

# 2022

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 national award that we have received for our culture goes to our employees who stand out by their initiatives, team spirit and collaboration. I am convinced that the accomplishments and results we have achieved over the past two years are directly linked to the transformation of our internal culture. Assumption Life is proud to provide its people with a positive environment where each person can reach his or her full potential.*”

- **Sébastien Dupuis, Assumption Life CEO,**  
on the Corporate Award of Merit presented by  
Human Synergistics International.



# 2022 Summed Up: Achievements

The past year has been filled with many achievements that have been reflected in our unwavering commitment to our clients, partners and communities.

On the front lines, our employees have contributed substantially to our goals and have successfully led the progress made in transforming our organizational culture through their leadership, commitment, collaboration and trust.

In turn, these collective achievements in creating a work environment that is conducive to a positive culture have already led to positive impacts across all our business lines. The innovation and creativity shown by our teams have increased efficiency at all levels.

Our people continue to step up with enthusiasm to support various causes and initiatives. Our volunteers shine through their exceptional contribution, which makes a real difference in our communities.

All in all, these achievements in all areas of our Company fill us with confidence for the future.

# Our Highlights of the Year

## Our First Guaranteed Issue Solution

*"Over the past year, we have developed a competitive and comprehensive range of simplified issue solutions, including coverage options for clients with medical conditions, or who may even have been declined in the past. The objective is to offer advisors and clients the best solution when other simplified issue coverage is not possible."*



## Pan-Canadian Investment and Retirement Tour

*"Our team organized the Company's first pan-Canadian tour. The success we have had with this tour has allowed us to strengthen our ties with advisors, thereby ensuring the financial security of Canadians."*

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

## Introduction of a Biosimilar Drug Program in Group Insurance

*"This new service offering is meant to cater to our clients' evolving needs, while taking into account the current economic situation, and positions us as a pioneer in the industry. In addition to improving access to medication that is prescribed exceptionally, this program allows for sound cost management and affordable coverage for our clientele."*

- **Marie-Claude Thibodeau**, Vice President, Actuarial and Product Development



## Capitalize on our Teams to Achieve our Goals

*"In 2022, the Information Technology department experienced several major changes beginning with a staff restructuring. This transformative period has allowed us to get the wind in our sails and strengthen our focus on service quality and delivery of important strategic initiatives while continuing our evolution towards an IT Center of Excellence."*

- **Tony McLaughlin**, Vice President, Chief Information and Technology Officer



## New Accounting Standards

*"The year 2022 marks the completion of our efforts to make the transition to the new international accounting standards IFRS 9 and 17. This represents a major transformation in the presentation of industry financial statements and a necessary, as well as important, step for us."*

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



## An Organizational Culture on the Path to Success

*"Proud of our history and driven by our desire to live our corporate values even more, we are actively working to create a work environment that is conducive to the emergence of an optimal organizational culture for the engagement and mobilization of all our employees."*

- **Réjean Boudreau**, Vice President, Client Experience



# A Year Focused on Achievements

## Message from the CEO

**The year 2022 has been full of achievements reflected in our unwavering commitment to our clients, partners and communities.**

### Transforming our Organizational Culture

Our pride lies first and foremost with our employees who have contributed substantially to our many objectives throughout the year. On behalf of the management team, I would like to recognize the excellent progress made in transforming our organizational culture to adopt more constructive approaches and methods in our daily interactions. Our collective effort to build an environment that fosters a positive culture has led to the remarkable results highlighted in this Report, and we look to the future with optimism.

I also want to thank our employees, at all levels, for their leadership for being ambassadors in our efforts to adopt this new culture for Assumption Life, which won us the Corporate Award of Merit and the Transformation Award presented by Human Synergistics International. Congratulations to all our teams for their exceptional commitment to the success of their colleagues, our clients and our partners.

### Our Culture, a Source of Accomplishment

We are proud to see that the progress we have made in our internal cultural transformation has already led to great achievements for our business lines.

Indeed, in an effort to improve on a continuous basis, our individual insurance teams have shown creativity and innovation by reviewing their work processes with the aim of increasing the level of efficiency, which has led to exceptional results. In addition, adding a guaranteed issue solution to our line of simplified products represents another way to offer comprehensive and competitive solutions to meet our clients' specific needs.

In Investments and Retirement, our teams organized a pan-Canadian Tour, a first for our Company, in order to meet advisors and present our offering. The success achieved with this Tour will allow our Company to solidify and build relationships with advisors, thereby ensuring the financial security of Canadians, who will benefit from our competitive products. I would also like to highlight the strong performance of several funds, as well as the launch of ten new funds. These achievements allow us to further diversify our offering and thus better meet the multiple needs of our clients and partners.

The year 2022 was also marked by innovation as we pursue our efforts consistently, with discipline, to improve the experience on our platforms, such as Vesta which remains a great example of what sets Assumption Life apart in the industry.

In group insurance, the launch of the Maple telemedicine platform represents a highlight of the past year.

As for our subsidiaries, Lavvi, previously known as Tech Knowledge Solutions, has launched its new brand identity. This transformation better reflects its expertise in the insurance sector and in its new market.

Louisbourg Investments' funds had an exceptional year in terms of performance. The team's expertise and investment discipline have allowed the subsidiary to weather market volatility and turn it into an opportunity for change and adjustment.

These accomplishments would not have been possible without the sound management of our finances. We are very proud to announce that, for the 23rd consecutive year, the agency A.M. Best has given the Company the rating of A- (Excellent). This outstanding achievement is a testament to our financial strength as well as to our excellent level of capitalization year after year.

2022 also marks the best financial year in our 120-year history. The achievement of this historical record is due in large part to our clients, partners and communities who inspire us daily to achieve more.

## Supporting our Communities

Our people continue to step up with enthusiasm and shine through their exceptional contribution, which makes a real difference. Members of the Assumption Life family have contributed exponentially to the success of our various communities with nearly 1,200 volunteer hours. Through our Corporate Social Responsibility Program, we continue to financially support over 100 causes and initiatives.

Finally, we have officially welcomed a new member in our family: our ambassador, Kamylle Frenette. Kamylle is a Paralympic triathlete from Dieppe, New Brunswick, who embodies the values of determination, motivation, inspiration and inclusion. In 2022, she finished on the podium on four occasions, including a bronze medal at the World Paratriathlon Championships in Abu Dhabi. We are proud to support Kamylle on her journey towards her ultimate goal, which is to participate in the Paris Paralympic Games in 2024.

## Looking Towards the Future

Our teams have done remarkable work in developing our 2023-2025 Strategic Plan. With a focus on experience, distribution and efficiency, our teams have a clear direction that will lead our Company to success for the years to come.

Our new strategic plan, supported by our transformed organizational culture, our exceptional people, as well as our valued partners and communities, are the cornerstone of Assumption Life. Building on its solid performance and financial results from the past year, Assumption Life continues to establish an enviable position in our competitive sector.

I would like once again to thank everyone who contributed directly or indirectly to the achievements of the past year. Thank you to our employees, board of directors, management team, partners, clients and communities.

Together, we are making a real difference. Assumption Life is now positioned for an even brighter future.



**SÉBASTIEN DUPUIS, CPA, CA**  
President and CEO



# 2022 at a Glance

## JANUARY

Launch of our first guaranteed issue solution

## APRIL

Inauguration of the Assumption Life Social Media Lab at the Université de Moncton

Launch of Maple

## FEBRUARY

Best financial result in our history - AGM 2021

Named one of Atlantic Canada's Top Employers for 2022

## JUNE

Kamylle Frenette official Assumption Life ambassador



KEY EVENTS



COMMUNITY INVOLVEMENT



### AUGUST

\$100,000 raised for ACRI at our annual golf tournament

Presenting sponsor of the Acadie Rock Festival

Participation at the River of Pride Walk

### NOVEMBER

\$10,500 employee donation to the Tree of Hope campaign

A.M. Best A- (Excellent) rating for the 23<sup>rd</sup> consecutive year  
Pan-Canadian Investment and Retirement tour

### JULY

Official partner of the 100<sup>th</sup> anniversary celebration of the Grand-Pré Memorial Church

### SEPTEMBER

Inauguration of the Wabanaki Conference Room with artist, Brian J. Francis

### DECEMBER

Acquisition of a Canadian portfolio from a U.S. company

# Financial Highlights

\$1.9	\$12.1	\$206
BILLION	MILLION	MILLION
Assets under management	Profit attributable to policyholders	Premium income

131%

Solvency ratio as of December 31, 2022

\$157

MILLION

Policyholders' equity

Our consolidated financial statements can be found at the end of this report or on our website at [www.assumption.ca](http://www.assumption.ca).

