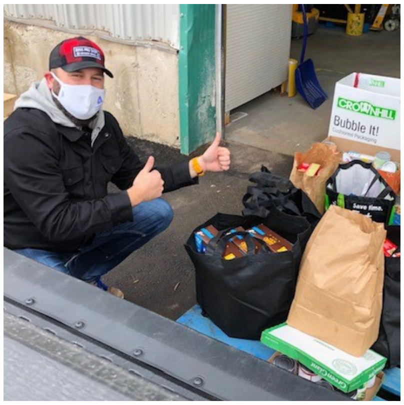
SPORT

SOCIO-ECONOMIC

ARTS AND CULTURE

800 hours of volunteer work by our employees

Our employees at the heart of our commitment



Assumption Life honours its employees who have contributed to its success!

Congratulations to all 2021 recipients. And thank you to all the members of our great family for their commitment.

Team Excellence Award
IFRS 17

President's Award for Excellence

Louis-Nicholas Duncan

Leadership Award

Thomas Raffy

Volunteer Award

Shawn Amberman

Excellence Award

Caroline Sippley

Excellence Award

Charles Gervais

Excellence Award

Georges Léger

Excellence Award

Maryse Giard

Excellence Award

Nathalie Joseph

Excellence Award

Rachel Savoie

Excellence Award

Alexis Couture

Excellence Award

Marianne Léger

Excellence Award

Robert Despres

Thank you to our employees

Head office, Louisbourg Investments and TKS employees

Agnew, Scott
Aka, Yves-Roger
Alexander, Varghese
Allain, Jérémy
Allain, Keith
Allain, Michel
Allain, Nadine
Amberman, Shawn
Arsenault, Ashley
Arsenault, Denis
Arsenault, Jasmine
Arsenault, Sophie
Arsenault, Sylvie
Arseneault, Amy-Lise
Audet, Daniel
Basque, Emilie
Beefeya, Shalini Divya
Bélanger, André
Belliveau, Nicole
Belliveau, Sylvie
Benoit, Eric
Bergevin, Mandy
Berry, Suzanne
Berthe, Rene
Birba, Gloria
Blanchet, Normand
Bordage, Lisa
Borris, Chantal
Bossé, Christine
Bossé, Luc
Bouchard, Pierre-Luc
Boucher, Stéfany
Boudreau, Marc
Boudreau, Patrick
Boudreau, Rejean
Boudreau, Sophie
Bourgeois, Denis
Bourgeois, Isabelle
Bourgeois, Megan
Bourgeois, Renée
Bourgeois, Zacharie
Bourque, Lucie
Bourque, Nicole
Breau, Brenda
Breau, Jammy
Brideau, Lise
Brideau, Rachelle
Brun, Dina
Brun, Renelle
Brun Leblanc, Monika
Burns, Jared
Caissie, Debbie
Caissie, Melanie
Carrier, Mélanie
Cassidy, Kristine
Castonguay, Marc André
Charron, Samuel
Chiasson, Janique
Colquhoun, Mélanie
Comeau, Rachel
Comeau, Sylvie
Cormier, Daniel
Cormier, Daniel F.
Cormier, Jolène
Cormier, Tania
Couture, Alexis
Cyr, Nathalie
Daigle, Marie-Josée
Daniel, Gareth
Deschênes, Danielle
Despres, Robert
Desroches, Gisele
Deveau, Claire
Dionne, Nicole
Drouin, Alexandre
Duguay, Monique
Duncan, Louis-Nicholas
Dupuis, Sébastien
Fatoki, Akinwale
Frail, Derek
Gagnon, Lina
Gagnon, Rachelle
Galeano, Patricia
Gallant, Bernice
Gallant, Sandra
Gallien, Pascal
Gaston, Charline
Gaudet, Gilles
Gaudet, Ginette
Gaudet, Gisèle
Gaudet, Luc
Gaudet, Mathieu
Gaudet, Serge
Gauthier, Louis
Gautreau, Nadine
Gauvin, Jean-Luc
Gauvin, Joceline
Gauvin, Mélanie
Gauvin, Roxanne
Gervais, Charles
Giard, Maryse
Godbout, Melissa
Godin, Maggie
Goguen, Jacqueline
Haché, Alyssa
Haché, Carole
Hachey, Danie
Hebert, Luc
Horsman Benoit, Deborah
Hounkpe, Koflax
Hurshman, Heather
Jobin, Jacques
Jones, Evan
Jordan, Jacqueline
Joseph, Nathalie
Koffi, Ama Jennifer
Laforge, Geneviève
Lagacé, Frédéric
Lahlou, Youssef
Landry, Emilie
Landry, Jean-Marc
Landry, Katherine
Lanteigne, Pierre-Paul
Larocque Duplessis, Elza
Laverdière, Benjamin
Lavigne, Anne
Lavigne, Natalie
Lavigne, Shawn
Leblanc, Aline
Leblanc, Brigitte
Leblanc, Céline
Leblanc, Charline
Leblanc, Joline
Leblanc, Liette
Leblanc, Lucie
Leblanc, Marcel
Leblanc, Marcus
Leblanc, Monique
Leblanc, Nadine
Leblanc, Pauline
Leblanc, Stéphanie
Leblanc, Sylvie H.
Leblanc-Gallant, Nicole
Léger, Carolyn
Léger, Georges
Leger, Joanne
Leger, Marianne
Léger, Véronique
Legere, Antoinette
Lepage, Carlo
Lessard, Rebecca
Levesque, Louis-Philippe
Lewis, Scott
Liang, Xiuneng
Losier, Kaylee
Maillet, Mireille
Maillet, Monique
Maillet, Natalie
Maillet-Gendron, Donna
Mailman, Liette
Mallet, Liette
Mansour, Doha
Marr, Beau
Martin, Marie-Pier
Martin, Michel
Martin, Pierre
Mazerolle, Roger
Mcleod, Renée
Melanson, Chantal
Melanson, Cinthia
Melanson, Sophie
Melanson, Sylvie
Melanson, Yvette C.
Michaud, Claudine
Moores, Michel Andrew
Morin, Christa
Morin, Lynne
Mukeya, Arthson
Niles, Odette
Noel, Ghislain
Noël, Sophie Julie
Nsikam Nkeuna, Constantin
Ntseukwa Wandji, Gaëlle
Ouellet, Allain
Ouellette, Anick
Parker, Lynn
Pelletier, Scott
Pilon, Michel
Pitre, Jean-Lou
Poirier, Emmanuelle
Poirier, Philippe
Poirier, Rachel
Poirier, Serge
Pountney (Koshul), Jennifer
Raffy, Thomas
Randrianirina, Emmanuel
Richard, Anne
Richard, Claudette
Richard, Monica
Richard, Pierre

"Our employees are the very essence of our company's success. With our values of leadership, commitment, trust and collaboration, we listen to our employees to provide them with a positive work environment in which they can prosper."

- Sébastien Dupuis, CPA, CA
President and CEO

Richard, Sheila
Robichaud, Chantal
Robichaud, Claudette
Robichaud, Daniel
Robichaud, Dominic
Robichaud, Julie Louise
Robichaud, Sandra
Robichaud, Timmy
Rouillard, Daniel
Roussel, Sébastien
Roy, Angela
Roy, Judy
Roy, Mathieu
Ryan, Jennifer
Sadler, Angela
Saghir, El Mehdi
Saiepour, Mohammed
Sarrasin, Nicolas
Savoie, Rachel

Savoie, Sylvie
Sippley, Caroline
Sonier, Michael
Soucy, Tina
Souma, Jenny
Sow, Awa
Sriramula, Priyanka
Surette, Yvette
Thébeau, Patrick
Thériault, Alain
Thériault, Josée
Thériault, Yves
Thibodeau, Amy
Thibodeau, Karilyn
Thibodeau, Marie-Claude
Tibrewala, Rachit
Tidd, Christine
Toussaint, Charles
Vallee, Jennifer

Vautour, Isabelle
Vautour, Joshua
Vicent (Loyola), Paola
Walker, Cameron
Xu, Carl
Yardy, Christopher
Benoit, Christian
Dufils, Yannick
Grass, Malcolm
LeBel, Chris
Mackenzie, Joel
Palmer, Brian
Cook, Sean
Fortman, Catherine
Caissie, Mireille
Devereaux, Taylor
Thibodeau, Eric
Paradis Bolduc, Laurence
Matthews, Vanessa

McManaman, Jason
Poduval, Dhvanit
Clark, Dawson
Gligor, Cosmin
Jaber, Ibrahim
Awad, Samir
Okposio, Roland
Dorzilmé, Guéber
Oladunni, Tobi
McCullum, Sean
McCauley, Lindsay
Samlioglu, Aliemir
Awad, Roddy
Guitard, Jeff
Richard, Sheila
Zeeshan, Syed

ASSUMPTION MUTUAL LIFE INSURANCE COMPANY

Consolidated Financial Statements
For the Year Ended December 31, 2021

ASSUMPTION MUTUAL LIFE INSURANCE COMPANY

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

EY

INDEPENDENT AUDITOR'S REPORT

To the Policyholders of **Assumption Mutual Life Insurance Company**

Opinion

We have audited the consolidated financial statements of **Assumption Mutual Life Insurance Company** and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 Group 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.

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 IFRSs, 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group'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 Group'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 Group'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 Group 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 Group 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.

