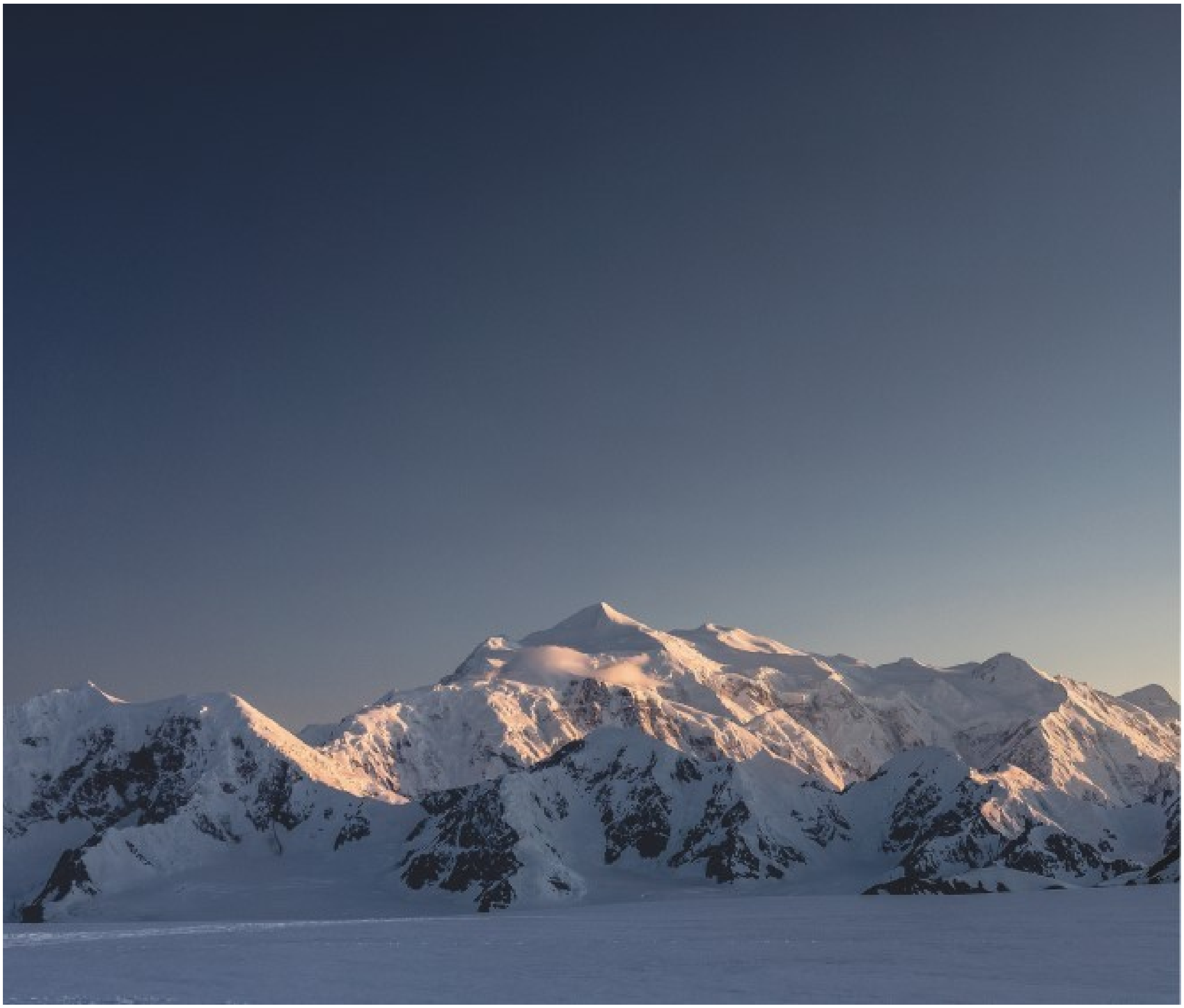
MOUNT LOGAN CAPITAL INC.

Consolidated Financial Statements

Years ended December 31, 2023 and 2022



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Board of Directors of Mount Logan Capital Inc.

Opinion

We have audited the consolidated financial statements of Mount Logan Capital Inc. (the "Company") which comprise the consolidated statements of financial position as at December 31, 2023 and 2022 and January 1, 2022, and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years ended December 31, 2023 and 2022, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022 and January 1, 2022, and its financial performance and its cash flows for the years ended December 31, 2023 and 2022 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards ("Canadian GAAS") and auditing standards generally accepted in the United States of America ("U.S. GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada and the United States of America, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Insurance Contract Liabilities - Refer to Notes 3 and 13 to the consolidated financial statements

Key Audit Matter Description

The Company has insurance contract liabilities representing a significant portion of its total liabilities. Insurance contract liabilities are determined in accordance with IFRS 17, *Insurance Contracts.* This method requires the use of complex valuation models incorporating projections of cash inflows and outflows using the best estimate of future experience adjusted by a margin for adverse deviation.   While there are many assumptions which management makes, the assumptions with the greatest estimation uncertainty are those related to mortality and morbidity, policy lapses, and future investment yields (collectively the "assumptions").