**A-** (Excellent) from A.M. Best for the 23<sup>rd</sup> 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



# Board of Directors



**Ivan Toner**  
ICD.D  
Chairman of the Board of Directors  
President,  
MelamTech  
Consulting



**Sébastien Dupuis**  
CPA, CA  
President and CEO,  
Assumption Life



**Yvon Fontaine**  
B.Sc.Soc, LL.B,  
LL.M  
Vice President  
of the Board of  
Directors  
Company Director



**Geneviève Laforge**  
LL.B, ASC  
Corporate Secretary  
and Senior  
Legal Counsel.  
Assumption Life



**Alain Bossé**  
President & Chief  
Operating Officer,  
Groupe Savoie



**Lise Casgrain**  
MBA, ICD.D  
Company Director



**Marc Landry**  
CPA, CMA  
Vice-president,  
IT & Logistics,  
Major Drilling



**Adrienne Oldford**  
Executive Director,  
McKenna Institute



**Steven Ross**  
Company Director

# Senior Management



**Sébastien Dupuis**  
CPA, CA  
President and CEO



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



**Marie-Claude Thibodeau**  
ASA, AICA  
Vice President  
Actuarial and  
Product  
Development



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



**Réjean Boudreau**  
B.B.A.  
Vice President,  
Client Experience



**Tony McLaughlin**  
B.Sc  
Vice President,  
Chief Information  
and Technology  
Officer

# A Year of Positive Change

## A Word from the Chairman of the Board

**I am very pleased to give you, in a few words, an overview of my first year as Assumption Life's Chairman of the Board of Directors. It has been a busy year in many ways and I have had the privilege of working closely with people who are committed and determined to making a difference. The strong collaboration and the efforts to meet and even exceed certain goals have allowed us to surpass expectations and position ourselves exceptionally for the future.**

One of the major projects in our sights has been transforming our organizational culture. This focus area, which was launched two years ago, has seen remarkable progress over the past twelve months. Our teams are focusing on everyone's leadership for more collaboration within a structure that allows for better conversations and decisions. In turn, our employees feel more fulfilled and the impact is felt within a work environment where trusting relationships can be built.

This culture benefits our teams, partners, advisors, and communities. Our renewed approach allows us to take our client service to new heights, better cater to present needs and make a difference.

This exceptional transformation was also recognized with the Corporate Award of Merit presented by Human Synergistics International, a national award that highlights the constructive nature of our organizational culture. Furthermore, Assumption Life has been recognized as one of Atlantic Canada's Top Employers for the 3<sup>rd</sup> year in a row. Our employees are our most valuable resource and our efforts to transform our internal culture provide them with an improved workplace to thrive even more.

In addition to improving our workplace, our organizational transformation has had a concrete effect on our Company's performance. The year 2022 represents an important milestone for our Company and the financial results achieved have allowed Assumption Life to experience one of the most remarkable years in its history. A large part of this accomplishment is based on the collective efforts of our people to improve work processes and ways of doing business, which is greatly admired by the members of the Board of Directors. Such momentum is tangible and we are committed to capitalizing even more on this exceptional level of motivation.

Meanwhile, the next year will mark the beginning of our journey in implementing our new 2023-2025 Strategic Plan. We are proud of this new vision for our future and have the unanimous support of our board. This Plan was built on our learnings from the pandemic as well as from the experience and momentum of the past two years. The Plan also reflects our internal journey to apply and live our new culture, which will result in the growth of our Company. This essential tool to guide our future is centered on three pillars: *experience*, *distribution* and *efficiency*. These will be supported by our people, processes and technology.

With the support of Assumption Life team members, we will propel our growth and distinguish ourselves through the experience we offer to our distributors, advisors and clients. Such a unique experience will be enhanced by Assumption Life's technological tools and the Company's desire to seek efficiency in order to facilitate transactions.

On that note, I wish to thank all the members of the Assumption Life team who have made this plan a reality and contributed to an exceptional year. I also wish to underline the excellence of my colleagues on the board as well as the tireless work of the management team and employees. Leadership, collaboration, trust and commitment guide us on the road to making a real difference for our clients and partners who can count on us to achieve financial security.



**IVAN TONER**

Chairman of the Board of Directors



# Kamylle Frenette :

## Assumption Life Ambassador

As a pharmacist, a Paralympian, a triathlete, an individual who is passionate about life and a new member of our extended family, Kamylle personifies the values of commitment, leadership and trust, which are deeply rooted in the DNA of the Company.

Her personal story and her desire to excel are a source of inspiration for all. This is why we are delighted to support her in her journey towards the 2024 Paralympic Games in Paris.

**Faster, Higher, Stronger—Together**

### 2022 Achievements:

- Pharmacy graduate from Dalhousie University
- Four podiums at the World Paratriathlon Championships:
  - Bronze medal in Besançon, France
  - Bronze medal in La Coruña, Spain
  - Silver medal in Montréal, Québec
  - Bronze medal in Abu Dhabi, United Arab Emirates
- Canadian Female Paratriathlete of the Year



# 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 special guest, artist Brian Francis, at the inauguration of our "Wabanaki" or "People of the Dawn" room, where artwork made by First Nations artists are on display.



Our golf tournament in support of the Atlantic Cancer Research Institute raised \$100,000, for the second year in a row, thanks to the support of our community.



Our recipient of the Fernand-J. Landry 2022 Scholarship, in the amount of \$10,000, is Elise Godin.



Assumption Life team at our 2022 Acadie Rock Festival booth.

## 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.

**1 200 HOURS OF VOLUNTEER WORK**

by our employees



More than **100 ORGANIZATIONS AND INITIATIVES** received donations



**5% OF THE COMPANY'S NET PROFIT**

## INVOLVEMENT IN SEVERAL SECTORS



HEALTH



EDUCATION



SPORT



SOCIO-ECONOMIC



ARTS AND CULTURE

**28 ASSUMPTION LIFE FOUNDATION SCHOLARSHIPS**



**4 SCHOLARSHIPS** awarded to educational institutions

**24 SCHOLARSHIPS** awarded to students

# Our Employees at the Heart of our Commitment



# Assumption Life Honours its Employees who have Contributed to its Success!

Congratulations to all 2022 recipients. And thank you to all the members of our great family for their commitment.



**President's Award  
for Excellence**

Lucie LeBlanc



**Leadership  
Award**

Joceline Follett



**Culture  
Award**

Jennifer Ryan



**Recruit of the  
Year Award**

Joshua Vautour



**Volunteer  
Award**

Brandon Haché



**Excellence  
Award**

Jean Luc Gauvin



**Excellence  
Award**

Kristine Cassidy



**Excellence  
Award**

Mario Haché



**Excellence  
Award**

Samuel Charron



PLACEMENTS  
**LOUISBOURG**  
INVESTMENTS

# A Strong Year 2022 for Louisbourg Investments

**A strong year 2022 for Louisbourg Investments, a subsidiary of Assumption Life. Here are some of the highlights for the year 2022:**

**“** *Despite the challenges involved with absolute returns, the year 2022 was one of our best years in terms of relative returns with significant added value across all of our major investment strategies. Our returns were also strong in comparison with the industry. All of our major strategies rank in the 1st quartile for 2022. Such success has allowed us to generate \$1.4 million in performance fees in 2022 with the Canadian Quantitative Fund and the Canadian Small Cap Equity Fund.”*

**- Luc Gaudet, President and CEO of Louisbourg Investments**

## **A Solid Performance**

Louisbourg Investments funds' performance in 2022 was strong. The team's expertise and investment discipline have allowed the subsidiary to weather market volatility and turn it into an opportunity for change and adjustment.

## **Imminent Move to Les Terrasses du Marché**

Louisbourg Investments is a proud partner of the GENERATION Fund, a commercial real estate fund focused on the acquisition and development of real estate in secondary Canadian markets. One of the fund's flagship projects is "Les Terrasses du Marché," a local and sustainable building in the heart of downtown Dieppe. Louisbourg Investments will soon be moving its team's offices to this location, which is a testament to its pride in local economic development and the development of its community.



# Lavvi in 2022

## Propelling Partnerships

**As a subsidiary of Assumption Life and key Insurtech in the digital distribution software market, Lavvi (formerly Tech Knowledge Solutions or TKS) has had an impressive year of transformation and new beginnings. Top Lavvi highlights include:**

### **Successful Rebrand from TKS to Lavvi**

The company formerly known as Tech Knowledge Solutions (TKS) successfully executed a full rebrand to a new chapter as Lavvi. This name better reflects their niche insurance industry expertise and new market. The revised bilingual company name honours their Acadian roots and brings deeper meaning to their mission with the implication of "the life".