Ernst & Young LLP

Chartered Professional Accountants

Dieppe, Canada
February 24, 2022

VALUATION ACTUARY'S REPORT

To the policyholders of Assumption Mutual Life Insurance Company,

I have valued the policy liabilities of Assumption Mutual Life Insurance Company for its consolidated statement of financial position as at December 31, 2021, and their change in the consolidated statement of income for the year then ended in accordance with accepted actuarial practices, including the selection of appropriate assumptions and methods.

In my opinion, the amount of policy liabilities makes appropriate provision for all policyholder obligations and the consolidated financial statements fairly present the results of the valuation.

Moncton, New Brunswick
February, 2022

Luc Farmer
Fellow, Canadian Institute of Actuaries

ASSUMPTION MUTUAL LIFE INSURANCE COMPANY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands)

As at December 31

		2021	**2020**
ASSETS	Notes	**$**	**$**
Invested assets	4		
Cash and cash equivalents		14,508	5,545
Debt securities		551,383	585,706
Equity securities		115,596	94,406
Mortgages		179,446	167,812
Other invested assets		1,489	1,299
Policy loans		11,620	11,548
		874,042	866,316
Other assets	7	26,424	18,943
Reinsurance assets	12	288,074	281,891
Deferred tax assets	18	3,316	4,456
Property and equipment	8	3,172	3,497
Intangible assets	9	6,402	5,962
Right-of-use assets	10	1,915	2,213
Goodwill		2,226	2,226
Segregated fund net assets	11	938,311	875,836
		2,143,882	2,061,340
LIABILITIES			
Insurance contract liabilities	12	972,403	963,026
Investment contract liabilities	13	22,011	20,645
Other liabilities	15	33,739	30,235
Employee benefit liability	16	8,377	15,900
Deferred tax liabilities	18	625	674
Lease liabilities	10	2,709	2,949
Segregated fund net liabilities	11	938,311	875,836
		1,978,175	1,909,265
EQUITY			
Policyholders' equity			
Accumulated surplus		152,173	136,071
Accumulated other comprehensive income		9,664	14,863
		161,837	150,934
Non-controlling interests		3,870	1,141
		165,707	152,075
		2,143,882	2,061,340
Contingencies and commitment	20, 21		

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

SIGNED ON BEHALF OF THE BOARD

Chairman

President and Chief Executive Officer

ASSUMPTION MUTUAL LIFE INSURANCE COMPANY

CONSOLIDATED STATEMENT OF INCOME

(in thousands)

Year ended December 31

	Notes	2021	2020
REVENUE		$	$
Gross premiums		169,539	155,441
Premiums ceded to reinsurers		(34,974)	(33,656)
Net premiums	22	134,565	121,785
Fee and commission income	24	24,230	23,059
Investment income	25	16,026	15,688
Realized gains from available-for-sale financial assets	26	1,526	3,000
Fair value gains and losses	27	(9,038)	54,623
Other operating revenue		(54)	(6)
Other revenue		32,690	96,364
Total revenue		167,255	218,149
EXPENSES			
Gross benefits and claims paid	23	114,881	118,423
Claims ceded to reinsurers	23	(29,955)	(31,446)
Gross change in contract liabilities		6,519	92,779
Change in contract liabilities ceded to reinsurers		(7,732)	(36,877)
Net benefits and claims		83,713	142,879
Borrowing costs		119	134
Fee and commission expenses	28	22,740	21,015
Administrative expenses	29	41,413	36,664
Other operating expenses	29	5,428	5,564
Other expenses		69,700	63,377
Total expenses		153,413	206,256
PROFIT BEFORE DIVIDENDS AND INCOME TAXES		13,842	11,893
Policyholder dividends		1,584	1,565
PROFIT BEFORE INCOME TAXES		12,258	10,328
Income taxes	18	2,582	1,983
PROFIT FOR THE YEAR		9,676	8,345
PROFIT ATTRIBUTABLE TO:			
Non-controlling interests		182	612
Policyholders		9,494	7,733
		9,676	8,345

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

ASSUMPTION MUTUAL LIFE INSURANCE COMPANY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands)

Year ended December 31

	2021	2020
	$	$
PROFIT FOR THE YEAR	9,676	8,345
Other comprehensive income:		
Items that will be reclassified subsequently to net income		
Available-for-sale financial assets:		
Change in unrealized gains (losses), net of income taxes of ($1,539) ($3,733 in 2020)	(4,089)	9,909
Reclassification of realized gains included in other revenue, net of income taxes of ($416) (($821) in 2020)	(1,110)	(2,179)
Total of items that will be reclassified subsequently to net income	(5,199)	7,730
Items that will not be reclassified subsequently to net income		
Remeasurement of defined benefit pension plans, net of income taxes of $2,180 (($2,012) in 2020)	6,608	(5,304)
Total of other comprehensive income	1,409	2,426
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	11,085	10,771
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Non-controlling interests	182	612
Policyholders	10,903	10,159
	11,085	10,771

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

ASSUMPTION MUTUAL LIFE INSURANCE COMPANY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(in thousands)
Year ended December 31

2021

	Surplus	Accumulated other comprehensive income	Total policyholders' equity	Non-controlling interests	Total equity
	$	$	$	$	$
Balance, beginning of year	136,071	14,863	150,934	1,141	152,075
Profit for the year	9,494	-	9,494	182	9,676
Items that will be reclassified subsequently to net income	-	(5,199)	(5,199)	-	(5,199)
Remeasurement of defined benefit pension plans	6,608	-	6,608	-	6,608
Total comprehensive income	16,102	(5,199)	10,903	182	11,085
Issuance of share capital of a subsidiary	-	-	-	2,875	2,875
Dividends	-	-	-	(328)	(328)
Balance, end of year	152,173	9,664	161,837	3,870	165,707

2020

	Surplus	Accumulated other comprehensive income	Total policyholders' equity	Non-controlling interests	Total equity
	$	$	$	$	$
Balance, beginning of year	133,642	7,133	140,775	979	141,754
Profit for the year	7,733	-	7,733	612	8,345
Items that will be reclassified subsequently to net income	-	7,730	7,730	-	7,730
Remeasurement of defined benefit pension plans	(5,304)	-	(5,304)	-	(5,304)
Total comprehensive income	2,429	7,730	10,159	612	10,771
Dividends	-	-	-	(450)	(450)
Balance, end of year	136,071	14,863	150,934	1,141	152,075

The accumulated other comprehensive income comprise solely unrealized gains (losses) on available-for-sale financial assets, net of related income taxes.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

ASSUMPTION MUTUAL LIFE INSURANCE COMPANY

CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands)
Year ended December 31

	2021	2020
	$	$
OPERATING ACTIVITIES		
Profit for the year	9,676	8,345
Items not affecting cash:		
Deferred income taxes	(1,089)	417
Change in reinsurance assets	(6,183)	(39,064)
Change in insurance and investment contract liabilities	9,695	92,874
Amortization of property and equipment and intangible assets (notes 8 and 9)	1,439	1,631
Amortization of right-of-use assets (note 10)	413	412
Fair value gains and losses (note 27)	9,038	(54,623)
Realized gains on disposal of available-for-sale financial assets (note 26)	(1,526)	(3,000)
Employee benefit plan expense	2,761	2,338
Other	(4,308)	(4,240)
	19,916	5,090
Change in non-cash working capital items related to operations	(2,537)	(3,266)
Cash flows from operating activities	17,379	1,824
INVESTING ACTIVITIES		
Marketable securities and mortgages:		
Sales, maturities and reimbursements	116,854	136,338
Purchases and loans	(126,164)	(156,235)
Acquisition of property and equipment and intangible assets	(1,554)	(3,144)
Issuance of share capital of a subsidiary	2,875	-
Other	(72)	199
Cash flows from investing activities	(8,061)	(22,842)
FINANCING ACTIVITIES		
Repayment of capital on lease liabilities	(355)	(330)
Change in borrowings	-	(166)
Cash flows from financing activities	(355)	(496)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR	8,963	(21,514)
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	5,545	27,059
CASH AND CASH EQUIVALENTS – END OF YEAR	14,508	5,545

SEE NOTE 19 FOR ADDITIONAL INFORMATION

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Assumption Mutual Life Insurance Company, known as **Assumption Life** (the Company), was incorporated under a private law of the Province of New Brunswick's Legislative Assembly. The Company and its subsidiaries (together forming "the Group") underwrite life and non-life insurance risks, such as those associated with death, disability and health. The Group also issues a diversified portfolio of investment contracts to provide its customers with asset management solutions for their savings and retirement needs. All these products are only offered in Canada.

The Group's head office is located at 770 Main St., in the Assumption Place building in downtown Moncton, N.B., Canada.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Declaration of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board (IASB) and published by *CPA Canada Handbook-Accounting* .

These consolidated financial statements, including all notes, were approved by the Board of Directors on February 24, 2022.

Basis of preparation

The Group presents its consolidated statement of financial position primarily in order of liquidity. Assets are considered current when the Group expects to realize them in its normal operation cycle within twelve months after the reporting date. Liabilities are considered current when the Group expects to settle them in its normal operation cycle within twelve months after the reporting date. All other assets and liabilities are considered non-current. The Group's statement of financial position is not presented according to current and non-current order.

The consolidated financial statements have been prepared on a historical cost basis except for those financial assets and financial liabilities that have been measured at fair value.

The consolidated financial statements values are presented in Canadian dollars ($) rounded to the nearest thousand ($000), unless otherwise indicated.

Consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries:

- **Atlantic Holdings (1987) Limited (100%),** the parent company of **Louisbourg Investments Inc. (70%)**
- **Tech Knowledge Solutions Inc. (52%)**

The consolidated financial statements comprise the financial statements of the Group as at December 31 each year.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. The Company has control over the subsidiaries since it has the power to govern the financial and operating policies of the subsidiaries so as to obtain benefits derived from its activities, has exposure or rights to variable returns from its involvement with the subsidiaries, and the ability to use its power over the subsidiaries to affect the amount of its returns.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions and dividends are eliminated in full.

Financial Instruments

Recognition

All financial assets, when initially recognized, at the transaction date, are recorded at fair value and classified as either at fair value through profit or loss, available-for-sale, held-to-maturity or as loans and receivables, based on the features of the instrument and purposes for which the assets have been acquired. Financial liabilities must also be initially recognized at fair value, and must be classified as either at fair value through profit or loss or as other liabilities.

Financial instruments classified at fair value through profit or loss are measured at fair value and any change in fair value is recorded in net income in the period in which it arises.

Financial instruments classified as available-for-sale (AFS) are measured at fair value and any unrealized gains or losses are recognized in other comprehensive income except for impairment losses, either significant or prolonged, in which case the loss is immediately recognized in net income.

Financial assets held-to-maturity (HTM), loans and receivables and financial liabilities classified as other financial liabilities are carried at amortized cost using the effective interest rate method. Interest or dividends arising from these financial instruments are recognized in net income for the period.

The transaction costs of preferred equity securities are charged to income at the settlement date.

Invested Assets

Cash and Cash Equivalents

Cash and cash equivalents are classified as held at fair value through profit or loss and include deposits in bank and short-term notes with a maturity of six months or less from the date of acquisition.

Debt Securities

The Group has designated as held at fair value through profit or loss its debt securities backing actuarial liabilities. Actuarial liabilities are established in accordance with the Canadian Asset Liability Method (CALM), under which the book value of the assets backing the liabilities is used in a base computation. Consequently, any variation in fair value of these assets is taken into consideration in computing actuarial liabilities.

The Group has designated as available-for-sale its debt securities not backing actuarial liabilities. Variation in fair value is consequently presented as other comprehensive income, unless there is objective evidence of impairment, in which case, variation in fair value is reclassified to income.

At each reporting date, debt securities classified as available-for-sale are tested for impairment and when there is objective evidence of impairment, and the decline in value is considered significant or prolonged, the loss accounted for in accumulated other comprehensive income is reclassified to income. The Group considers as objective evidence of the impairment of debt securities the issuer's financial difficulty, a bankruptcy or default of payment of interest or principal. A significant or prolonged decline in fair value of a financial instrument below its cost is also objective evidence of impairment. Once an impairment loss is recorded in income, it is reversed when the debt securities' fair value increases during a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognized. Debt securities continue to be measured at fair value even if an impairment loss has been recorded. Following impairment loss recognition, any subsequent decrease in fair value is recognized in income.

Equity Securities

The Group has designated as held at fair value through profit or loss its equity securities backing actuarial liabilities. Actuarial liabilities are established in accordance with the Canadian Asset Liability Method (CALM), under which the book value of the assets backing the liabilities is used in a base computation. Consequently, any variation in fair value of these assets is taken into consideration in computing actuarial liabilities.

The Group has designated as available-for-sale its equity securities not backing actuarial liabilities. Variation in fair value is consequently presented as other comprehensive income, unless there is objective evidence of impairment, in which case variation in fair value caused by a significant or prolonged decline is reclassified to income.

At each reporting date, equity securities classified as available for sale are tested for impairment. The Group considers as objective evidence of the impairment of equity securities a significant or prolonged decrease in the fair value of the equity securities below its cost or changes in the economic or legal environment that have a negative effect on the issuer and which indicate that the carrying value may not be recovered.

When the decline in value is considered significant or prolonged, the loss accounted for in accumulated other comprehensive income is reclassified to income. Any decline in value is recognized to income and any increase in value is recorded in other comprehensive income. Impairment losses recognized in profit or loss shall not be reversed through profit or loss.

Mortgages

Mortgages are classified as loans and receivables and are carried at amortized cost using the effective interest rate method, net of a provision for credit losses. Interest calculated according to this method is accounted for in the consolidated statement of income.

At each reporting date, on an individual basis, the Group considers as objective evidence of the impairment of mortgages the issuer's financial difficulty, a bankruptcy or a default of payment of interest or principal. When there is evidence of impairment on mortgage loans, a provision for losses is recorded in order to adjust the carrying value to the present value of estimated future cash flows discounted at the financial asset’s original effective interest rate. This provision is immediately charged to income. Realized gains and losses on the sale of mortgages are recorded in income.

Other Invested Assets

Other invested assets consist of notes receivable. They are classified as loans and receivables and are accounted for at amortized cost using the effective interest rate method.

Policy Loans

Policy loans, classified as loans and receivables, are carried at amortized cost using the effective interest rate method and are fully secured by the cash surrender value of the policies on which the respective loans are made.

Other Assets

Other assets include financial assets, such as insurance receivables, accrued investment income and accounts receivable, and non financial assets, including commissions and prepaid expenses, income tax receivable and other. Other financial assets are classified as loans and receivables.

Reinsurance Assets

In the normal course of business, the Group uses reinsurance to limit its risk on policyholders. Reinsurance assets represent the amounts due to the Group by reinsurance companies for insurance contract and investment contract liabilities ceded. The calculation of these amounts is similar to the provision for future policy benefits on underlying insurance contracts or investment contracts, in accordance with the contract provisions of reinsurance agreements. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders.

At each reporting date, reinsurance assets are tested for impairment. An impairment loss is recorded in income when there is objective evidence that the Group will not recover all amounts receivable under the contract terms and the outsanding amount can be reliably estimated.

Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation and accumulated impairment losses. Replacement or major inspection costs are capitalized when incurred, if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. The depreciation method, basis and period are described in the table below.

	Depreciation method	Basis of depreciation	Depreciation period
Office	Straight-line	Useful life	3 to 10 years
Leasehold improvements	Straight-line	Agreement	Lease duration

At the end of each year, the Group revises the residual value and useful life of the assets. Any change represents a modification of an accounting estimate and must be accounted for prospectively.

Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. Impairment losses are recognized in the consolidated statement of income as an expense.

An item of property and equipment is derecognized upon disposal or when no further future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income in the year the asset is derecognized.

Intangible Assets

Intangible assets are recorded at cost, less accumulated amortization and accumulated impairment losses. The amortization method, basis and period are described in the table below. The amortization period and the amortization method are reviewed at least at each financial year end.

	Amortization method	Basis of amortization	Amortization period
Purchased software	Straight-line	Useful life	3 to 10 years
Developed software	Straight-line	Useful life	3 to 10 years
Technology projects under development	None	None	None
Client list	None	Indefinite life	None

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

The useful lives of intangible assets are assessed to be either finite or indefinite.

When events or changes in circumstances indicate an impairment of value, the Group remeasures the carrying value of long lived assets with finite useful lives. An impairment loss exists when the carrying amount of the asset exceeds the higher of fair value less costs to sell and its value in use. All impairment losses are recognized in net income.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually or whenever there is indication of impairment. Reviews are performed annually to determine whether events and circumstances continue to support the assessment of useful lives. If not, the change in useful life from indefinite to finite is accounted for as a change in accounting estimate.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of income when the asset is derecognized.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities for lease payments not yet paid and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	Depreciation method	**Basis of depreciation**	**Depreciation period**
Office	Straight-line	Lease term	10 years
Equipment	Straight-line	Lease term	5 years
Software	Straight-line	Lease term	5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or if the cost of the right-of-use asset reflects the future exercise of a purchase option, depreciation is calculated over the period from the commencement date to the end of the useful life of the asset.

When events or changes in circumstances indicate an impairment of value, the Group remeasures the carrying value of the right-of-use assets. An impairment loss exists when the carrying amount of the asset exceeds the higher of fair value less costs to sell and its value in use. All impairment losses are recognized in the consolidated statement of income.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of assets (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expenses on a straight-line basis over the lease term.

Goodwill

Goodwill represents the positive difference between the cost and the fair value of identifiable assets, liabilities and contingent liabilities on business acquisitions. It is presumed to have an indefinite life and is not subject to amortization.

Goodwill is tested for impairment annually, and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of cash-generating units to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than its carrying amount, an impairment loss of the goodwill is recognized in income.

Segregated Fund Net Assets

Funds from group and individual annuities issued by the Group may be invested in segregated portfolios at the option of the policyholders. Although the underlying assets are registered in the name of the Group and the segregated fund policyholders have no direct access to the specific assets, the policyholders bear the risks and rewards of the fund's investment performance. The Group derives fee income from the management of its segregated funds. These revenues are accounted for in fee and commission revenues.

The segregated funds are recorded at market value. Realized and unrealized gains and losses are immediately included in the change in net assets of the segregated funds.

Insurance Contract Liabilities

Provision for future policy benefits for insurance contracts represent the amounts which, after consideration of future premiums and investment income, provide for all outsanding commitments under policy contracts. These liabilities are set to equal the statement of financial position value of the assets that would be required to support them. These provisions are established using the Canadian Asset Liability Method (CALM), which is generally accepted actuarial practice established by the Canadian Institute of Actuaries (CIA).