The models and methodologies utilized by management involve various policy elections and multiple sources of data and inputs related to IFRS 17, *Insurance Contracts*. The assumptions utilized within the models require significant auditor attention in specific circumstances where (i) there is limited Company and industry experience data, and (ii) the historical experience may not be a good indicator of the future. We considered these elements to be a key audit matter due to the IFRS 17 standard and the judgement applied by management when developing their valuation of the contract liabilities, which in turn led to a high degree of auditor judgement and effort in evaluating the assumptions. Professionals with specialized skill and knowledge in the field of actuarial sciences assisted us in performing our procedures.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the valuation models and assumptions included the following, among others:

- With the assistance of actuarial specialists, we tested the appropriateness of valuation models used in the estimation process by:

    - Calculating an independent estimate of the insurance contract liability cash flows for a sample of insurance policies and comparing the results to the Company's estimate.
    - Testing the appropriateness of certain valuation models used in the estimation process by calculating an independent estimate of the insurance contract liability for a sample of insurance policies and comparing the results to the Company's estimate.
    - Evaluating the asset projections relative to the current interest rate environment, the Company's investment portfolio, and the Company's reinvestment assumptions
    - Testing the underlying data and attributes used in determining the cash flows utilized in the valuation process.
    - Tested the design and implementation of relevant controls over the completeness and accuracy of the underlying policy data used in management's valuation of insurance contract liabilities.

- With the assistance of actuarial specialists, we tested the reasonableness of assumptions, by:

    - Evaluating whether the Company's assumptions were determined in accordance with actuarial principles and practices under IFRS.
    - Analyzing the Company's interpretation and judgment of its results and emerging claims experience, evaluation of triggers and drivers for revisions of assumptions, and consideration of relevant industry trends.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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 and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with Canadian GAAS and U.S. GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Deloitte & Touche LLP

New York, NY
United States of America

March 14, 2024

MOUNT LOGAN CAPITAL INC.

Consolidated Statements of Financial Position

(in thousands of United States dollars)

As at	Notes	December 31, 2023	December 31, 2022	January 1, 2022*
ASSETS				
Asset Management:				
Cash		$ 990	$ 1,525	$ 14,433
Restricted cash		—	53	135
Due from affiliates		—	12	—
Investments	6	26,709	30,605	35,209
Intangible assets	9	28,779	21,501	22,060
Other assets	15	6,593	4,792	4,180
Total assets — asset management		63,071	58,488	76,017
Insurance:				
Cash and cash equivalents		89,230	64,373	29,733
Investments	6	1,008,637	884,627	881,170
Reinsurance contract assets	13	442,673	455,115	617,618
Intangible assets	9	2,444	2,444	2,444
Goodwill	9	55,015	55,015	55,015
Other assets	15	27,508	24,178	18,251
Total assets — insurance		1,625,507	1,485,752	1,604,231
Total assets		**$ 1,688,578**	**$ 1,544,240**	**$ 1,680,248**
LIABILITIES				
Asset Management				
Due to affiliates	10	$ 12,113	$ 1,110	$ 3,852
Debt obligations	12	62,030	53,172	42,708
Contingent value rights	11	-	3,003	4,169
Accrued expenses and other liabilities	15	3,494	2,583	3,916
Total liabilities — asset management		77,637	59,868	54,645
Insurance				
Debt obligations	12	14,250	2,250	2,250
Insurance contract liabilities	13	1,107,056	1,073,251	1,311,855
Investment contract liabilities	14	169,314	89,358	—
Funds held under reinsurance contracts		238,253	231,839	291,296
Accrued expenses and other liabilities	15	30,116	25,404	4,885
Total liabilities — insurance		1,558,989	1,422,102	1,610,286
Total liabilities		1,636,626	1,481,970	1,664,931
EQUITY				
Common shares	11	115,607	108,055	108,055
Warrants	11	1,129	1,129	1,129
Contributed surplus		7,240	7,240	7,240
Surplus (Deficit)		(50,166)	(32,296)	(79,249)
Cumulative translation adjustment		(21,858)	(21,858)	(21,858)
Total equity		51,952	62,270	15,317
Total liabilities and equity		**$ 1,688,578**	**$ 1,544,240**	**$ 1,680,248**

** Refer to Notes 2 and 3 for further discussion.*

The accompanying notes are an integral part of these Consolidated Financial Statements.

Approved by the Board of Directors

(signed) Edward (Ted) Goldthorpe

Edward (Ted) Goldthorpe
Chief Executive Officer and Chairman

(signed) Rudolph Reinfrank

Rudolph Reinfrank
Chairman of Audit Committee

MOUNT LOGAN CAPITAL INC.