### **Leveraging Proven Distribution Expertise**

Along with the rebrand, Lavvi's positioning has been better refined to demonstrate their over 15-year proven track record of digital insurance distribution expertise. No strangers to the life insurance industry, Lavvi has worked to better leverage their long history of delivery excellence selling insurance for their customers online. They complement their SaaS software offering with professional services and consulting expertise to help insurers better execute their distribution strategies.

### **Launching to New Markets**

In late 2022, following Lavvi's rebrand, the company launched to insurers in the Canadian and US markets using a highly strategic and targeted Account-Based Go-To-Market strategy. This ensures greater velocity and more sustainability as Lavvi works to expand their reach in North America.



“ 2022 was nothing short of a pivotal year to position ourselves for optimal market entry with our SaaS product. Looking ahead for 2023, we are committed to building a strong and sustainable momentum as a market leader in insurance distribution software and strategic expertise. We are leveraging the latest technologies and valuable insurance partnerships to create more efficient and customer-centric products and services. This can help our customers not only meet but exceed their business goals.”

**- Roddy Awad, Chief Executive Officer of Lavvi**



# Our Employees, our Pride

## Head office, Louisbourg Investments and Lavvi employees

### Assumption Life

Aboubacar Oumarou Sandi,  
Adamou  
Agnew, Scott Kevin  
Aka, Yves-Roger  
Allain, Jérémy  
Allain, Keith  
Allain, Michel  
Allain, Nadine  
Amberman, Shawn  
Anjorin, Kamal  
Arsenault, Ashley  
Arsenault, Denis  
Arsenault, Jasmine  
Arsenault, Michelle  
Arsenault, Sophie  
Arsenault, Sylvie  
Audet, Daniel  
Beefeya, Shalini Divya  
Beeharry, Soumedha Devi  
Bélanger, André  
Belliveau, Marc  
Belliveau, Sylvie  
Benoit, Eric  
Bergevin, Mandy  
Berry, Suzanne  
Berthe, Rene  
Birba, Gloria  
Blanchet, Normand  
Bordage, Lisa  
Borris, Chantal  
Bossé, Christine  
Bossé, Luc  
Bossé, Véronique  
Bouchard, Pierre-Luc  
Boucher, Stéfany  
Boudreau, Marc  
Boudreau, Patrick  
Boudreau, Rejean  
Boudreau, Sophie  
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 Stephanie  
Caissie, Debbie

Caron, Julie  
Carrier, Mélanie  
Cassidy, Kristine  
Charron, Samuel  
Colquhoun, Mélanie  
Comeau, Rachel  
Comeau, Sylvie  
Cormier, Daniel  
Cormier, Jolène  
Cormier, Tania  
Couture, Alexis  
Cyr, Nathalie  
Daigle, Marie-Josée  
Daniel, Gareth  
Desbles, Anne-Sophie  
Deschênes, Danielle  
Despres, Robert  
Desroches, Gisele  
Deveau, Claire  
Dionne, Nicole  
Drouin, Alexandre  
Duguay, Monique  
Duncan, Louis-Nicholas  
Dupuis, Sébastien  
Fatoki, Akinwale  
Folett, Joceline  
Fougère, Laurier  
Gagnon, Lina  
Galeano, Patricia  
Gallant, Bernice  
Gallant, Sandra  
Gallien, Pascal  
Gaston, Charline  
Gaudet, Gilles  
Gaudet, Ginette  
Gaudet, Gisèle  
Gaudet, Mathieu  
Gaudet, Serge  
Gautreau, Nadine  
Gauvin, Danielle  
Gauvin, Jean-Luc  
Gauvin, Mélanie  
Gauvin, Roxanne  
Gervais, Charles  
Giard, Maryse  
Godbout, Melissa  
Godin, Maggie  
Goguen, Jacqueline  
Haché, Alyssa  
Haché, Brandon  
Haché, Carole Lise  
Haché, Mario  
Hachey, Danie  
Harquail, Shawn

Hebert, Luc  
Hickey, Gisèle  
Houkpe, Koflax  
Jobin, Jacques  
Jones, Evan  
Jordan, Jacqueline  
Joseph, Nathalie  
Kanyengabu, Isaac Watusua  
Laforge, Geneviève  
Lagacé, Frédéric  
Lagace, Sonia  
Lahlali, Kenza  
Lahlou, Youssef  
Landry, Emilie  
Landry, Jean-Marc  
Landry, Katherine  
Landry, Monica  
Lanteigne, Pierre-Paul  
Larocque Duplessis, Elza  
Lavigne, Natalie  
Leblanc, Aline  
Leblanc, Brigitte  
Leblanc, Céline  
Leblanc, Charline  
Leblanc, Joline Diane  
Leblanc, Liette  
Leblanc, Lucie  
Leblanc, Lynn  
Leblanc, Lynn M  
Leblanc, Marcus  
Leblanc, Monique  
Leblanc, Nadine  
Leblanc, Pauline  
Leblanc, Pauline T.  
Leblanc, Stéphanie  
Leblanc, Sylvie H.  
Leblanc-Caissie, Justin  
Leblanc-Gallant, Nicole  
Léger, Carolyn  
Léger, Georges  
Leger, Joanne  
Leger, Marianne  
Leger, Phyllis  
Legere, Antoinette  
Lessard, Rebecca  
Levesque, Louis-Philippe  
Maillet, Mireille  
Maillet, Monique  
Maillet, Natalie  
Maillet, Stephane  
Maillet-Gendron, Donna  
Mailman, Liette  
Martin, Marie-Pier  
Martin, Michel

Martin, Pierre  
Mazerolle, Roger  
McLaughlin, Tony  
McLeod, Renée  
Melanson, Chantal  
Melanson, Cinthia  
Melanson, David  
Melanson, Sophie  
Melanson, Sylvie  
Meziani, Lotfi  
Michaud, Claudine  
Morin, Christa  
Morin, Lynne  
Nadeau, Élodie  
Niles, Odette  
Noel, Ghislain  
Noël, Sophie Julie  
Nsikam Nkeuna, Constantin  
Ntseukwa Wandji, Gaëlle  
Ouellet, Allain  
Ouellette, Anick  
Ouellette, Melanie  
Parker, Lynn  
Pellerin, Emilie  
Pelletier, Scott  
Pineau, Jeremy  
Pitre, Jean-Lou  
Poirier, Emmanuelle  
Poirier, Philippe  
Poirier, Rachel  
Poirier, Serge  
Pountney (Koshul), Jennifer  
Raffy, Thomas  
Richard, Anne  
Richard, Claudette  
Richard, Pierre  
Richard, Sheila  
Richard, Véronique  
Robichaud, Chantal  
Robichaud, Claudette  
Robichaud, Dominic  
Robichaud, Julie  
Robichaud, Sandra  
Robichaud, Sophie  
Robichaud, Timmy  
Rouillard, Daniel  
Roussel, Sébastien  
Roy, Angela  
Roy, Judy  
Ryan, Jennifer  
Sadler, Angela  
Saghir, El Mehdi  
Sarrasin, Nicolas  
Saulnier, Alexandre



“ 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



Savoie, Rachel  
Savoie, Sylvie  
Sonier, Michael  
Soucy, Tina  
Souma, Jenny  
Sriramula, Priyanka  
St-Leger, Sally  
Su, Shirley  
Surette, Yvette  
Thébeau, Patrick  
Thériault, Alain  
Thériault, Josée  
Thériault, Yves  
Thibodeau, Amy  
Thibodeau, Karilyn  
Thibodeau, Marie-Claude  
Tidd, Christine  
Toussaint, Charles  
Tremblay-Gosselin, Jordan  
Vallee, Jennifer  
Vautour, Isabelle

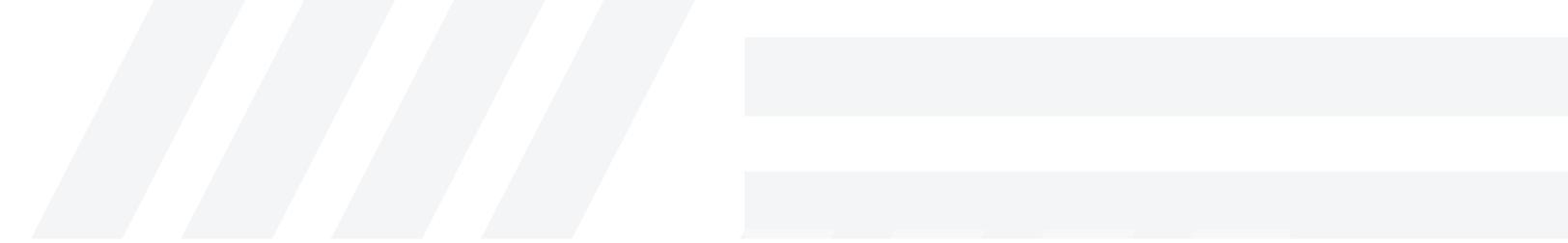
Vautour, Joshua  
Vicent (Loyola), Paola  
Walker, Cameron  
Walsh, Connor  
Yangtang Wandji, Herve