CALM involves projecting asset and liability cash flows for each business segment under a set of prescribed interest rate scenarios, plus additional scenarios chosen by the Valuation Actuary, if applicable. Net cash flows are invested in new assets, if positive, or assets are sold or borrowed against to meet cash needs in accordance with the assumptions of each scenario. The reinvestment strategies are founded on investment policies and the reinvestment returns are drawn from each underlying scenario. The policy liabilities are at least as great as the liabilities determined under the worst of the scenarios tested. Moreover, the projected asset cash flows include assumptions for investment expenses and credit risk.

To determine the cash flows to use in CALM, the Group uses assumptions based on the Valuation Actuary's best estimate of future experience for each assumption. These assumptions include mortality, disability, investment returns (stock markets, interest rates and defaults of payment), operating expense levels, lapse rates, inflation, policyholder dividends and taxes. The assumptions cover the term of the liabilities being valued, taking into consideration events that might occur in a distant future. All assumptions are examined periodically and are subject to changes to ensure they appropriately reflect emerging experience and changes in risk profile.

These best estimate assumptions are adjusted by the Valuation Actuary to include margins for adverse deviation. These margins take into account the uncertainty in establishing these best estimates and a potential deterioration in expected experience.

The following is a description of the methods used to calculate the assumptions and the margins for adverse deviation:

(a) Mortality

For individual life, the Group uses a recently published industry mortality table, adjusted to take into account the actual experience of the Group.

For annuities and pensions, a recent industry mortality table is used taking into account expected future improvements in annuitant mortality.

(b) Disability

The Group uses disability tables representative of the industry experience, modified to reflect the Group's own experience.

(c) Investment Returns

The computation of actuarial liabilities takes into account projected net investment income on assets backing liabilities and on new cash flows to be invested or disinvested in the future. The uncertainty of the interest rates at which future cash flows can be reinvested has been taken into account by testing plausible future interest rate scenarios to determine the sensitivity of the results. Investment expenses and asset default risks are also considered in the valuation.

(d) Expenses

The administrative expenses per policy are based on the Group's internal cost analysis, which is updated annually. These unit costs are projected into the future factoring inflation.

(e) Lapses

Each year, an internal study of the Group's policy lapse rates is conducted. The valuation assumptions are chosen by considering this internal study as well as published industry experience.

(f) Policyholder Dividends

Actuarial liabilities include the present value of expected future policy dividends reflecting current dividend scales.

(g) Margins for Adverse Deviation

The basic assumptions made in establishing actuarial liabilities represent best estimates for a range of possible outcomes. To recognize the uncertainty in establishing best estimates, to allow for possible deterioration in experience and to provide greater comfort that the actuarial liabilities are adequate to pay future benefits, actuaries are required to include a margin for each assumption. A range of allowable margins is defined by the Canadian Institute of Actuaries and the actuary must choose the margins, within this range, with consideration for each company's specific situation.

In general, the margins are higher for fully guaranteed products while they are lower for adjustable products or participating policies where the dividends can be modified to reflect the Group's experience.

Under CALM, any liability adequacy deficiency is immediately reported in the consolidated statement of income.

Investment Contract Liabilities

Investment contract liabilities are the amounts that the Group owes to clients since these contracts do not have insurance risk. These amounts are carried at fair value in the consolidated statement of financial position. Variation of fair value is recognized in the variation of investment contract liabilities in the consolidated statement of income.

Other Liabilities

Other liabilities includes financial liabilities, such as insurance payable, suppliers and other charges, and non financial liabilities, including income taxes payable. The financial liabilities are classified as other financial liabilities.

Employee Benefit Plans

The Group offers defined benefit and defined contribution pension plans and post-employment benefits to its employees. The cost of pension benefits under defined benefit plans and of other post-employment benefits earned by employees is determined according to actuarial calculations using the projected unit credit method and management's most likely assumptions of the expected rate of return on the plan's asset, salary escalation, the retirement age of employees, expected health care costs and mortality rates. Plan obligations are discounted based on current market interest rates, and plan assets are recorded at fair value.

The benefit costs are recorded in administrative expenses in the consolidated statement of income.

Net actuarial gains or losses are accounted for in the year in which they occur through other comprehensive income.

For defined contribution plans, the Group pays specified contributions into a separate entity and has no legal or constructive obligation to pay further amounts. As a result, no liability appears on the Group's consolidated financial statements, except for the expense recognized for contributions due but not yet paid at the end of the reporting period. Contributions payable to defined contribution plans are charged to income.

Taxes

The Group provides for income taxes using the asset and liability method. The income tax provision comprises of current and deferred income taxes based on tax rate and tax regulations enacted or substantially enacted at the consolidated reporting date. Current income taxes are based on taxable income. Deferred income taxes reflect the net tax effect of temporary differences between assets and liabilities reported for financial statement purposes and those reported for income tax purposes. A deferred income tax asset is recognized to the extent that future realization of the tax benefit is more likely than not. In addition to income taxes, the charge to the consolidated statement of income includes the tax on capital imposed on financial institutions and the large corporations tax recorded in other operating expenses.

Borrowings

The Group has chosen to classify its borrowings as financial liabilities at amortized cost. The borrowings are initially recognized at fair value, net of related transaction costs. They are subsequently measured at amortized cost using the effective interest rate method.

The interest calculated according to the effective interest rate method is recognized in the consolidated statement of income and presented as borrowing costs.

Segregated Funds Net Liabilities

The liabilities of insurance contracts whose financial risk is supported by policyholders are accounted for as a separate line item in the consolidated statement of financial position and are recorded at fair value. The assets backing these liabilities are also recorded as a specific item under assets in the consolidated statement of financial position.

Foreign Currency Translation

Monetary assets and liabilities in foreign currencies are converted at the rate of exchange in effect at the consolidated statement of financial position date. Non-monetary assets and liabilities, as well as revenue and expenses, are converted at the historical rate.

Translation gains and losses are included in other operating revenue.

Provisions

The Group recognizes a provision when there is an obligation towards a third party resulting from a past event and it is probable that an outflow of economic resources will be necessary to settle the obligation and the amount can be estimated reliably.

The amount of provision equals the best estimate of the counterpart needed to extinguish the current obligation, given the risks and uncertainties related to the obligation. The Group does not measure the provision at present value since these provisions do not have a specified duration. No provision is recognized for future operating losses.

Contingent liabilities are disclosed if the future obligation is probable, but the amount cannot be reasonably estimated.

Premiums

Gross insurance and annuity premiums are recognized as revenue when due under contracts in force. Net premiums represent gross premiums, net of the share ceded to reinsurers for insuring a part of the risk. When premiums are recognized, a provision for future policy benefits is calculated, such that benefits and expenses are matched to revenue.

Fee and Commission Income

Fee and commission income primarily represent fees earned from the management of the Group's segregated fund and pooled fund assets, administrative services only (ASO) income and reinsurance commission income. Fee and commission income are recorded on an accrual basis when services are rendered.

Investment Income

Interest on cash and cash equivalents and debt securities is recorded on an accrual basis. Dividend income is recognized when the right to receive payment is established. For loans and receivables reported at amortized cost, interest income is calculated using the effective interest rate method and is reported in the consolidated statement of income.

Realized gains and losses

Realized gains and losses recorded in the consolidated statement of income on investments include gains and losses on financial assets. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortized cost and are recorded on occurrence of the sale transaction.

Recognition of Expenses

Annuities and benefits at maturity are recognized when payment is due. Redemptions are recorded on payment. Death benefits and other benefits are recorded when incurred.

Reinsurance recoveries are recorded in the same periods as related benefits.

Changes in accounting policies

As of January 1, 2021, the group did not adopt any changes in accounting policies.

Future accounting policy changes

The standards issued by the IASB that were not applicable as at the date of issue of the Group's consolidated financial statements are described below.

The Group will apply these standards in future years.

IFRS 9 - Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 "Financial Instruments". The standard makes changes to the accounting for financial instruments in relation to the following; the classification and measurement of financial instruments reflecting the business model for the financial assets and the cash flow characteristics of these financial assets, the impairment based on the expected loss model and the hedge accounting that takes into account the entity's risk management practices. The provisions of this standard will apply retrospectively for fiscal years beginning on or after January 1, 2018. However, insurers who qualify for the temporary exemption from the application of IFRS 9 will only apply this standard for fiscal years beginning January 1, 2023. The Group meets these criteria since, as at December 31, 2015, it has never previously applied IFRS 9 and its activities are mainly related to insurance since the carrying amount of its liabilities related to insurance represents more than 90% of its total liabilities. Since December 31, 2015, there has been no change in the activities of the Group that requires reassessment of the use of the temporary exemption. The Group will use this exemption and is evaluating the impact of the adoption of this standard on its consolidated financial statements.

IFRS 17 - Insurance contracts

In May 2017, the IASB issued IFRS 17 "Insurance contracts", which will replace the current IFRS 4 "Insurance contracts" standard. This new standard deals with the recognition, measurement, presentation and disclosure of information relating to all types of insurance contracts (life insurance, non-life insurance, direct insurance and reinsurance), regardless of the type of entity issuing them, as well as certain collateral arrangements and financial instruments with discretionary participation features. The model in IFRS 17 uses a present value measurement of insurance contract liabilities and profit recognition in the period in which the services are provided. IFRS 17 is to be applied retrospectively for fiscal years beginning on or after January 1, 2023. The Group is currently evaluating the impact of changes in this standard on its consolidated financial statements.

3. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as at the date of the consolidated financial statements, and the reported amounts of revenues, net payments to policyholders and beneficiaries, and expenses during the year. Actual results could differ from management's best estimates.