Consolidated Statements of Comprehensive Income (Loss)

(in thousands of United States dollars, except per share amounts)

	Notes	Years Ended December 31, 2023	Years Ended December 31, 2022
REVENUE			
Asset management			
Management fee	7	$ 9,225	$ 5,200
Equity investment earning		1,124	1,922
Interest income		1,087	1,225
Dividend income		584	276
Net gains (losses) from investment activities	4	(189)	722
Total revenue — asset management		**11,831**	**9,345**
Insurance			
Insurance revenue	8	87,806	95,514
Insurance service expenses	8	(78,155)	(119,777)
Net expenses from reinsurance contracts held	8	(33,025)	6,519
Insurance service results		(23,374)	(17,744)
Net investment income	5	87,105	55,058
Net gains (losses) from investment activities	4	29,105	(107,581)
Realized and unrealized gains (losses) on embedded derivative — funds withheld		(31,403)	38,575
Other income		7,710	3,874
Total revenue, net of insurance service expenses and net expenses from reinsurance contracts held — insurance		**69,143**	**(27,818)**
Total revenue		**80,974**	**(18,473)**
EXPENSES			
Asset management			
Administration and servicing fees	10	2,943	1,231
Transaction costs		3,721	185
Amortization of intangible assets	9	972	559
Interest and other credit facility expenses	12	5,977	3,564
General, administrative and other		13,067	7,505
Total expenses — asset management		**26,680**	**13,044**
Insurance			
Net insurance finance (income) expenses	5	28,871	(100,027)
Increase (decrease) in investment contract liabilities	14	6,316	1,274
(Increase) decrease in reinsurance contract assets		20,238	5,685
General, administrative and other		14,662	12,800
Total expenses — insurance		**70,087**	**(80,268)**
Total expenses		**96,767**	**(67,224)**
Income (loss) before taxes		**(15,793)**	**48,751**
Income tax (expense) benefit — asset management	16	(663)	(430)
Net income (loss) and comprehensive income (loss)		**$ (16,456)**	**$ 48,321**
Earnings per share			
Basic		$ (0.69)	$ 2.18
Diluted		$ (0.69)	$ 2.15
Dividends per common share — USD		$ 0.05	$ 0.06
Dividends per common share — CAD		$ 0.07	$ 0.08

The accompanying notes are an integral part of these Consolidated Financial Statements.

MOUNT LOGAN CAPITAL INC.

Consolidated Statements of Changes in Equity

(in thousands of United States dollars, except number of shares)

Year ended December 31, 2023	Notes	Number of Voting Common Shares		Common Shares		Warrants		Contributed Surplus		Surplus (Deficit)		Cumulative Translation Adjustment		Total Equity
Balance at December 31, 2022	13(j)*	**22,190,195**	**$**	**108,055**	**$**	**1,129**	**$**	**7,240**		**(32,296)**	**$**	**(21,858)**	**$**	**62,270**
Share issuance	11	3,543,540		7,552		—		—		—		—		7,552
Shareholder dividends	11	—		—		—		—		(1,414)		—		(1,414)
Net income (loss) and comprehensive income (loss)		—		—		—		—		(16,456)		—		(16,456)
Balance at December 31, 2023		**25,733,735**	**$**	**115,607**	**$**	**1,129**	**$**	**7,240**		**(50,166)**	**$**	**(21,858)**	**$**	**51,952**

Year Ended December 31, 2022	Notes	Number of Voting Common Shares		Common Shares		Warrants		Contributed Surplus		Deficit		Cumulative Translation Adjustment		Total Equity
Balance at December 31, 2021		**22,190,195**	**$**	**108,055**	**$**	**1,129**	**$**	**7,240**	**$**	**(9,260)**	**$**	**(21,858)**	**$**	**85,306**
Adjustment on initial application of IFRS 17, net of tax	13(j)*	—		—		—		—		(69,989)		—		(69,989)
Adjusted balance at January 1, 2022 as restated		**22,190,195**	**$**	**108,055**	**$**	**1,129**	**$**	**7,240**		**(79,249)**	**$**	**(21,858)**	**$**	**15,317**
Shareholder dividends	11	—		—		—		—		(1,368)		—		(1,368)
Net income (loss) and comprehensive income (loss)		—		—		—		—		48,321		—		48,321
Adjusted balance at December 31, 2022		**22,190,195**	**$**	**108,055**	**$**	**1,129**	**$**	**7,240**		**(32,296)**	**$**	**(21,858)**	**$**	**62,270**

** Refer to Note 13 (j) for further discussion.*

The accompanying notes are an integral part of these Consolidated Financial Statements.

MOUNT LOGAN CAPITAL INC.