**Louisbourg investments**  
Bourgeois, Denis  
Burns, Jared  
Castonguay, Marc André  
Currie, Robert  
Frail, Derek  
Gaudet, Luc  
Guitard, Zoelie  
Hniki, Oussama  
Horsman Benoit, Deborah  
Hurshman, Heather  
Lavigne, Anne  
Lavigne, Shawn  
Leblanc, Marcel  
Lewis, Scott

Liang, Xiuneng  
Melanson, Yvette C.  
Moores, Michel Andrew  
Robichaud, Daniel  
Roy, Mathieu  
Sippley, Caroline  
Tibrewala, Rachit

**Lavvi**  
Aliemir (Ali), Samlioglu  
Christian (Chris), Benoit  
Brian, Palmer  
Catherine (Cat), Fortman  
Christian, Knudsen  
Chris, LeBel  
Cosmin, Gligor  
Dawson, Clark  
Dhvanit, Poduval  
Rejoice (Diana), Enow  
Eric, Thibodeau  
Francois, Cote

Hudson, Poplar  
Ibrahim, Jaber  
Javairia, Asif  
Jocelyn, Mputu  
Joel, MacKenzie  
Kristi, Wilson  
Laurence, Paradis Bolduc  
Linda, Sih Fung  
Lindsay, McCauley  
Malcolm, Grass  
Michael (Mike), Thompson  
Mireille, Caissie  
Mohammed, El-Quartassi  
Roddy, Awad  
Roland, Okposio  
Samir, Awad  
Sean, Cook  
Taylor, Devereaux  
Traore, Vincent  
Vanessa, Matthews  
Wajiha, Shahid



# **ASSUMPTION MUTUAL LIFE INSURANCE COMPANY**

Consolidated Financial Statements  
For the Year Ended December 31, 2022

# ASSUMPTION MUTUAL LIFE INSURANCE COMPANY

## *CONSOLIDATED FINANCIAL STATEMENTS*

*For the Year Ended December 31, 2022*

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# Independent auditors' report to the policyholders

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, 2022, and the consolidated statement of income, consolidated statement of comprehensive income (loss), 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, 2022, 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 IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the 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.



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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 23, 2023



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## 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, 2022, 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.

Montreal, Quebec  
February, 2023



Marie-Andrée Boucher  
Fellow, Canadian Institute of Actuaries

## ASSUMPTION MUTUAL LIFE INSURANCE COMPANY

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

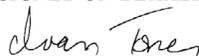
(in thousands)

As at December 31

ASSETS	Notes	<u>2022</u> \$	<u>2021</u> \$
<b>Invested assets</b>			
Cash and cash equivalents	4	17,865	14,508
Debt securities		404,045	551,383
Equity securities		111,193	115,596
Mortgages		197,501	179,446
Other invested assets		790	1,489
Policy loans		<u>11,062</u>	<u>11,620</u>
		742,456	874,042
Other assets	7	27,199	26,424
Reinsurance assets	12	234,845	288,074
Employee benefit asset	16	6,644	-
Deferred tax assets	18	627	3,316
Property and equipment	8	2,488	3,172
Intangible assets	9	7,094	6,402
Right-of-use assets	10	1,385	1,915
Goodwill		2,226	2,226
Segregated fund net assets	11	<u>855,544</u>	<u>938,311</u>
		<u>1,880,508</u>	<u>2,143,882</u>
<b>LIABILITIES</b>			
Insurance contract liabilities	12	801,868	972,403
Investment contract liabilities	13	24,045	22,011
Other liabilities	15	34,000	33,739
Employee benefit liability	16	630	8,377
Deferred tax liabilities	18	1,828	625
Lease liabilities	10	2,183	2,709
Segregated fund net liabilities	11	<u>855,544</u>	<u>938,311</u>
		<u>1,720,098</u>	<u>1,978,175</u>
<b>EQUITY</b>			
<b>Policyholders' equity</b>			
Surplus		174,921	152,173
Accumulated other comprehensive income (loss)		<u>(18,049)</u>	<u>9,664</u>
		156,872	161,837
Non-controlling interests		<u>3,538</u>	<u>3,870</u>
		<u>160,410</u>	<u>165,707</u>
		<u>1,880,508</u>	<u>2,143,882</u>
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	<b>2022</b>	<b>2021</b>
<b>REVENUE</b>		<b>\$</b>	<b>\$</b>
Gross premiums		205,908	169,539
Premiums ceded to reinsurers		(37,040)	(34,974)
<b>Net premiums</b>	22	<u>168,868</u>	<u>134,565</u>
Fee and commission income	24	25,228	24,230
Investment income	25	17,802	16,026
Realized gains (losses) from available-for-sale financial assets	26	(1,582)	1,526
Fair value losses from financial assets at fair value through profit and loss		(118,180)	(9,038)
Other operating revenue		(15)	(54)
<b>Other revenue</b>		<u>(76,747)</u>	<u>32,690</u>
<b>Total revenue</b>		<u>92,121</u>	<u>167,255</u>
<b>EXPENSES</b>			
Gross benefits and claims paid	23	148,651	114,881
Claims ceded to reinsurers	23	(33,635)	(29,955)
Gross change in contract liabilities		(171,890)	6,519
Change in contract liabilities ceded to reinsurers		52,041	(7,732)
<b>Net benefits and claims</b>		<u>(4,833)</u>	<u>83,713</u>
Borrowing costs		103	119
Fee and commission expenses	27	27,337	22,740
Administrative expenses	28	45,932	41,413
Other operating expenses	28	5,683	5,428
<b>Other expenses</b>		<u>79,055</u>	<u>69,700</u>
<b>Total expenses</b>		<u>74,222</u>	<u>153,413</u>
<b>PROFIT BEFORE DIVIDENDS AND INCOME TAXES</b>		17,899	13,842
Policyholder dividends		1,702	1,584
<b>PROFIT BEFORE INCOME TAXES</b>		16,197	12,258
Income taxes	18	4,090	2,582
<b>PROFIT FOR THE YEAR</b>		<u>12,107</u>	<u>9,676</u>
<b>PROFIT ATTRIBUTABLE TO:</b>			
Non-controlling interests		28	182
Policyholders		12,079	9,494
		<u>12,107</u>	<u>9,676</u>

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

**ASSUMPTION MUTUAL LIFE INSURANCE COMPANY**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

(in thousands)

Year ended December 31

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<b>PROFIT FOR THE YEAR</b>	12,107	9,676
<b>Other comprehensive income (loss):</b>		
<b>Items that will be reclassified subsequently to net income</b>		
Available-for-sale financial assets:		
Change in unrealized losses, net of income taxes of (\$8,631) ((\$1,539) in 2021)	(28,987)	(4,089)
Reclassification of realized gains (losses) included in other revenue, net of income taxes of \$307 ((\$416) in 2021)	1,274	(1,110)
Total of items that will be reclassified subsequently to net income	(27,713)	(5,199)
<b>Items that will not be reclassified subsequently to net income</b>		
Remeasurement of defined benefit pension plans, net of income taxes of \$4,418 (\$2,180 in 2021)	10,669	6,608
Total of other comprehensive income (loss)	(17,044)	1,409
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR</b>	<b>(4,937)</b>	<b>11,085</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>		
Non-controlling interests	28	182
Policyholders	(4,965)	10,903
	<b>(4,937)</b>	<b>11,085</b>

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

	2022				
	Surplus	Accumulated other comprehensive income (loss)	Total policyholders' equity	Non- controlling interests	Total equity
	\$	\$	\$	\$	\$
<b>Balance, beginning of year</b>	152,173	9,664	161,837	3,870	165,707
Profit for the year	12,079	-	12,079	28	12,107
Items that will be reclassified subsequently to net income	-	(27,713)	(27,713)	-	(27,713)
Remeasurement of defined benefit pension plans	10,669	-	10,669	-	10,669
Total comprehensive income (loss)	22,748	(27,713)	(4,965)	28	(4,937)
Dividends	-	-	-	(360)	(360)
<b>Balance, end of year</b>	<u>174,921</u>	<u>(18,049)</u>	<u>156,872</u>	<u>3,538</u>	<u>160,410</u>
	2021				
	Surplus	Accumulated other comprehensive income (loss)	Total policyholders' equity	Non- controlling interests	Total equity
	\$	\$	\$	\$	\$
<b>Balance, beginning of year</b>	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 (loss)	16,102	(5,199)	10,903	182	11,085
Issuance of share capital of a subsidiary	-	-	-	2,875	2,875
Dividends	-	-	-	(328)	(328)
<b>Balance, end of year</b>	<u>152,173</u>	<u>9,664</u>	<u>161,837</u>	<u>3,870</u>	<u>165,707</u>