Judgments

In the process of applying the Group’s accounting policies, management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements:

Classification of insurance and investment contracts

Insurance contracts are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk by comparing benefits that will be paid whether the insured event occurs or not.

Investment contracts are those contracts that transfer significant financial risk to the Group. Financial risk is the risk of a possible future change in one or more of the following: specified interest rate, financial instrument price, commodity price, a foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided that in the case of a non-financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Determining the lease term of contracts with renewal and termination options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Refer to Note 10 for information on potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.

Estimates and assumptions

In the process of applying the accounting policies, management has made the following estimates and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements:

Fair value of financial instruments

The fair value of a financial instrument is the amount at which the financial instrument could be exchanged in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. Fair value is based on active quoted market rates (bid for assets/ask for liabilities) prices. If there is no active market, fair value is based on prevailing market prices for instruments with similar characteristics and risk profiles or internal or external valuation models using observable market based inputs. These methods take into account current data observable on the market for financial instruments that have a similar risk profile and comparable terms. The significant data used in these models include, but is not limited to, rate curves, credit risk, issuer risk, volatility and liquidity valuation and other references published by the market. Management uses its best estimates when such data are not available.

Employee future benefits

The defined benefit obligation and expense is calculated using several demographic and financial actuarial assumptions. The main assumptions include the discount rate and the rate of increase in future compensation. These assumptions are described in note 16.

Income Taxes

The computation of current and deferred taxes (recovery) is based on several factors including the interpretation of tax regulations in the jurisdictions in question, assessments regarding the recovery of deferred tax assets and how the assets and liabilities are expected to be recovered. The recovery of deferred tax assets depends, among other factors, on the taxable expected future earnings from the Group's operations and the tax planning strategies developed. The Group establishes a provision for income tax it considers reasonable and which is based on the weighted estimate of the possible results from the adopted tax positions. When establishing the provision, the Group takes into consideration previous adjustments made by tax authorities, interpretation bulletins and recent rulings rendered in the relevant jurisdictions.

Life and health insurance contract liabilities

The establishment of actuarial liabilities depends on various actuarial assumptions including mortality, disability, investment return (stock markets, interest rates and defaults of payment), operating expense levels, lapse rates, inflation, policyholder dividends and taxes. Further information on these assumptions is provided in notes 2 and 12.

(in thousands)

4. INVESTED ASSETS

Carrying Value and Fair Value

	2021				
	Designated at fair value through profit or loss	Available- for-sale	Loans & receivables	Total	Fair value
	$	$	$	$	$
Cash and cash equivalents	14,508	-	-	14,508	14,508
Debt securities					
Government	403,754	136,282	-	540,036	540,036
Corporations & other	3,839	-	-	3,839	3,839
Private debt fund	7,508	-	-	7,508	7,508
	415,101	136,282	-	551,383	551,383
Equity securities					
Common stocks	-	321	-	321	321
Preferred stocks	60,683	20,405	-	81,088	81,088
Investment fund units	33,959	228	-	34,187	34,187
	94,642	20,954	-	115,596	115,596
Mortgages					
Insured residential	-	-	37,882	37,882	38,260
Other residential	-	-	41,313	41,313	41,080
Commercial	-	-	100,251	100,251	100,541
	-	-	179,446	179,446	179,881
Other invested assets	-	-	1,489	1,489	1,489
Policy loans	-	-	11,620	11,620	11,620
	524,251	157,236	192,555	874,042	874,477

(in thousands)

Carrying Value and Fair Value

	2020				
	Designated at fair value through profit or loss	**Available- for-sale**	**Loans & receivables**	**Total**	**Fair value**
	$	**$**	**$**	**$**	**$**
Cash and cash equivalents	5,545	-	-	5,545	5,545
Debt securities					
Government	433,459	145,724	-	579,183	579,183
Corporations & other	5,997	-	-	5,997	5,997
Private debt fund	526	-	-	526	526
	439,982	145,724	-	585,706	585,706
Equity securities					
Common stocks	-	262	-	262	262
Preferred stocks	54,131	18,711	-	72,842	72,842
Investment fund units	21,151	151	-	21,302	21,302
	75,282	19,124	-	94,406	94,406
Mortgages					
Insured residential	-	-	24,829	24,829	21,834
Other residential	-	-	39,449	39,449	38,722
Commercial	-	-	103,534	103,534	98,705
	-	-	167,812	167,812	159,261
Other invested assets	-	-	1,299	1,299	1,299
Policy loans	-	-	11,548	11,548	11,548
	520,809	164,848	180,659	866,316	857,765

(in thousands)

5. RISK MANAGEMENT RELATING TO FINANCIAL INSTRUMENTS

The principal risks relating to financial instruments that the Group must manage are credit risk, liquidity risk and market risk (interest rate and stock market). The measures adopted by the Group to control each of these risks are outlined below.

Credit Risk

Credit risk is the risk that the Group will incur a financial loss if some of its debtors fail to fulfill their obligation to make payments when due. The Group, in the normal course of its activities, is exposed to that risk through credit granted to its clients, reinsurers and brokers, through credit in the form of mortgages and exposure through its various investment portfolios. The risk of credit concentration may also occur when there is a concentration of investments in entities with similar activities in the same geographic region or in the same sector of activity or when a significant investment is made with a sole entity.

Credit-risk management is conducted through the Group's investment policy and is applied to various means of investment and credit. Investments in debt securities must be selected after an analysis that considers geographic diversification, the type of issuer, average credit rating and maturity of securities. Limits are established for each of these factors.

The Group also has a specific credit policy for mortgages according to which a study must be conducted in order to determine a credit rating for the loan. To manage the risk of concentration, industry limits are established, some sectors are avoided and the loan amounts granted to one person or to one group are limited. Furthermore, loans must be guaranteed by residential or commercial buildings or by land held for subdividing purposes. The type of guarantee is based on the assessment of the degree of counterparty credit risk.

The conclusion of guarantee agreements is also a credit risk mitigation measure. The required amount and type of guarantee are based on the assessment of the counterparty credit risk. Guidelines have been established for the types of acceptable guarantees and related assessment parameters. Management examines the value of guarantees and requires additional guarantees, if needed.

Maximum Credit Risk

The table below summarizes the Group's maximum financial instrument credit risk. The maximum credit risk corresponds to the book value of assets, net of any provision for losses.

	2021	**2020**
	$	**$**
Cash and cash equivalents	14,508	5,545
Debt securities	551,383	585,706
Mortgages	179,446	167,812
Other invested assets	1,489	1,299
Policy loans	11,620	11,548
Reinsurance assets	288,074	281,891
Other receivables (note 7)	21,619	17,231
	1,068,139	1,071,032

ASSUMPTION MUTUAL LIFE INSURANCE COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands)

Year ended
December 31, 2021

Quality of the Debt Securities Portfolio

	2021	2020
	$	$
AA	364,103	381,227
A	179,635	203,953
BBB	137	-
Unrated	7,508	526
	551,383	585,706

Quality of the Preferred Equity Securities Portfolio

	2021	2020
	$	$
PF-1	1,375	-
PF-2	71,142	63,053
PF-3	8,571	9,789
	81,088	72,842

Loans in Arrears and Provisions for Losses

No mortgages are more than 31 days past due for the current year and the prior year.

(in thousands)

Provision for losses

	2021	2020
	$	$
Mortgage loans:		
Beginning of year	-	210
Increase in provisions for losses	-	(210)
End of year	-	-

Liquidity Risk

Liquidity risk is the risk that the Group cannot respond to all of its cash flow commitments as they reach maturity.

This risk is managed through matching of asset and liability cash flows and active management of funds. However, a certain level of liquidity is required to provide for contingencies such as asset repurchases or defaults.

Additional liquidities are available through credit lines, if needed.

The Group has commitments to customers for undisbursed approved mortgages. The following is the payment schedule for those loans:

	1-6 months	7-12 months	Over 1 year
	$	$	$
Undisbursed approved mortgages	11,556	-	-

The following tables show the carrying amount of financial instruments by maturity, as well as total fair value.

	2021						
	No maturity	Under 1 year	1 to 5 years	5 to 10 years	Over 10 years	Total	Fair value
	$	$	$	$	$	$	$
Cash and cash equivalents	14,508	-	-	-	-	14,508	14,508
Debt securities							
Government	-	-	2,413	50,501	487,122	540,036	540,036
Corporations & other	-	-	137	3,702	-	3,839	3,839
Private debt fund	7,508	-	-	-	-	7,508	7,508
	7,508	-	2,550	54,203	487,122	551,383	551,383
Equity securities							-
Common stocks	321	-	-	-	-	321	321
Preferred stocks	81,088	-	-	-	-	81,088	81,088
Investment fund units	34,187	-	-	-	-	34,187	34,187
	115,596	-	-	-	-	115,596	115,596
Mortgages							
Insured residential	-	3,204	2,163	21,903	10,612	37,882	38,260
Other residential	-	21,514	14,093	2,264	3,442	41,313	41,080
Commercial	-	35,037	31,940	31,406	1,868	100,251	100,541
	-	59,755	48,196	55,573	15,922	179,446	179,881
Other invested assets	-	1,017	-	472	-	1,489	1,489
Policy loans	11,620	-	-	-	-	11,620	11,620
Other receivables	21,619	-	-	-	-	21,619	21,619

(in thousands)

	2020						
	No maturity	**Under 1 year**	**1 to 5 years**	**5 to 10 years**	**Over 10 years**	**Total**	**Fair value**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Cash and cash equivalents	5,545	-	-	-	-	5,545	5,545
Debt securities							
Government	-	-	10,256	58,939	509,988	579,183	579,183
Corporations & other	-	-	-	2,711	3,286	5,997	5,997
Private debt fund	526	-	-	-	-	526	526
	526	-	10,256	61,650	513,274	585,706	585,706
Equity securities							
Common stocks	262	-	-	-	-	262	262
Preferred stocks	72,842	-	-	-	-	72,842	72,842
Investment fund units	21,302	-	-	-	-	21,302	21,302
	94,406	-	-	-	-	94,406	94,406
Mortgages							
Insured residential	-	3,338	2,916	7,535	11,040	24,829	21,834
Other residential	-	17,157	16,643	4,867	782	39,449	38,722
Commercial	-	28,605	49,009	25,920	-	103,534	98,705
	-	49,100	68,568	38,322	11,822	167,812	159,261
Other invested assets	-	233	-	1,066	-	1,299	1,299
Policy loans	11,548	-	-	-	-	11,548	11,548
Other receivables	17,231	-	-	-	-	17,231	17,231

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to variations in market factors. It consists of the following: interest rate risk and stock market risk.