Consolidated Statements of Cash Flows

(in thousands of United States dollars)

For the year ended December 31,	Notes	2023	2022
Operating Activities			
Comprehensive income (loss)		$ (16,456)	$ 48,321
Adjustments to reconcile comprehensive income (loss) to net cash provided by (used in) operating activities:			
Net realized (gains) loss on investments		(1,425)	3,873
Net realized (gains) loss on foreign currency		(6)	—
Net change in unrealized (appreciation) depreciation on investments		(27,459)	102,739
Net change in (gain) loss on foreign currency		(26)	247
Payment in-kind		264	91
Equity investment earnings		(1,124)	(1,922)
Net amortization of premiums and accretion of discounts on investments		(76)	1
Amortization of debt issuance costs		331	242
Amortization of intangible assets		972	559
Increase (decrease) in estimated credit losses		1,337	100
(Increase) decrease in operating assets:			
Due from affiliates		12	(12)
Reinsurance contract assets		12,442	162,503
Other assets		(3,947)	(2,922)
Increase (decrease) in operating liabilities:			
Due to affiliates		11,003	(2,742)
Insurance contract liabilities		33,805	(238,604)
Investment contract liabilities		79,956	89,358
Funds held under reinsurance contracts		6,414	(59,457)
Accrued expenses and other liabilities		5,590	18,010
Contingent value rights		—	(1,166)
Other cash provided by (used in) operating activities		(318)	(423)
Net cash provided by (used in) operating activities		**101,289**	**118,796**
Investing Activities			
Purchases of investments		(329,929)	(351,028)
Proceeds from sales and repayments of investments		236,596	244,930
Net cash provided by (used in) investing activities		**(93,333)**	**(106,098)**
Financing Activities			
Shareholder dividends	11	(1,414)	(1,368)
Proceeds from borrowings of asset management business		9,500	11,865
Repayments of borrowings of asset management business		(3,452)	(1,619)
Financing costs paid and deferred		(297)	(137)
Proceeds from borrowings of insurance business		12,000	—
Net cash provided by (used in) financing activities		**16,337**	**8,741**
Net increase (decrease) in cash and restricted cash		24,294	21,439
Effects of exchange rate changes on cash and restricted cash		(25)	211
Cash and restricted cash, beginning of the period		65,951	44,301
Cash and restricted cash, end of period		**$ 90,220**	**$ 65,951**

Cash and restricted cash			
Asset management			
Cash		$ 990	1,525
Restricted cash		—	53
Total asset management		990	1,578
Insurance			
Cash		89,230	64,373
Total insurance		89,230	64,373
Total cash and restricted cash		**$ 90,220**	**$ 65,951**

Supplemental disclosures of cash flow information			
Interest received		$ 82,618	$ 50,428
Interest paid		5,204	3,963
Dividends received		1,251	503
Income taxes paid		917	1,046
Contingent value rights		(3,003)	—
Investment in fixed income asset manager through equity		754	—
Issuance of common shares for the Ovation acquisition		6,798	—

The accompanying notes are an integral part of these Consolidated Financial Statements.

1. Organization

Mount Logan Capital Inc. ("MLC," the "Company" or "we") is incorporated under the laws of Ontario and its common shares are publicly traded on Cboe Canada under the symbol "MLC".

The Company is an alternative asset management and insurance solutions company that is focused on public and private debt securities in the North American market and the reinsurance of annuity products, primarily through its wholly-owned subsidiaries, Mount Logan Management LLC (“ML Management”) and Ability Insurance Company (“Ability”), respectively. The Company's reporting segments include asset management and insurance. The asset management segment reflects the Company's historical operations through its subsidiaries, including ML Management, and the insurance segment represents Ability’s operations. The Company, through its subsidiaries, earns management and incentive fees and servicing fees for providing investment management, monitoring and other services to investment vehicles and advisers. The Company also earns investment income by investing in loans, debt securities, and other credit-oriented instruments that present attractive risk-adjusted returns and present low risk of principal impairment through the credit cycle, and minority equity stakes in funds and companies. ML Management is registered as an investment adviser with the United States Securities and Exchange Commission under the Investment Advisors Act of 1940, as amended, and is registered to act in an investment advisory role for clients in the United States. The Company's insurance business is operated by Ability. Ability is a Nebraska domiciled insurer and reinsurer of long-term care policies and annuity products.

2. Basis of Presentation

The Consolidated Financial Statements ("Consolidated Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These Consolidated Financial Statements are presented in United States dollars ("USD"), which is also the Company’s functional currency.

These Consolidated Financial Statements were authorized for issue by the board of directors (the "Board") of the Company on March 13, 2024.

The Company presents its Consolidated Statements of Financial Position in order of liquidity rather than on a current and non-current basis. Certain comparative figures have been reclassified to conform to the current year's presentation, the more significant of which are explained below.

Asset management income statement reclassifications:

• "Servicing fees" was reclassified to "Administration and servicing fees"

• "Equity investment earning" was reclassified from "Management and servicing fees" to its own line item

Insurance income statement reclassifications:

• “Administration fees” and "Interest expense” were reclassified to “General, administrative and other”

Due to rounding, numbers presented throughout these Consolidated Financial Statements may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

The Company's Consolidated Financial Statements were adjusted to give effect to the adoption of IFRS 17 *Insurance Contracts* ("IFRS 17"), which is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces IFRS 4 *Insurance Contracts*. IFRS 17 was effective for years beginning on January 1, 2023, and was to be applied retrospectively. We applied IFRS 17 from January 1, 2022 including a fully retrospective transition approach for IFRS 17 adoption. All prior period amounts have been adjusted to conform with IFRS 17. Additional information regarding IFRS 17 is included in Note 3 and Note 13. The Company has included the opening statement of financial position as at January 1, 2022 on its Consolidated Statement of Financial Position. There was no significant impact to the Company's classification and measurement of financial instruments as a result of the adoption of IFRS 9 *Financial Instruments*.