The accumulated other comprehensive income (loss) 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**

	<u>2022</u>	<u>2021</u>
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Profit for the year	12,107	9,676
Adjustment for:		
Change in reinsurance assets	53,229	(6,183)
Change in insurance and investment contract liabilities	(169,985)	9,695
Items not affecting cash:		
Deferred income taxes	(526)	(1,089)
Amortization of property and equipment and intangible assets (notes 8 and 9)	1,675	1,439
Amortization of right-of-use assets (note 10)	414	413
Fair value losses from financial assets at fair value through profit and loss	118,180	9,038
Realized (gains) losses from available-for-sale financial assets (note 26)	1,582	(1,526)
Amortization of (premium) discount on invested assets	(3,619)	(3,859)
Employee benefit plan expense	2,326	2,761
Accretion on lease liabilities	91	103
Other	929	(449)
	<u>16,403</u>	<u>20,019</u>
Change in non-cash working capital items related to operations	6,179	(2,537)
Net cash flows from operating activities	<u>22,582</u>	<u>17,482</u>
<b>INVESTING ACTIVITIES</b>		
Marketable securities and mortgages:		
Sales, maturities and reimbursements	181,107	116,854
Purchases and loans	(199,519)	(126,164)
Acquisition of property and equipment and intangible assets	(1,683)	(1,554)
Issuance of share capital of a subsidiary	-	2,875
Dividend paid to non-controlling interests	(359)	(332)
Other	1,730	260
	<u>1,730</u>	<u>260</u>
Net cash flows used in investing activities	<u>(18,724)</u>	<u>(8,061)</u>
<b>FINANCING ACTIVITIES</b>		
Repayment of capital on lease liabilities	(501)	(458)
Net cash flows used in financing activities	<u>(501)</u>	<u>(458)</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR</b>		
	3,357	8,963
<b>CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR</b>		
	<u>14,508</u>	<u>5,545</u>
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>		
	<u>17,865</u>	<u>14,508</u>

SEE NOTE 19 FOR ADDITIONAL INFORMATION

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

# ASSUMPTION MUTUAL LIFE INSURANCE COMPANY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands)

Year ended  
December 31, 2022

### 1. CORPORATE INFORMATION

Assumption Mutual Life Insurance Company, known as Assumption Life (the Group), 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, morbidity 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 (IFRS), 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 23, 2023

#### *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 recover 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.

These 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.

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

The Group has prepared the consolidated financial statements on the basis that it will continue to operate as a going concern.

As permitted by IFRS 4 Insurance Contracts, the Group continues to apply the existing accounting policies that were applied prior to the adoption of IFRS.

#### *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

# ASSUMPTION MUTUAL LIFE INSURANCE COMPANY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands)

**Year ended  
December 31, 2022**

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***

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### *Initial recognition and measurement*

All financial assets are initially recognized at fair value plus directly attributable transaction costs that are attributable to the acquisition of the financial asset, except for those classified at fair value through profit or loss ("FVPL"). Financial assets are classified as either FVPL, available-for-sale ("AFS"), held-to-maturity ("HTM") or as loans and receivables, based on the features of the instrument and purposes for which the assets have been acquired. Financial assets are classified as at FVPL where the Group's documented investment strategy is to manage financial investments on a fair value basis, because the related liabilities are also managed on this basis. The AFS and HTM categories are used when the relevant liability is passively managed and/or carried at amortised cost.

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.

#### *Subsequent measurement*

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

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

Financial assets classified as HTM or 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 FVPL and include deposits in bank and short-term notes with a maturity of three months or less from the date of acquisition.

#### *Debt Securities*

The Group has designated as held at FVPL 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 AFS its debt securities not backing actuarial liabilities.

# ASSUMPTION MUTUAL LIFE INSURANCE COMPANY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (in thousands)

**Year ended  
December 31, 2022**

At each reporting date, debt securities classified as AFS 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 OCI 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 FVPL its equity securities backing actuarial liabilities. Actuarial liabilities are established in accordance with the 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 AFS its equity securities not backing actuarial liabilities.

At each reporting date, equity securities classified as AFS 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 OCI is reclassified to income. Any decline in value is recognized to income and any increase in value is recorded in OCI. 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.

# ASSUMPTION MUTUAL LIFE INSURANCE COMPANY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (in thousands)

Year ended  
December 31, 2022

### *Borrowings*

The Group has classified 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.

### *Investment Contract Liabilities*

Investment contract liabilities are the amounts that the Group owes to clients since these contracts do not have insurance risk. These financial liabilities are classified as FVPL.

### *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.

### *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 net income when there is objective evidence that the Group will not recover all amounts receivable under the contract terms and the outstanding amount can be reliably estimated.

### *Property and Equipment*

Property and equipment are 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.

	<b>Depreciation method</b>	<b>Basis of depreciation</b>	<b>Depreciation period</b>
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.

# ASSUMPTION MUTUAL LIFE INSURANCE COMPANY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (in thousands)

Year ended  
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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 consolidated 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.

	<b>Basis of amortization</b>	<b>Basis of amortization</b>	<b>Amortization period</b>
Purchased software	Straight-line	Useful life	3 to 10 years
Developed software	Straight-line	Useful life	3 to 10 years
Technology projects under development	See note below	See note below	See note below
Client list	None	Indefinite life	None

The technology projects under development only start to be amortized once finish. At that point they are transferred in the category Developed software.

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.

The intangible assets with indefinite useful lives and technology projects under development 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.

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### *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:

	<u>Depreciation method</u>	<u>Basis of depreciation</u>	<u>Depreciation period</u>
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.

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### *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 and Liabilities*

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 outstanding 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 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, morbidity, 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.

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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) Morbidity*

The Group uses morbidity 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.

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### *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 OCI.

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 recorded in other operating expenses.

### *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.

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### *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, 2022, 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.

### *IFRS 9 - Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement. 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. As permitted by IASB, the Group elected to defer the application of IFRS 9 until the effective date of the new insurance contracts standard IFRS 17. The provisions of this standard will apply retrospectively. The Group has decided to restate comparative period information and will recognize any IFRS 9 measurement differences by adjusting its retained earning on January 1, 2022.

IFRS 9 will result in reclassification differences as certain equity instruments that are currently classified as Available-For-Sale will be classified as Fair Value through Profit or Loss which will result in a reclassification of the unrealized gains or losses in Accumulated Other Comprehensive Income (Loss) to Retained earnings as at January 1, 2022 and in increased volatility in net income subsequently. The majority of debt securities will be classified at fair value through profit or loss except for some that will be reclassified at amortized cost. Mortgage loans will mostly be reclassified at fair value through profit or loss. Those accounting decisions are still subject to review as the Group finalize its implantation, as a result, the Group anticipate some impact on its policyholder's equity on transition to IFRS 9.

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### *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) and is to be applied retrospectively for fiscal years beginning on or after January 1, 2023.

IFRS 17 will replace IFRS 4 and therefore will also replace the CALM, as permitted by IFRS 4. The principles underlying IFRS 17 differ from CALM, affecting how the Group accounts for its insurance contracts and when and how it reports financial performance in the Consolidated Statements of Income.

The following outlines some of the key differences for insurance contracts with a coverage period of more than 12 months:

- New business gains under IFRS 17 will be deferred and recorded as the Contractual Service Margin (“CSM”), one of the measurement components of insurance contract liabilities. The CSM is subsequently amortized into income as insurance contract services are provided. New business losses are recorded into income immediately. On the other hand, under CALM, both new business gains and losses are recognized in income immediately.
- The discount rate used to estimate the present value of insurance contract liabilities is based on the characteristics of the insurance contracts themselves under IFRS 17. Under CALM, the Group uses the rates of returns for current and projected assets supporting insurance contract liabilities to value the liabilities. As a result, the impact of investing activities will emerge in earnings over the life of the assets under IFRS 17, whereas under CALM, such impact is capitalized in insurance contract liabilities and therefore recognized in earnings in the period they occur.
- The Risk Adjustment represents the compensation required for uncertainty related to non-financial risk such as mortality and expenses under IFRS 17. Provisions for uncertainty related to financial risk are reflected in the present value of insurance contract liabilities. Under CALM, amounts provided for non-financial and financial risks are both reflected in provisions for adverse deviation, part of insurance contract liabilities.

For insurance contracts with a shorter coverage period, entities can elect to use a simplified valuation model (premium allocation approach) which is similar to current IFRS 4 approach. The Group will use the premium allocation approach for direct and reinsurance for group insurance.