Interest Rate Risk

Interest rate risk is present when asset and liability cash flows are not closely matched and interest rates fluctuate causing a difference in value between assets and liabilities. Due to the nature of an insurance company's activities, which is investing clients' premiums with the ultimate goal of paying benefits, the payment of which may be uncertain and far off, namely with regard to death benefits and annuity payments, interest rate risk must be managed properly.

The Group has matched its assets with its liabilities in order to minimize profit margin volatility caused by fluctuations between realized profits and profits credited to existing contracts. To manage matching requirements, financial assets and liabilities are distributed over business lines in order to match one business line's assets with its liabilities. This matching is regularly analyzed and modified. The exchange of information among the actuarial department, finance department and investment managers along with the regular publication of credited rates are part of the process.

To further manage risk, matching is based on the characteristics of the products sold. For products that must provide fixed and highly predictable benefits, liabilities and assets with similar characteristics are matched, such as investments in fixed-income instruments. This results in some protection against fluctuating interest rates because any variation in the fair value of assets is compensated by a similar variation in the fair value of liabilities. Considering the investments available on the market, it is more difficult to perform this matching for liabilities with maturities of more than 30 years.

(in thousands)

Furthermore, the Group's policy is to achieve fairly complete matching. Thus differences in the durations of assets and liabilities must not exceed certain established parameters. That policy is intended to manage interest rate risk for liabilities with maturities later than those of the matched assets.

Projected asset and liability cash flows are used in the Canadian Asset Liability Method (CALM) to establish technical provisions. Asset cash flows are reduced to take into account possible losses due to insufficient return on assets. Reinvestment risk is assessed based on multiple interest rate scenarios (to take into account possible increases or decreases in rates).

Stock Market Risk

Stock market risk is the uncertainty associated with the valuation of assets arising from market fluctuations. The Group is exposed to that risk in various ways: through management fees calculated on the value of the assets being managed, by the expense resulting from the capital guarantee provided for some products and by the return on assets matched to equity and to actuarial liabilities. In order to mitigate this risk, the Group's investment policy provides for prudent investments in accordance with clearly defined limits.

Concentration risk

The following tables provide information on concentration risk for equity securities.

	2021		
	Investment funds units	Common Stocks	Preferred stocks
	$	$	$
Energy	-	34	11,951
Finance	-	94	58,676
Industrial	-	57	-
Utilities	-	15	10,461
Other	34,187	121	-
	34,187	321	81,088

	2020		
	Investment funds units	Common stocks	Preferred stocks
	$	$	$
Energy	-	23	9,059
Finance	-	73	53,823
Industrial	-	44	-
Utilities	-	16	9,960
Other	21,302	106	-
	21,302	262	72,842

(in thousands)

6. FAIR VALUE MEASUREMENT

Fair Value Hierarchy

A hierarchy of valuation techniques is used for assets and liabilities measured at fair value or for which fair value is disclosed in notes. The hierarchies include the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable to the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents information about the fair value of assets and liabilities based on the levels of input used:

	2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets measured at fair value	**$**	**$**	**$**	**$**
Cash and cash equivalents	14,508	-	-	14,508
Financial assets designated at fair value through profit or loss				
Debt securities	-	415,101	-	415,101
Equity securities	94,642	-	-	94,642
Financial assets available-for-sale				
Debt securities	-	136,282	-	136,282
Equity securities	20,954	-	-	20,954
Assets disclosed at fair value				
Mortgages	-	179,881	-	179,881
Other invested assets	-	1,489	-	1,489
Policy loans	-	11,620	-	11,620
	130,104	744,373	-	874,477
Liabilities measured at fair value				
Investment contract liabilities	-	22,011	-	22,011
	-	22,011	-	22,011

(in thousands)

	2020			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value	$	$	$	$
Cash and cash equivalents	5,545	-	-	5,545
Financial assets designated at fair value through profit or loss				
Debt securities	-	439,982		439,982
Equity securities	75,282	-	-	75,282
Financial assets available-for-sale				
Debt securities	-	145,724	-	145,724
Equity securities	19,124	-	-	19,124
Assets disclosed at fair value				
Mortgages	-	159,261	-	159,261
Other invested assets	-	1,299	-	1,299
Policy loans	-	11,548	-	11,548
	99,951	757,814	-	857,765
Liabilities measured at fair value				
Investment contract liabilities	-	20,645	-	20,645
	-	20,645	-	20,645

No transfers were made between level 1 and level 2 during the period.

7. OTHER ASSETS

	2021	2020
	$	$
Financial assets		
Insurance receivables:		
Policyholders	3,696	3,700
Reinsurers	6,404	7,542
Agents, brokers and intermediates	236	441
Accrued investment income	998	1,052
Accounts receivable	10,285	4,496
	21,619	17,231
Non financial assets		
Commissions and prepaid expenses	1,778	1,603
Income tax receivable	3,002	3
Other	25	106
	4,805	1,712
	26,424	18,943

(in thousands)

8. PROPERTY AND EQUIPMENT

Cost	**$**
As at December 31, 2020	6,588
Additions	459
Dispositions	-
Other changes	(503)
As at December 31, 2021	6,544
Accumulated depreciation	
As at December 31, 2020	3,091
Depreciation	784
Dispositions	-
Other changes	(503)
As at December 31, 2021	3,372
Carrying amount	
As at December 31, 2020	3,497
As at December 31, 2021	3,172

9. INTANGIBLE ASSETS

	Purchased software	Developed software	Technology projects under development	Client list	Total
	$	$	$	$	$
Cost					
As at December 31, 2020	1,937	15,020	1,577	2,169	20,703
Cost capitalized	354	373	764	-	1,491
Completed projects	-	-	(396)	-	(396)
Other changes	(302)	(1,235)	-	-	(1,537)
As at December 31, 2021	1,989	14,158	1,945	2,169	20,261
Accumulated amortization					
As at December 31, 2020	927	13,814	-	-	14,741
Amortization	422	233	-	-	655
Other changes	(302)	(1,235)	-	-	(1,537)
As at December 31, 2021	1,047	12,812	-	-	13,859
Carrying amount					
As at December 31, 2020	1,010	1,206	1,577	2,169	5,962
As at December 31, 2021	942	1,346	1,945	2,169	6,402

(in thousands)

10. LEASES

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

Right-of-use assets	**Office**	**Equipment**	**Software**	**Total**
Cost	**$**	**$**	**$**	**$**
As at December 31, 2020	1,744	17	452	2,213
Additions	115	-	-	115
Depreciation expense	(275)	(7)	(131)	(413)
As at December 31, 2021	1,584	10	321	1,915

Lease liabilities	**2021**	**2020**
	$	**$**
As at January 1st	2,949	2,989
Additions	115	290
Accretion of interest	103	126
Payments	(458)	(456)
As at December 31	2,709	2,949

The undiscounted contractual payments planned and required over the next years are as follows:

Year ended December 31	2022	$	414
	2023	$	240
	2024	$	297
	2025	$	424
	Thereafter	$	1,533

The lease liability relating to our rental contract for the premises of the head office expires on August 31, 2029. For Louisbourg Investments, the lease liability relating to the rental contract for the Moncton premises expires on December 31, 2022 and for the Halifax premises, on December 31, 2029. The lease agreement for Louisbourg Investments equipment expires on July 31, 2023. The lease agreements for Louisbourg Investments software expire on December 31, 2023 and December 31, 2024. For Tech Knowledge Solutions, the lease liability relating to the rental contract for the premises expires on December 31, 2027.

The following are the amounts recognized in the consolidated statement of income:

	2021	**2020**
	$	**$**
Depreciation expense of right-of-use assets	413	412
Interest expense on lease liabilities	103	126
Variable lease payments not included in the measurement of the lease liabilities	769	765
Total amount recognized in the consolidated statement of income	1,285	1,303

The Group estimates that it will incur future charges relating to the payment of variable rents in the amount of $5,149 during the lease term.

The Group has two lease contracts including extension options. These options are negotiated by management to provide flexibility in the management of the leased asset portfolio and to align with the Group's business needs. Management exercises significant judgment in determining whether these extensions options can reasonably be exercised. The undiscounted potential future rents relating to the periods following the exercise of the extension option dates not included in the term of the lease represent an amount of $3,838.