The Company's insurance operations, are presented separately from MLC's asset management business. The presentation in the Consolidated Statements of Financial Position and Consolidated Statements of Comprehensive Income (Loss) reflect the significant industry diversification of MLC by its acquisition of Ability. Ability operates an insurance business, and MLC and certain of its subsidiaries operate an asset management business, each of which possess distinct characteristics. As a result, MLC developed a disaggregated approach for the presentation of the Consolidated Financial Statements, where Ability's insurance operations are presented separately from the asset management business. MLC’s corporate function is included as part of the asset management business for purposes of presenting the Consolidated Statements of Financial Position and Consolidated Statements of Comprehensive Income (Loss); however, it has been presented separately in the reportable segments in Note 17. MLC believes that these separate presentations provide a more informative view of the consolidated financial position and results of operations than traditional aggregated presentations and that reporting insurance operations separately is appropriate given, among other factors, the relative significance of Ability's policy liabilities, which are not obligations of MLC (other than the insurance companies that issued them). If a traditional aggregate presentation were to be used, MLC would expect to eliminate or combine several identical or similar captions, which would condense the presentations, but would also reduce the level of information presented. MLC believes that using a traditional aggregate presentation would result in no new line items compared to the disaggregated presentation included in the financial statements in this report. MLC also believes separate presentation of the two distinctive asset management and insurance businesses provides a more informative and transparent view of the consolidated financial position and results of operations than a traditional aggregated presentation.

Accordingly, the Company has organized its business into two reportable segments: asset management and insurance.

(in thousands of United States dollars, except per share amounts and where otherwise noted)

The summary of the material accounting policies includes a section for common accounting policies and an accounting policy section for each of the two operating segments when a policy is specific to one operating segment and not the other. Unless otherwise specified, the material accounting policy applies to both segments.

Consolidation

These Consolidated Financial Statements include the financial statements of the Company and its controlled subsidiaries and entities. The Company controls an entity when it: (i) has power to direct the relevant activities of the entity; (ii) is exposed to, or has rights to, variable returns from its involvement with the entity; and (iii) has the ability to affect those returns through its power over the entity.

All intercompany transactions and balances are eliminated on consolidation.

The Company has investments in associates, where the Company holds, either directly or indirectly, between 20% and 50% of the voting rights of an entity in which significant influence is presumed to exist. Investments in associates are accounted for using the equity method of accounting. Under the equity method of accounting, investments are initially recorded at cost, and the carrying amount is increased or decreased to recognize the Company's share of investee net income or loss. Additional information regarding accounting for investments in associates is included in Note 6.

Acquisition of Ovation

On July 5, 2023, the Company completed the transactions under its membership interest and asset purchase agreement (the "Ovation Purchase Agreement") to acquire 100% of the interests of Ovation Fund Management II LLC ("Ovation"), a Texas-based specialty-finance focused asset manager, and in connection therewith ML Management became the investment advisor to the platform. Ovation's platform is focused on investments in commercial lending, real estate lending, consumer finance and litigation finance, and contributes to the Company's fee related earnings. As partial consideration for the acquisition, MLC issued an aggregate of 3,186,398 common shares at a deemed price of C$2.8314 per share. On closing of the acquisition, Ovation's line of credit remained in place and had an outstanding balance of $1.8 million. Management of the Ovation platform is part of the Company's asset management segment.

The acquisition of Ovation met the definition of a business under IFRS 3 *Business Combinations* ("IFRS 3"), and was identified as the accounting acquiree, whereas the Company was identified as the accounting acquirer. The acquisition of Ovation was accounted for using the acquisition method, with the purchase price determined as follows: the consideration transferred was measured at fair value, which is calculated as the fair value of cash and equity interests issued by the Company in exchange for the net identifiable assets of Ovation on July 5, 2023.

Fair value of consideration transferred	
Common Stock	$ 6,798
Cash	339
	7,137
Less: Identifiable net assets (liabilities) acquired, at fair value	
Assets:	
Cash	10
Accounts Receivable	149
Deferred Incentive Fees	632
Prepaid expenses	23
Intangible Asset – Investment Management Agreement	8,250
Liabilities:	
Accounts Payable	58
Interest Payable	6
Line of Credit	1,863
Net Assets Acquired (Liabilities Assumed)	**$ 7,137**

As part of the acquisition of Ovation, an intangible asset representing the Investment Management Agreement for the Ovation sponsored funds - Ovation Alternative Income Fund-A LP and Ovation Alternative Income Fund LP. The investment management agreement has been deemed to have a useful life of ten years. The line of credit was repaid during the year ended December 31, 2023.