The Group continues to assess the overall impact of IFRS 17 on the timing of earnings recognition, as well as presentation and disclosure, of its insurance contracts. The Group’s initial assessment indicates that the measurement changes introduced above would have a positive impact on equity upon transition to IFRS 17 at January 1, 2022. The impact on the timing of earnings recognition or presentation and disclosure does not impact the cash flows generated by the Group.

The Group also continues to monitor the associated impact on its LICAT ratio and other regulatory disclosures.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (in thousands)

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### 3. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the 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 payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Investment contracts are those contracts that transfer significant financial risk, but not significant insurance 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 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.

##### *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:

##### *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.

##### *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.

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### *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 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, morbidity, 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.

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**4. INVESTED ASSETS**

**Carrying Value and Fair Value**

	<b>2022</b>				
	<b>Designated at fair value through profit or loss</b>	<b>Available- for-sale</b>	<b>Loans &amp; receivables</b>	<b>Total</b>	<b>Fair value</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Cash and cash equivalents</b>	17,865	-	-	17,865	17,865
<b>Debt securities</b>					
Government	298,450	87,070	-	385,520	385,520
Corporations & other	3,368	5,825	-	9,193	9,193
Private debt fund	9,332	-	-	9,332	9,332
	<u>311,150</u>	<u>92,895</u>	<u>-</u>	<u>404,045</u>	<u>404,045</u>
<b>Equity securities</b>					
Common shares	-	330	-	330	330
Preferred shares	51,036	13,772	-	64,808	64,808
Investment fund units	45,848	207	-	46,055	46,055
	<u>96,884</u>	<u>14,309</u>	<u>-</u>	<u>111,193</u>	<u>111,193</u>
<b>Mortgages</b>					
Insured residential	-	-	35,818	35,818	27,516
Other residential	-	-	43,365	43,365	38,946
Commercial	-	-	118,318	118,318	102,907
	<u>-</u>	<u>-</u>	<u>197,501</u>	<u>197,501</u>	<u>169,369</u>
<b>Other invested assets</b>	<u>-</u>	<u>-</u>	<u>790</u>	<u>790</u>	<u>790</u>
<b>Policy loans</b>	<u>-</u>	<u>-</u>	<u>11,062</u>	<u>11,062</u>	<u>11,062</u>
	<u>425,899</u>	<u>107,204</u>	<u>209,353</u>	<u>742,456</u>	<u>714,324</u>

## ASSUMPTION MUTUAL LIFE INSURANCE COMPANY

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#### Carrying Value and Fair Value

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

# ASSUMPTION MUTUAL LIFE INSURANCE COMPANY

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### 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.

	<u>2022</u>	<u>2021</u>
	\$	\$
Cash and cash equivalents	17,865	14,508
Debt securities	404,045	551,383
Equity securities	111,193	115,596
Mortgages	197,501	179,446
Other invested assets	790	1,489
Policy loans	11,062	11,620
Reinsurance assets	234,845	288,074
Other assets (note 7)	19,654	21,619
	<u>996,955</u>	<u>1,183,735</u>

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*Quality of the Debt Securities Portfolio*

	<u>2022</u>	<u>2021</u>
	\$	\$
AAA	18,388	-
AA	246,014	364,103
A	125,799	179,635
BBB	4,512	137
Unrated	9,332	7,508
	<u>404,045</u>	<u>551,383</u>

*Quality of the Preferred Equity Securities Portfolio*

	<u>2022</u>	<u>2021</u>
	\$	\$
PF-1	1,055	1,375
PF-2	44,041	71,142
PF-3	19,712	8,571
	<u>64,808</u>	<u>81,088</u>

*Loans in Arrears and Provisions for Losses*

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

**Provision for losses**

	<u>2022</u>	<u>2021</u>
	\$	\$
Mortgage loans:		
Beginning of year	-	210
Decrease in provisions for losses	-	(210)
End of year	<u>-</u>	<u>-</u>

**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.

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

	<u>1-6 months</u>	<u>7-12 months</u>	<u>Over 1 year</u>
	\$	\$	\$
Undisbursed approved mortgages	6,253	-	-

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

	<b>2022</b>					
	<u>No maturity</u>	<u>Under 1 year</u>	<u>1 to 5 years</u>	<u>5 to 10 years</u>	<u>Over 10 years</u>	<u>Total</u>
	\$	\$	\$	\$	\$	\$
<b>Cash and cash equivalents</b>	17,865	-	-	-	-	17,865
<b>Debt securities</b>						
Government	-	4,016	15,243	25,051	341,210	385,520
Corporations & other	-	2,934	3,021	3,238	-	9,193
Private debt fund	9,332	-	-	-	-	9,332
	<u>9,332</u>	<u>6,950</u>	<u>18,264</u>	<u>28,289</u>	<u>341,210</u>	<u>404,045</u>
<b>Equity securities</b>						
Common shares	330	-	-	-	-	330
Preferred shares	64,808	-	-	-	-	64,808
Investment fund units	46,055	-	-	-	-	46,055
	<u>111,193</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>111,193</u>
<b>Mortgages</b>						
Insured residential	-	2,746	2,250	22,320	8,502	35,818
Other residential	-	13,431	24,540	824	4,570	43,365
Commercial	-	33,190	50,118	34,613	397	118,318
	<u>-</u>	<u>49,367</u>	<u>76,908</u>	<u>57,757</u>	<u>13,469</u>	<u>197,501</u>
<b>Other invested assets</b>	<u>-</u>	<u>790</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>790</u>
<b>Policy loans</b>	<u>-</u>	<u>11,062</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,062</u>
<b>Other assets</b>	<u>-</u>	<u>19,654</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,654</u>

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

#### **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.

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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 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.

	<b>2022</b>		
	<b>Investment funds units</b>	<b>Common shares</b>	<b>Preferred shares</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Energy	-	44	15,437
Finance	-	102	35,773
Industrial	-	55	-
Utilities	-	14	13,598
Other	46,055	115	-
	46,055	330	64,808
	<b>2021</b>		
	<b>Investment funds units</b>	<b>Common shares</b>	<b>Preferred shares</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Energy	-	34	11,951
Finance	-	94	58,676
Industrial	-	57	-
Utilities	-	15	10,461
Other	34,187	121	-
	34,187	321	81,088

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### 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:

	2022			Total
	Level 1	Level 2	Level 3	
	\$	\$	\$	\$
<b>Assets measured at fair value</b>				
Cash and cash equivalents	17,865	-	-	17,865
Financial assets designated at fair value through profit or loss				
Debt securities	-	311,150	-	311,150
Equity securities	96,884	-	-	96,884
Financial assets available-for-sale				
Debt securities	-	92,895	-	92,895
Equity securities	14,309	-	-	14,309
<b>Assets disclosed at fair value</b>				
Mortgages	-	169,369	-	169,369
Other invested assets	-	790	-	790
Policy loans	-	11,062	-	11,062
Segregated funds net assets	675,163	85,334	95,047	855,544
	<u>804,221</u>	<u>670,600</u>	<u>95,047</u>	<u>1,569,868</u>
<b>Liabilities measured at fair value</b>				
Investment contract liabilities	-	24,045	-	24,045
	<u>-</u>	<u>24,045</u>	<u>-</u>	<u>24,045</u>

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	2021			Total
	Level 1	Level 2	Level 3	
	\$	\$	\$	
<b>Assets measured at fair value</b>				
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
<b>Assets disclosed at fair value</b>				
Mortgages	-	179,881	-	179,881
Other invested assets	-	1,489	-	1,489
Policy loans	-	11,620	-	11,620
Segregated funds net assets	779,211	77,311	81,789	938,311
	909,315	821,684	81,789	1,812,788
<b>Liabilities measured at fair value</b>				
Investment contract liabilities	-	22,011	-	22,011
	-	22,011	-	22,011

No transfers were made between those levels during these periods.

The segregated funds net assets of level 3 segregated funds are mainly private debt valued on the basis of information available in the financial statements of companies that use models based on discounted cash flows as well as the use of multiples. The Group uses the values published by the managers, adjusted for capital transactions covering the period up to the end of the financial year. Consequently, the Group is not in a position to perform a sensitivity analysis.