(in thousands)

11. SEGREGATED FUNDS NET ASSETS

	2021	2020
NET ASSETS	$	$
Investments:		
Debt securities	35,416	29,778
Equity securities	10,004	3,564
Pooled funds	891,217	841,200
Cash and term deposits	1,421	544
Accrued investment income	144	117
Other	1,354	1,598
	939,556	876,801
Liabilities	1,245	965
NET ASSETS	938,311	875,836

	2021	2020
	$	$
CHANGE IN NET ASSETS		
NET ASSETS – BEGINNING OF YEAR	875,836	820,754
Net contributions:		
Contributions	97,617	102,299
Withdrawals	(117,733)	(102,372)
	(20,116)	(73)
Investment income:		
Change in value of investments	48,083	32,633
Interest and dividends	51,324	37,419
	99,407	70,052
Management and administrative fees	(16,816)	(14,897)
NET ASSETS – END OF YEAR	938,311	875,836

(in thousands)

12. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS

Nature and Composition

The composition of the Group's insurance contract liabilities is as follows:

	2021		
	Insurance contract liabilities	**Reinsurance assets**	**Net**
	$	**$**	**$**
Individual insurance	693,895	(226,145)	467,750
Group insurance	86,437	(58,809)	27,628
Annuities and pensions	188,806	-	188,806
Other insurance contract liabilities	3,265	(3,120)	145
	972,403	(288,074)	684,329

	2020		
	Insurance contract liabilities	**Reinsurance assets**	**Net**
	$	**$**	**$**
Individual insurance	695,007	(220,729)	474,278
Group insurance	82,980	(56,305)	26,675
Annuities and pensions	181,096	(629)	180,467
Other insurance contract liabilities	3,943	(4,228)	(285)
	963,026	(281,891)	681,135

Change in insurance contract liabilities and reinsurance assets

The change for the year is explained as follows:

	2021		
	Insurance contracts	**Reinsurance assets**	**Net**
	$	**$**	**$**
Balance, beginning of period before other insurance contract liabilities	959,083	(277,663)	681,420
Change in balances of in-force policies	(11,073)	6,958	(4,115)
Balances arising from new policies	17,653	(8,305)	9,348
Method and assumption changes	3,475	(5,944)	(2,469)
Increase (decrease) in insurance contract liabilities and reinsurance assets	10,055	(7,291)	2,764
Balance before the following:	969,138	(284,954)	684,184
Other insurance contract liabilities	3,265	(3,120)	145
Total insurance contract liabilities and reinsurance assets	972,403	(288,074)	684,329

(in thousands)

	2020		
	Insurance contracts	Reinsurance assets	Net
	$	$	$
Balance, beginning of period before other insurance contract liabilities	867,249	(241,715)	625,534
Change in balances of in-force policies	67,398	(28,534)	38,864
Balances arising from new policies	14,910	(6,921)	7,989
Method and assumption changes	9,526	(493)	9,033
Increase (decrease) in insurance contract liabilities and reinsurance assets	91,834	(35,948)	55,886
Balance before the following:	959,083	(277,663)	681,420
Other insurance contract liabilities	3,943	(4,228)	(285)
Total insurance contract liabilities and reinsurance assets	963,026	(281,891)	681,135

Principal changes to actuarial methods and assumptions relating to the insurance contract liabilities net of reinsurance are detailed as follows:

	2021	2020
	$	$
Mortality	1,253	(798)
Morbidity	120	(558)
Interest	(2,391)	10,590
Lapses	(104)	468
Expense	(1,149)	281
Other (dividends, data)	(198)	(950)
Total	(2,469)	9,033

13. INVESTMENT CONTRACT LIABILITIES

	2021	2020
	$	$
Balance, beginning of period	20,645	20,310
Deposits	5,516	3,981
Interest	318	320
Withdrawals	(4,468)	(3,966)
Increase in investment contract liabilities	1,366	335
Total investment contract liabilities	22,011	20,645

(in thousands)

14. INSURANCE RISK

The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments, or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The concentration of risk is managed by using reinsurance to limit the Group's risk in regard to each of its insureds and in order to stabilize its results. Maximum amounts of benefits varying by activity sector are established for life and health insurance. The Group also possesses reinsurance treaties that cover financial losses related to multiple settlement requests that could occur following catastrophic events that would include multiple insureds.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. Each year, the Group ascertains that its reinsurers' capitalization exceed the minimum levels required by the regulatory authorities.

Insurance Contracts

Life insurance contracts offered by the Group include: individual whole life insurance, individual and group term insurance and individual and group annuities.

Life insurance contracts are contracts for which the insurer receives premiums in exchange for benefits that will be paid at the death of the policyholder or lapse of the policy.

Annuity contracts are expressed in the form of an annuity payable at a specified age in exchange for premiums. If death occurs before retirement, contracts generally return the value of the fund accumulated for deferred annuities. Most contracts give the policyholder the option at retirement to take a cash sum amount or a guaranteed conversion rate allowing the policyholders the option of taking a payable annuity.

Single premium annuities are products that pay a specified payment to a policyholder. Payments are generally either fixed or increased each year at a specified rate or in line with the rate of inflation. Most contracts guarantee an income for a minimum period, or are transferable to a spouse at a specified percentage, at the time of death.

Deferred annuities are contracts that bear a guaranteed interest rate usually for a period equal to or less than five years. These contracts waive market value adjustment until death of the policyholder.

Cash outflows related to insurance contract liabilities net of reinsurance are illustrated as follows:

	Under 1 year	1 to 5 years	5 to 10 years	Over 10 years	Total
Individual insurance	(12,206)	(4,735)	53,561	968,887	1,005,507
Group insurance	11,017	9,951	6,857	7,039	34,864
Annuities and pensions	55,882	77,379	29,037	66,324	228,622

(in thousands)

The main risks that the Group is exposed to are as follows:

- Mortality risk - risk of loss due to policyholder death experience being different than expected
- Morbidity risk - risk of loss due to policyholder health experience being different than expected
- Longevity risk - risk of loss due to the annuitant living longer than expected
- Investment return risk - risk of loss due to actual returns being different than expected
- Expense risk - risk of loss due to expense experience being higher than expected
- Policyholder decision risk - risk of loss due to policyholder decision (lapses and surrenders) being different than expected

Sensitivities

The analysis that follows is performed for reasonably possible changes in key assumptions with all other assumptions held constant, showing the impact on profit after tax. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, these had to be changed on an individual basis. It should be noted that changes in these assumptions are non-linear.

		After-tax income impact	
Assumption	**Change**	**2021**	**2020**
	$	**$**	**$**
Mortality - life insurance products	+2%	(1,863)	(2,122)
Mortality - annuity products	-2%	(397)	(363)
Morbidity	5% adverse	(2,053)	(1,885)
Expenses (contracts maintenance)	+5%	(2,025)	(2,093)
Policy termination rates	10% adverse	(12,457)	(12,019)
Interest			
Immediate parallel shift at all points on yield curve	+100 bps	3,787	6,296
	-100 bps	(4,800)	(7,272)
Segregated funds and equity securities			
Immediate change in market value	+10%	1,241	426
	-10%	(1,694)	(1,775)

15. OTHER LIABILITIES

	2021	**2020**
	$	**$**
Financial liabilities		
Insurance payable:		
Policyholders	14,352	13,285
Reinsurers	5,025	4,238
Agents, brokers and intermediates	1,221	979
Suppliers and other charges	9,077	8,083
Other	4,064	1,713
	33,739	28,298
Non financial liabilities		
Income tax	-	1,937
	33,739	30,235

(in thousands)

16. EMPLOYEE BENEFIT PLANS

Information about the Group's defined benefit pension plans is as follows:

	2021	2020
	$	$
Changes in defined benefit obligation:		
Balance at beginning of year	90,466	77,814
Current service cost	2,352	1,967
Employees' contributions	627	645
Interest cost	2,392	2,534
Benefits paid	(2,914)	(2,499)
Actuarial losses (gains) resulting from experience adjustments	437	(246)
Actuarial losses (gains) resulting from changes in financial assumptions	(7,147)	10,251
Balance at end of year	86,213	90,466
Changes in plan assets:		
Fair value at beginning of year	75,319	69,556
Employer's contributions	1,495	2,688
Employees' contributions	627	645
Return on plan assets	4,027	4,929
Benefits paid	(2,914)	(2,499)
Fair value at end of year	78,554	75,319

The amounts recognized in the consolidated statement of financial position are as follows:

	2021	2020
	$	$
Present value of the defined benefit obligations	86,213	90,466
Fair value of plan assets	(78,554)	(75,319)
Pension plan liability	7,659	15,147

Re-measurement effects recognized in other comprehensive income:

	2021	2020
	$	$
Actuarial gains (losses) of defined benefit obligations		
Experience adjustments	(437)	246
Changes in financial assumption	7,147	(10,251)
Return on plan assets greater than discount rate	2,078	2,689
Total effect in other comprehensive income	8,788	(7,316)

(in thousands)

The Group's net pension plan expense is computed as follows:

	2021	2020
	$	$
Current service cost	2,352	1,967
Net interest on the defined benefit liability	444	293
	2,796	2,260

Employee benefit liability on the consolidated statement of financial position comprises the following:

	2021	2020
	$	$
Group insurance benefits liability	718	753
Pension plan liability	7,659	15,147
	8,377	15,900

Plan members contribute 7.5% (7.5% in 2020) to their retirement plan. The Group makes the necessary residual contributions to the plans. The Group finances the plans in such a way as to constitute defined benefits according to the plan provisions. The value of these benefits was established by the latest actuarial valuation, dated December 31, 2020 for the Assumption Mutual Life Insurance Company Agent and Employee Pension Plan ("AML"). The average remaining service periods of the active employees covered by the AML pension plan is 16 years (17 years in 2020). The average remaining service periods of the active employees covered by the other retirement benefit plans are the same as for the pension plans.