3. Material Accounting Policies

Critical accounting judgments, estimates, and assumptions

The preparation of the Consolidated Financial Statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures. Significant estimates and assumptions include but are not limited to estimating fair values of certain financial instruments, allowance for expected credit losses, impairment of securities, impairment of goodwill and intangible assets, the valuation of investment contract liabilities, insurance contract liabilities and reinsurance assets, determining income taxes and deferred taxes, provisions, and amortization of deferred revenues and expenses associated with the insurance business. Actual results may differ from those estimates, and such differences could be material.

Financial instruments

Recognition and initial measurement

Financial assets and liabilities are initially recognized when the Company becomes a party to a financial instrument contract. The majority of the Company's financial assets are classified at fair value through profit and loss ("FVTPL"). All other financial assets and liabilities are measured at amortized cost. Under the FVTPL method, financial assets and liabilities reflect the amount required to be received or paid.

The Company capitalizes costs related to its borrowings. Deferred financing costs are amortized and included as a component of interest expense using the straight-line method, which approximates the effective yield method, over the life of the related debt obligation. Unamortized deferred financing costs are presented on the Consolidated Statements of Financial Position as a direct reduction of the debt obligation.

Classification and measurement of financial instruments

The Company's classification of financial assets is based on the business model for managing the portfolio of assets and the contractual cash flow characteristics of these financial assets. Debt investments held within a business model with the objective of realizing cash flows through sale and meeting the definition of held for trading, rather than holding to collect the contractual cash flows, are classified and measured at FVTPL. For the insurance segment, the Company elects to classify investments backing insurance contract liabilities, excluding mortgage loan receivables and real estate, as FVTPL to reduce any accounting mismatches arising from these assets and changes in the value of the related insurance contract liability. Financial assets measured at amortized cost are debt investments with contractual cash flows that meet the "solely payment of principal and interest" ("SPPI") test and are managed on a "held to collect" basis, which are recognized initially at fair value plus or minus direct and incremental transaction costs, and are subsequently measured at amortized cost, using straight-line method which approximates the effective interest method, net of an allowance for expected credit losses ("ECL"). Equity investments are generally carried at FVTPL. These fair values are periodically assessed by management to ensure that they are reasonable.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the asset.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expired.

The Company also derecognizes a financial asset or liability when its terms are modified and the cash flows of the modified asset or liability are substantially different, in which case a new financial asset or liability based on the modified terms is recognized at fair value. Upon derecognition of a financial asset or liability, the difference between the carrying amount extinguished and the consideration received or paid (including any non-cash assets transferred or liabilities assumed) is recognized in Net gains (losses) from investment activities.

Impairment of financial assets

The allowance for ECL is recognized on financial assets that are debt instruments classified at amortized cost. The allowance for ECL represents the difference between all contractual cash flows that are due to the Company and all the cash flows the Company expects to receive, discounted at the original effective interest rate. The allowance for ECL reflects an unbiased and probability-weighted amount, which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. Forward-looking information is incorporated into the estimation of the allowance for ECL, which involves significant judgment.

The ECL impairment model is based on a forward-looking approach: (i) 12-month ECL or (ii) lifetime ECL for those financial instruments that have experienced a significant increase in credit risk since initial recognition or when there is objective evidence of impairment. ECL allowances are categorized into three stages:

Stage 1 all performing financial instruments that have not experienced a significant increase in credit risk since initial recognition;

Stage 2 all performing financial instruments that have experienced a significant increase in credit risk since initial recognition; and

Stage 3 financial instruments that are classified as impaired.

Debt securities measured at amortized cost are classified as impaired when it is determined that there is no longer reasonable assurance that principal or interest will be collected in their entirety or on a timely basis as a result of one or more loss events, including default, bankruptcy or delinquency. In determining whether or not a default has occurred, the Company considers both qualitative and quantitative factors, including compliance with financial covenants and days past due. Interest income on impaired debt securities measured at amortized cost is recognized based on amortized cost, net of allowance, and the original effective interest rate on the impaired debt security.

The Company, excluding Ability's investments in mortgage loans, elects to measure the allowance for loan assets carried at amortized cost at an amount equal to lifetime ECLs under a simplified approach that does not require the Company to track changes in credit risk. Other than the mortgage loans, the Company has only one loan investment measured at amortized cost that is considered in Stage 1, and therefore, the simplified approach of calculating a lifetime ECL adequately covers the required 12-month ECL. The contractual period of the underlying loans is generally used to approximate the expected life of the loans.

For Ability's investments in mortgage loans, an allowance for ECLs is recorded and measured based on the discounted value of expected future cash flows at the original effective interest rates inherent in the mortgage. ECLs are measured over the next 12 months unless there is a significant increase in credit risk. In situations where there has been a significant increase in credit risk, Ability recognizes an allowance equal to the lifetime ECLs. Expected future cash flows of impaired mortgages are typically determined with reference to the fair value of collateral security underlying the mortgage, net of expected costs of realization and including any applicable insurance recoveries. Significant judgment is applied in the determination of ECL including the timing and amount of future collections.

The Company assesses, on an ongoing basis, whether any investment should be classified as impaired and whether any resulting write-off or change in allowance should be recorded. The gross carrying amount of a financial asset is written-off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company assesses the timing and amount of write-off for impaired assets based on whether there is a reasonable expectation of recovery.