### 7. OTHER ASSETS

	2022	2021
	\$	\$
<b>Financial assets</b>		
Insurance receivables:		
Policyholders	4,479	3,696
Reinsurers	7,769	6,404
Agents, brokers and intermediates	195	236
Accrued investment income	1,427	998
Accounts receivable	5,784	10,285
	19,654	21,619
<b>Non financial assets</b>		
Commissions and prepaid expenses	1,920	1,778
Income tax receivable	5,593	3,002
Other	32	25
	7,545	4,805
	27,199	26,424

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**8. PROPERTY AND EQUIPMENT**

	<u>\$</u>
<b>Cost</b>	
As at December 31, 2021	6,544
Additions	142
Dispositions	-
Write-off	(299)
As at December 31, 2022	<u>6,387</u>
<b>Accumulated depreciation</b>	
As at December 31, 2021	3,372
Depreciation	826
Dispositions	-
Write-off	(299)
As at December 31, 2022	<u>3,899</u>
<b>Carrying amount</b>	
As at December 31, 2021	3,172
As at December 31, 2022	2,488

**9. INTANGIBLE ASSETS**

	<u>Purchased software</u>	<u>Developed software</u>	<u>Technology projects under development</u>	<u>Client list</u>	<u>Total</u>
	\$	\$	\$	\$	\$
<b>Cost</b>					
As at December 31, 2021	1,989	14,158	1,945	2,169	20,261
Cost capitalized	823	-	718	-	1,541
Completed projects	-	2,419	(2,419)	-	-
Write-off	(438)	(42)	-	-	(480)
As at December 31, 2022	<u>2,374</u>	<u>16,535</u>	<u>244</u>	<u>2,169</u>	<u>21,322</u>
<b>Accumulated amortization</b>					
As at December 31, 2021	1,047	12,812	-	-	13,859
Amortization	410	439	-	-	849
Write-off	(438)	(42)	-	-	(480)
As at December 31, 2022	<u>1,019</u>	<u>13,209</u>	<u>-</u>	<u>-</u>	<u>14,228</u>
<b>Carrying amount</b>					
As at December 31, 2021	942	1,346	1,945	2,169	6,402
As at December 31, 2022	1,355	3,326	244	2,169	7,094

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#### 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
	\$	\$	\$	\$
<b>Cost</b>				
As at December 31, 2021	1,584	10	321	1,915
Depreciation expense	(275)	(7)	(132)	(414)
Lease Cancellation	-	-	(116)	(116)
As at December 31, 2022	<u>1,309</u>	<u>3</u>	<u>73</u>	<u>1,385</u>

	2022	2021
	\$	\$
<b>Lease liabilities</b>		
As at January 1 <sup>st</sup>	2,709	2,949
Additions	-	115
Lease Cancellation	(116)	-
Accretion of interest	91	103
Payments	(501)	(458)
As at December 31	<u>2,183</u>	<u>2,709</u>

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

Year ended December 31	2023	\$ 240
	2024	\$ 297
	2025	\$ 424
	2026	\$ 424
	Thereafter	\$ 1,108

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

	2022	2021
	\$	\$
Depreciation expense of right-of-use assets	414	413
Interest expense on lease liabilities	91	103
Variable lease payments not included in the measurement of the lease liabilities	739	769
Total amount recognized in the consolidated statement of income	<u>1,244</u>	<u>1,285</u>

The Group estimates that it will incur future charges relating to the payment of variable rents in the amount of \$4,078 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.

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#### 11. SEGREGATED FUNDS NET ASSETS

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<b>NET ASSETS</b>		
Investments:		
Debt securities	48,807	35,416
Equity securities	6,401	10,004
Pooled funds	768,986	891,217
Cash and term deposits	31,727	1,421
Accrued investment income	157	144
Other	1,423	1,354
	857,501	939,556
Liabilities	1,957	1,245
NET ASSETS	855,544	938,311
<b>CHANGE IN NET ASSETS</b>		
NET ASSETS – BEGINNING OF YEAR	938,311	875,836
Net contributions:		
Contributions	124,204	97,617
Withdrawals	(138,981)	(117,733)
	(14,777)	(20,116)
Investment income:		
Change in value of investments	(94,451)	48,083
Interest and dividends	42,381	51,324
	(52,070)	99,407
Management and administrative fees	(15,920)	(16,816)
NET ASSETS – END OF YEAR	855,544	938,311

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**12. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS**

**Nature and Composition**

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

	<b>2022</b>		
	<b>Insurance contract liabilities</b>	<b>Reinsurance assets</b>	<b>Net</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Individual insurance	532,932	(181,041)	351,891
Group insurance	75,284	(51,247)	24,037
Annuities and pensions	190,788	-	190,788
Other insurance contract liabilities	2,864	(2,557)	307
	<u>801,868</u>	<u>(234,845)</u>	<u>567,023</u>
	<b>2021</b>		
	<b>Insurance contract liabilities</b>	<b>Reinsurance assets</b>	<b>Net</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
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
	<u>972,403</u>	<u>(288,074)</u>	<u>684,329</u>

**Change in insurance contract liabilities and reinsurance assets**

The change for the year is explained as follows:

	<b>2022</b>		
	<b>Insurance contracts</b>	<b>Reinsurance assets</b>	<b>Net</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance, beginning of period before other insurance contract liabilities	969,138	(284,954)	684,184
Change in balances of in-force policies	(187,900)	60,838	(127,062)
Balances arising from new policies	35,249	(11,788)	23,461
Method and assumption changes	(17,483)	3,616	(13,867)
Increase (decrease) in insurance contract liabilities and reinsurance assets	(170,134)	52,666	(117,468)
Balance ending of period before the following:	799,004	(232,288)	566,716
Other insurance contract liabilities	2,864	(2,557)	307
Total insurance contract liabilities and reinsurance assets	<u>801,868</u>	<u>(234,845)</u>	<u>567,023</u>

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	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 ending of period 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

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

	2022	2021
	\$	\$
Mortality	-	1,253
Morbidity	(117)	120
Interest	(9,415)	(2,391)
Lapses	(1,777)	(104)
Expense	-	(1,149)
Other (dividends, data)	(2,558)	(198)
Total	(13,867)	(2,469)

### 13. INVESTMENT CONTRACT LIABILITIES

	2022	2021
	\$	\$
Balance, beginning of period	22,011	20,645
Deposits	3,953	5,516
Interest	550	318
Withdrawals	(2,469)	(4,468)
Increase in investment contract liabilities	2,034	1,366
Balance, ending of period	24,045	22,011

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### 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:

	<u>Under 1 year</u>	<u>1 to 5 years</u>	<u>5 to 10 years</u>	<u>Over 10 years</u>	<u>Total</u>
Individual insurance	(13,424)	(2,757)	60,326	992,803	1,036,948
Group insurance	8,165	9,556	6,702	6,739	31,162
Annuities and pensions	78,974	72,283	28,285	64,691	244,233

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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.

<b>Assumption</b>	<b>Change</b>	<b>After-tax income impact</b>	
		<b>2022</b>	<b>2021</b>
	\$	\$	\$
Mortality - life insurance products	+2%	(2,269)	(1,863)
Mortality - annuity products	-2%	(349)	(397)
Morbidity	5% adverse	(1,988)	(2,053)
Expenses (contracts maintenance)	+5%	(1,751)	(2,025)
Policy termination rates	10% adverse	(10,893)	(12,457)
Interest			
Immediate parallel shift at all points on yield curve	+100 bps	825	3,787
	-100 bps	(776)	(4,800)
Segregated funds and equity securities			
Immediate change in market value	+10%	1,776	1,241
	-10%	(2,536)	(1,694)

## 15. OTHER LIABILITIES

	<b>2022</b>	<b>2021</b>
	\$	\$
<b>Financial liabilities</b>		
Insurance payable:		
Policyholders	16,578	14,352
Reinsurers	4,424	5,025
Agents, brokers and intermediates	1,268	1,221
Suppliers and other charges	9,415	9,077
Unsettled Trades	126	2,415
In trust for Clients' property taxes payment	481	571
In trust for Clients' property renovations	700	629
Other	615	449
	<u>33,607</u>	<u>33,739</u>
<b>Non financial liabilities</b>		
Income tax payable	393	-
	<u>34,000</u>	<u>33,739</u>

**ASSUMPTION MUTUAL LIFE INSURANCE COMPANY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands)

**Year ended  
December 31, 2022**

**16. EMPLOYEE BENEFIT PLANS**

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

	<u>2022</u>	<u>2021</u>
	\$	\$
<b>Changes in defined benefit obligation:</b>		
Balance at beginning of year	86,213	90,466
Current service cost	2,048	2,352
Employees' contributions	623	627
Interest cost	2,626	2,392
Benefits paid	(2,736)	(2,914)
Actuarial gains resulting from experience adjustments	338	437
Actuarial losses resulting from changes in financial assumptions	(27,724)	(7,147)
Balance at end of year	<u>61,388</u>	<u>86,213</u>
<b>Changes in plan assets:</b>		
Fair value at beginning of year	78,554	75,319
Employer's contributions	1,477	1,495
Employees' contributions	623	627
Change on plan assets	(7,156)	4,027
Benefits paid	(2,736)	(2,914)
Asset Ceiling	(2,796)	-
Fair value at end of year	<u>67,966</u>	<u>78,554</u>

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

	<u>2022</u>	<u>2021</u>
	\$	\$
Present value of the defined benefit obligations	61,388	86,213
Fair value of plan assets	<u>(67,966)</u>	<u>(78,554)</u>
Pension plan (asset) liability	<u>(6,578)</u>	<u>7,659</u>

Re-measurement effects recognized in OCI:

	<u>2022</u>	<u>2021</u>
	\$	\$
Actuarial losses of defined benefit obligations		
Experience adjustments	(338)	(437)
Changes in financial assumption	27,724	7,147
Return on plan assets greater than discount rate	(9,503)	2,078
Asset Ceiling	(2,796)	-
Total effect in OCI	<u>15,087</u>	<u>8,788</u>

## ASSUMPTION MUTUAL LIFE INSURANCE COMPANY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands)

**Year ended  
December 31, 2022**

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

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Current service cost	2,048	2,352
Net interest on the defined benefit liability	278	444
	2,326	2,796

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

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Group insurance benefits liability	564	718
Pension plan liability	66	7,659
Pension plan asset	(6,644)	-
	(6,014)	8,377

Plan members contribute 7.5% (7.5% in 2021) 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, 2021 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 15 years (16 years in 2021). 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 \$1,477.