The Group's best estimate of expected payments for the pension plans for the year ending December 31, 2022, is $1,558.

The pension fund monies are invested in the following segregated funds:

	2021	2020
	$	$
Assumption Life Pension Plan Fund	77,520	74,434
Cash	1,034	885
	78,554	75,319

Assumption Life Pension Plan Fund

The Assumption Life Pension Plan Fund (the "Pension Plan Fund") is a segregated fund established by Assumption Life. The overall objective of the Pension Plan Fund is to generate a net rate of return, after management fees, that is more than the annual increase in the Consumer Price Index, discounted at the average yearly compound rate over a period of four years.

The Pension Plan Fund portfolio consists of a mix of cash (2.9%), Canadian bonds (38.2%), infrastructure debt (9.0%), Canadian equities (13.7%), foreign equities (17.6%), and alternative investments (18.6%). The Pension Plan Fund is eligible as a registered retirement savings plan under the *Income Tax Act of Canada* .

(in thousands)

Actuarial assumptions utilized to determine the defined benefit obligation

	2021	2020
	%	%
Discount rate	3	2.60
Rate of compensation increase	3.25 to 3.75	3.25 to 3.75
Mortality rate	CPM2014, MI-2017	CPM2014, MI-2017

Sensitivity analysis

Valuation of the defined benefit obligation under the defined benefit plans is sensitive to the preceding actuarial assumptions. The following table summarizes the impact on the defined benefit obligation at year end if a change of 1% in the actuarial assumptions arises.

	2021	
	+ 1%	- 1 %
Discount rate	(14,762)	19,535
Rate of compensation increase	2,368	(2,167)
Mortality rate	(154)	156

Defined contribution plan

As of July 1, 2014, the Group stopped offering the defined benefit plan to new employees and is now offering a defined contribution plan providing pension benefits. The Group's contributions to the defined contribution plan are not included in the cost recognized for the defined benefit plans above. The total cost recognized for the Group's defined contribution plan is $457 for the year ended December 31, 2021 ($392 in 2020).

17. BORROWINGS

The Group has an authorized credit line totalling $150 bearing interest at the bank’s base rate plus 1.05%. This bank loan is renewable annually, is not guaranteed and was undrawn as at December 31, 2021.

(in thousands)

18. TAXES

Income tax expense consists of the following:

	2021	2020
	$	$
Current income taxes	3,453	1,582
Prior year adjustments	218	(16)
Deferred income taxes	(1,089)	417
	2,582	1,983

The effective income tax rate in the consolidated statement of income differs from the Group's statutory tax rate, mainly as a result of the following:

	2021		2020	
	$	%	$	%
Income tax at statutory rate	3,344	27.3	2,829	27.4
Increase (decrease) in the tax rate resulting from:				
Non taxable investment income	(985)	(8.0)	(1,000)	(9.6)
Differences in tax rates in other provincial jurisdictions	(6)	-	100	1.0
Prior year adjustments	218	1.7	(16)	(0.2)
Other	11	0.1	70	0.6
	2,582	21.1	1,983	19.2

The Group's deferred tax liabilities (deferred tax assets) arise from the following items:

	2021	2020
	$	$
Property and equipment and intangible assets	1,300	1,391
Insurance contracts	(892)	(520)
Debt securities	-	17
Employee benefit plans	(2,317)	(4,359)
Ontario Deferred Tax Credit	(658)	(355)
Other	(124)	44
	(2,691)	(3,782)
Deferred tax assets	(3,316)	(4,456)
Deferred tax liabilities	625	674
	(2,691)	(3,782)

(in thousands)

19. ADDITIONAL INFORMATION ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

Cash flows related to operating activities include the following:

	2021	2020
	$	$
Interest received	8,027	8,360
Income taxes paid	8,610	8,101
Dividends paid	507	33
Dividends received	4,214	3,700

Cash flows related to financing activities include the following:

	2021	2020
Interest paid on financing	60	50

20. CONTINGENCIES

In its normal course of business, the Group is occasionally named as a defendant in legal proceedings. While it is not possible to anticipate the outcome of such proceedings, the Group does not expect that it will incur significant losses or need to commit significant amounts to such actions.

21. COMMITMENT

As a member of Assuris, the Group incurs, and will likely incur in the future, certain costs in connection with the operations of Assuris. Assuris is responsible for indemnifying policyholders in the event that a life insurer's operations is wound up.

Assuris annually assesses life insurers on the basis of a five-year average of annual premiums and the assessments are charged to income in the year they are incurred. The Group has agreed to provide Assuris with a credit facility which can be drawn upon, at Assuris' option, should the need arise.

22. NET PREMIUMS

	2021			2020
	Gross premiums	Premiums ceded	Net premiums	Net premiums
	$	$	$	$
Individual insurance	71,549	(18,873)	52,676	53,520
Group insurance	58,730	(16,101)	42,629	41,683
Annuities and pensions	39,260	-	39,260	26,582
	169,539	(34,974)	134,565	121,785

(in thousands)

23. NET BENEFITS AND CLAIMS PAID

	2021			2020
	Gross benefits and claims paid	Claims ceded to reinsurers	Net benefits and claims paid	Net benefits and claims paid
	$	$	$	$
Individual insurance	40,865	(17,423)	23,442	23,712
Group insurance	40,550	(12,532)	28,018	22,797
Annuities and pensions	33,466	-	33,466	40,468
	114,881	(29,955)	84,926	86,977

24. FEE AND COMMISSION INCOME

	2021	2020
	$	$
Policyholder administration and investment management services	20,142	19,317
Surrender charges and other contract fees	2,534	2,142
Reinsurance commission income	1,554	1,600
	24,230	23,059

25. INVESTMENT INCOME

	2021	2020
	$	$
Interest on cash and cash equivalents	82	247
Interest on debt securities designated at fair value through profit or loss	390	424
Interest on available-for-sale debt securities	3,848	3,692
Dividends on equity securities designated at fair value through profit or loss	4,199	3,700
Interest on mortgage loans and other invested assets	6,984	7,062
Interest on policy loans	523	563
	16,026	15,688

(in thousands)

26. REALIZED GAINS AND LOSSES FROM AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2021	2020
	$	$
Realized gains		
Equity securities	559	-
Debt securities	967	3,000
	1,526	3,000

27. FAIR VALUE GAINS AND LOSSES

	2021	2020
	$	$
Financial assets at fair value through profit or loss	(9,038)	54,623
	(9,038)	54,623

28. FEE AND COMMISSION EXPENSES

	2021	2020
	$	$
Fee expenses	1,373	1,278
Commission expenses	21,367	19,737
	22,740	21,015

29. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	2021	2020
	$	$
Administrative expenses		
Salaries and employee benefits expense	27,006	24,529
Depreciation of property and equipment (note 8)	784	847
Amortization of intangible assets (note 9)	655	784
Depreciation of right-of-use assets (note 10)	413	412
Professional and consultant fees	7,944	5,731
Other	4,611	4,361
	41,413	36,664
Other operating expenses		
Premium taxes	2,515	2,558
Investment expenses	2,862	2,792
Other	51	214
	5,428	5,564

(in thousands)

30. CAPITAL MANAGEMENT

With regard to capital management, the Group ensures that equity is always sufficient to maintain the Group's security and stability. Furthermore, it ensures that the return on capital meets the expectations of policyholders entitled to share in the Group's profits. The Group also ensures compliance with the requirements established by the Office of the Superintendent of Financial Institutions of Canada (OSFI).

Moreover, each year the valuation actuary projects the expected results of the Group according to its business plan. This analysis, called the Dynamic Capital Adequacy Testing (DCAT), is presented to the Board of Directors and filed with the regulatory authorities. The purpose of this analysis is to make sure the Group has enough capital to successfully go through the next few years and face unexpected outcomes.

This exercise considers many unfavorable scenarios in order to test the financial strength of the Group. Given the diversity of the Group's lines of business, this analysis shows that no element of exposure taken separately has any significant impact on its solvency. Also, the combination of these elements to different degrees does not jeopardize the solvency of the Group.

Regulatory requirements and solvency ratio

The regulatory authorities require life insurance companies in Canada to maintain a minimum capitalization ratio in order to carry on business activities. In reference to the guideline imposed by OSFI, the Group maintains a ratio above the supervisory target total ratio of 100%. As of December 31, 2021, the Group's ratio is 156% (166% in 2020).

A ratio of 156% means that the Group has sufficient capitalization to face unexpected negative results of approximately $78.8 million ($86.9 million in 2020) while being able to meet the minimum requirement.

The table below shows the Group's solvency ratio:

Regulatory capital

	2021	**2020**
Available capital according to requirements	$220,740	$218,021
Required capital	$141,896	$131,115
Solvency ratio	156%	166%

31. RELATED PARTY TRANSACTIONS

Related parties include directors, executives and their affiliates.

Compensation of key management personnel

Key management personnel of the Group includes all directors, executive and non executive, and senior management. The summary of compensation of key management personnel for the year is as follows:

	2021	**2020**
	$	**$**
Salaries and other short-term employment benefits	4,970	4,752
Fees	500	505
Post employment pension benefits	533	397
	6,003	5,654

32. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform to the presentation adopted for the year ended December 31, 2021.

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