In determining whether there has been a significant increase in credit risk and in calculating the amount of ECLs, the Company relies on estimates and exercises judgment regarding matters for which the ultimate outcome is unknown. These judgments include changes in circumstances that may cause future assessments of credit risk to be materially different from the current assessment, which could require an increase or decrease in the allowance.

The calculation of ECLs includes both quantitative and qualitative information and analysis, based on the Company’s historical experience and credit risk assessment from qualified personnel, including forward-looking information. The key inputs into the measurement of ECL, regardless of the presence of a significant increase in credit risk, are probability of default, loss given default and exposure at default. The allowance for ECL is established with consideration for borrower-specific factors, including estimated levels of collateral security, the Company’s historical credit loss experience, and current and future expected economic conditions.

The allowance ECL for financial assets measured at amortized cost is deducted from the gross carrying amount of the assets.

Fair value measurement

Fair value is the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or parameters, or derived from such prices or parameters. Where observable prices or inputs are not available, valuation techniques are applied. These valuation techniques involve varying levels of management estimation and judgement, the degree of which is dependent on a variety of factors.

Investments held that are traded in an active market, through recognized public stock exchanges, over-the-counter markets, or through recognized investment dealers are valued at their closing price (Level 1). Investments held that are not traded in an active market are valued based on the results of valuation techniques using observable market inputs as opposed to unobservable inputs on such basis and in such manner established by management (Level 2). The fair value of certain securities may be estimated using valuation techniques based on assumptions that are not supported by observable market inputs (Level 3). Investments that are not publicly traded or whose market prices are not readily available are valued at fair value as determined in good faith by management and input from independent third-party valuation firm(s), as necessary.

The Company’s contingent value rights ("CVR") are derivative liabilities measured at FVTPL, and represents a contingent cash entitlement with respect to its investment in Cline Mining Corporation ("Cline"). The CVRs expired in accordance with their terms on October 19, 2023 and were cancelled. Additional information regarding CVRs is included in Note 11.

Management undertakes a multi-step valuation process, which includes, among other procedures, the following:

- The Company’s quarterly valuation process begins with each investment being initially valued by the investment professionals responsible for the respective portfolio investment. The Company may utilize an independent valuation firm from time to time to provide valuation on material illiquid securities.
- Management will review the recommended valuations and determine the fair value of each investment. Valuations that are not based on readily available market quotations will be valued in good faith based on, among other things, the input of management and, where applicable, other third-parties.

The Company classifies fair value measurements within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Market price observability is affected by a number of factors, including the type of financial instrument, the characteristics specific to the financial instrument and the state of the marketplace, including the existence and transparency of transactions between market participants. Financial instruments with readily available quoted prices in active markets generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. The three levels of the fair value hierarchy are:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2 Inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 Significant inputs that are unobservable for an asset or liability.

In all cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and consideration of factors specific to the asset or liability.

A significant decrease in the volume and level of activity for the asset or liability is an indication that transactions or quoted prices may not be representative of fair value because in such market conditions there may be increased instances of transactions that are not orderly. In those circumstances, further analysis of transactions or quoted prices is needed, and a significant adjustment to the transactions or quoted prices may be necessary to estimate fair value.

Management's determination of fair value is based upon the methodologies and processes described below and may incorporate assumptions that are management's best estimates after consideration of a variety of internal and external factors.

Level 1 Valuation Methodologies

Pricing inputs are unadjusted, quoted prices in active markets for identical assets or liabilities as of the measurement date.

Level 2 Valuation Methodologies

These financial instruments generally have bid and ask prices that can be observed in the marketplace. Bid prices represent the highest price market participants are willing to pay for an instrument. Ask prices represent the lowest price market participants are willing to accept for an instrument. For financial instruments whose inputs are based on bid-ask prices obtained from third-party pricing services, fair value may not always be a predetermined point in the bid-ask range. The Company's policy is generally to allow for mid-market pricing and adjusting to the point within the bid-ask range that meets the Company's best estimate of fair value. The Company may also use model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 Valuation Methodologies

Debt securities: These financial instruments are generally valued using inputs obtained from dealers or market makers, and where these values are not available, generally valued based on a range of valuations determined by management or an independent valuation firm. Valuation models are based on discounted cash flow analyses, for which the key inputs are determined based on market comparables, which incorporate similar instruments from similar issuers.

Real estate and mortgage loans: The Company's investments in real estate and mortgage loans are illiquid, structured investments that are specific to the property and its operating performance. As there are no observable inputs, these investments are classified as Level 3 on the fair value hierarchy.

Investment transactions

Investment transactions are recorded on the trade date. Transaction costs incurred to acquire financial assets measured at FVTPL are recognized as an expense as incurred. Transaction costs incurred to acquire financial assets measured at amortized cost are amortized over the expected life of the instrument using the effective interest method. The periodic movement in fair value of financial assets measured at FVTPL is recorded as an unrealized gain or loss in the Consolidated Statements of Comprehensive Income (Loss).