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

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Assumption Life Pension Plan Fund	69,719	77,520
Cash	1,043	1,034
Asset ceiling	(2,796)	-
	67,966	78,554

#### ***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 (0.5%), Canadian bonds (38.5%), long bond overlay (1.9%), infrastructure private debt (9.0%), Canadian equities (11.7%), foreign equities (15.2%), and alternative investments (23.2%). The Pension Plan Fund is eligible as a registered retirement savings plan under the *Income Tax Act of Canada*.

## ASSUMPTION MUTUAL LIFE INSURANCE COMPANY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands)

**Year ended  
December 31, 2022**

#### *Actuarial assumptions utilized to determine the defined benefit obligation*

	<b>2022</b>	<b>2021</b>
	%	%
Discount rate	5.10	3.00
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.

	<b>2022</b>	
	+ 1%	- 1%
Decrease (increase) in discount rate	(8,859)	11,333
Rate of compensation increase	1,311	(1,200)
Mortality rate	(87)	87

#### *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 as administrative expenses in the Group's defined contribution plan is \$511 for the year ended December 31, 2022 (\$457 in 2021).

## **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, 2022 and 2021.

## **18. TAXES**

Income tax expense consists of the following:

	<b>2022</b>	<b>2021</b>
	\$	\$
Current income taxes	4,601	3,453
Prior year adjustments	15	218
Deferred income taxes	(526)	(1,089)
	4,090	2,582

## ASSUMPTION MUTUAL LIFE INSURANCE COMPANY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands)

**Year ended  
December 31, 2022**

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:

	2022		2021	
	\$	%	\$	%
Income tax at statutory rate	4,412	27.2	3,344	27.3
Increase (decrease) in the tax rate resulting from:				
Non taxable investment income	(999)	(6.2)	(985)	(8.0)
Deferred tax asset valuation allowance	517	3.2	-	-
Prior year adjustments	15	-	218	1.7
Other	145	1.0	5	0.1
	4,090	25.2	2,582	21.1

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

	2022	2021
	\$	\$
Property and equipment and intangible assets	1,628	1,300
Insurance contracts	(845)	(892)
Unused tax losses	(1,216)	(196)
Employee benefit plans	1,891	(2,317)
Ontario deferred tax credit	(316)	(658)
Other	59	72
	1,201	(2,691)
Deferred tax assets	(627)	(3,316)
Deferred tax liabilities	1,828	625
	1,201	(2,691)

As at December 31, 2022, Ontario tax credits amounting to \$1.4 million were accumulated in the Company for which no future tax assets were recorded. These credits expire from 2035 to 2042. In addition, the Company has accumulated tax reserves on insurance contracts for Quebec for which no future tax assets has been recorded that amounts to \$1.4 million.

### 19. ADDITIONAL INFORMATION ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

Cash flows related to operating activities include the following:

	2022	2021
	\$	\$
Interest received	8,868	8,027
Income taxes paid	6,814	8,610
Dividends paid	327	507
Dividends received	4,924	4,214

Cash flows related to financing activities include the following:

Interest paid on financing	105	60
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## ASSUMPTION MUTUAL LIFE INSURANCE COMPANY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands)

Year ended  
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#### 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

	2022		
	Gross premiums	Premiums ceded	Net premiums
	\$	\$	\$
Individual insurance	73,558	(20,099)	53,459
Group insurance	63,677	(16,941)	46,736
Annuities and pensions	68,673	-	68,673
	<u>205,908</u>	<u>(37,040)</u>	<u>168,868</u>
	2021		
	Gross premiums	Premiums ceded	Net premiums
	\$	\$	\$
Individual insurance	71,549	(18,873)	52,676
Group insurance	58,730	(16,101)	42,629
Annuities and pensions	39,260	-	39,260
	<u>169,539</u>	<u>(34,974)</u>	<u>134,565</u>

#### 23. NET BENEFITS AND CLAIMS PAID

	2022		
	Gross benefits and claims paid	Claims ceded to reinsurers	Net benefits and claims paid
	\$	\$	\$
Individual insurance	47,707	(20,886)	26,821
Group insurance	42,025	(12,749)	29,276
Annuities and pensions	58,919	-	58,919
	<u>148,651</u>	<u>(33,635)</u>	<u>115,016</u>

**ASSUMPTION MUTUAL LIFE INSURANCE COMPANY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(in thousands)

**Year ended  
December 31, 2022**

	<b>2021</b>		<b>Net benefits and claims paid</b>
	<b>Gross benefits and claims paid</b>	<b>Claims ceded to reinsurers</b>	
	<b>\$</b>	<b>\$</b>	
Individual insurance	40,865	(17,423)	23,442
Group insurance	40,550	(12,532)	28,018
Annuities and pensions	33,466	-	33,466
	<u>114,881</u>	<u>(29,955)</u>	<u>84,926</u>

**24. FEE AND COMMISSION INCOME**

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Policyholder administration and investment management services	20,866	20,142
Surrender charges and other contract fees	2,899	2,534
Reinsurance commission income	1,463	1,554
	<u>25,228</u>	<u>24,230</u>

**25. INVESTMENT INCOME**

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Interest on cash and cash equivalents	414	82
Interest on debt securities designated at fair value through profit or loss	385	390
Interest on available-for-sale debt securities	3,624	3,848
Dividends on equity securities designated at fair value through profit or loss	5,094	4,199
Interest on mortgage loans and other invested assets	7,730	6,984
Interest on policy loans	555	523
	<u>17,802</u>	<u>16,026</u>

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

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Realized gains (losses)		
Equity securities	2,147	559
Debt securities	(3,729)	967
	<u>(1,582)</u>	<u>1,526</u>

## ASSUMPTION MUTUAL LIFE INSURANCE COMPANY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands)

Year ended  
December 31, 2022

#### 27. FEE AND COMMISSION EXPENSES

	2022	2021
	\$	\$
Fee expenses	1,392	1,373
Commission expenses	25,945	21,367
	27,337	22,740

#### 28. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	2022	2021
	\$	\$
<b>Administrative expenses</b>		
Salaries and employee benefits expense	27,215	27,006
Depreciation of property and equipment (note 8)	826	784
Amortization of intangible assets (note 9)	849	655
Amortization of right-of-use assets (note 10)	414	413
Professional and consultant fees	8,596	7,944
Material and software	3,921	1,593
Advertising and promotions	1,614	1,349
Travel and training	1,353	452
Other	1,144	1,217
	45,932	41,413
<b>Other operating expenses</b>		
Premium taxes	2,638	2,515
Investment expenses	3,045	2,862
Other	-	51
	5,683	5,428

#### 29. 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.

# ASSUMPTION MUTUAL LIFE INSURANCE COMPANY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands)

Year ended  
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### *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, 2022, the Group's ratio is 131% (156% in 2021).

A ratio of 131% means that the Group has sufficient capitalization to face unexpected negative results of approximately \$48.5 million (\$78.8 million in 2021) while being able to meet the minimum requirement.

The table below shows the Group's solvency ratio:

### **Regulatory capital**

	<u>2022</u>	<u>2021</u>
Available capital according to requirements	\$202,580	\$220,740
Required capital	\$154,068	\$141,896
Solvency ratio	131%	156%

## **30. 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:

	<u>2022</u>	<u>2021</u>
	\$	\$
Salaries and other short-term employment benefits	5,216	4,970
Fees	470	500
Post employment pension benefits	515	533
	<u>6,201</u>	<u>6,003</u>

## **31. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified in order to conform to the presentation adopted for the year ended December 31, 2022.



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