Realized gains or losses on investments are calculated using the first-in, first-out (FIFO) method as the difference between the net proceeds received (excluding prepayment fees, if any) and the cost basis of the investment. Realized gains or losses on investments include investments charged off during the period, net of recoveries.

Interest income

Interest income is recorded on the accrual basis, whereas, accretion of discounts and amortization of premiums is recorded within Net gains (losses) from investment activities on the Consolidated statements of Comprehensive Income (Loss). Discounts from and premiums to par value on the Company's mortgage loan portfolio are accreted or amortized into interest income over the life of the respective security using the straight-line method which approximates the effective interest method. The amortized cost of debt investments represents the original cost adjusted for the accretion of discounts and amortization of premiums, if any.

Loans are in default when there is reasonable doubt that principal or interest will be collected in full. The Company considers many factors relevant to an investment when placing it on or removing it from default status including, but not limited to, the delinquency status of the investment, economic and business conditions, the overall financial condition of the underlying investment, the value of the underlying collateral, bankruptcy status, if any, and any other facts or circumstances relevant to the investment. Interest income is continued to be recognized when a loan is identified as impaired, net of its related allowance.

Dividend income

Dividend income on preferred equity securities is recorded on the accrual basis to the extent that such amounts are payable by the portfolio company and are expected to be collected. Dividend income on common equity securities is recorded on the record date for private portfolio companies or on the ex-dividend date for publicly-traded portfolio companies.

Cash and cash equivalents

Cash and cash equivalents includes demand deposits and money market funds that are readily convertible to cash and have an original maturity of three months or less.

Restricted cash

Restricted cash represents proceeds received from the Cline transaction that is payable to the holders of the CVRs. Refer to Note 11 for additional information on the Cline transaction and the CVRs.

Foreign currency translation

Foreign currency assets and liabilities denominated in non-USD are translated at the exchange rate prevailing at period end date. Foreign currency transactions, such as, purchases and sales of investments, income and expenses, contributions and dividends to shareholders, are translated at the exchange rate prevailing on the respective dates of such transactions.

Current and deferred income taxes

Income tax expense includes current and deferred income taxes. Income tax expense is recognized in the Consolidated Statements of Comprehensive Income (Loss), except to the extent that it relates to items recognized directly in equity, in which case the tax expense is also recognized directly in equity.

Current tax is the amount of income tax recoverable (payable) in respect of the taxable loss (profit) for a period. Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities for accounting and tax purposes. Deferred income tax assets and liabilities are measured at the tax rates expected to apply when temporary differences reverse. Changes in deferred income tax assets and liabilities related to a change in tax rates are recorded in the period the tax rate is substantively enacted. Current and deferred taxes are offset only when they are levied by the same taxing authority, levied on the same entity or group of entities and when there is a legal right to offset.

Current income taxes include any adjustment to income taxes payable in respect of previous years. The Company also makes assumptions about the expected timing of the reversal of deferred tax assets and liabilities. If the Company's interpretations differ from those of taxing authorities or if the timing of reversals is not as expected, its provision for income taxes could increase or decrease in future periods. The amount of any such increase or decrease cannot be reasonably estimated.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences.

Deferred tax assets are recognized only when it is probable that sufficient taxable profit will be available in future periods against which deductible temporary differences may be utilized.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

The Company assesses whether it is probable that its deferred income tax assets will be realized prior to expiration and, based on all available evidence, determines if any portion of its deferred income tax assets should not be recognized. The factors used to assess the probability of realization are the Company's past experience with income and capital gains, its forecast of future net income before taxes, and the period remaining before the expiration of tax loss carryforwards. Changes in the Company's assessment of these factors could increase or decrease its provision for income taxes in future periods. Enacted or substantially enacted rates in effect at the reporting date that are expected to apply when the deferred income tax asset is realized or the deferred tax liability is settled are used to calculate deferred income taxes.

Earnings per share

Basic earnings per share is calculated by dividing net income or loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated in the same manner, with further adjustments to reflect the dilutive effect of common share equivalents outstanding. Outstanding warrants are excluded from the calculation of diluted earnings per share when the average market price of common shares does not exceed the exercise price of the warrants (i.e., they are "out of the money").

Shareholder dividends

Dividends to the Company's shareholders are recorded on the declaration date. The payment of any cash dividend to shareholders of the Company in the future will be at the discretion of the Board and will depend on, among other things, the financial condition, capital requirements and earnings of the Company, and any other factors that the Board may consider relevant.

The *Business Corporations Act* (Ontario) ("OBCA") provides that a corporation may not declare or pay a dividend if there are reasonable grounds for believing that the corporation is, or would be after the payment of the dividend, unable to pay its liabilities as they become due or the realizable value of its assets would thereby be less than the aggregate of its liabilities and stated capital of all classes of shares of its capital. Furthermore, holders of common shares may be subject to the prior dividends rights of holders of preference shares, if any, then outstanding.

Material accounting policies – asset management

The material accounting policies applicable to the asset management business are described below.

Associates

The Company classifies investments in entities over which it has significant influence, and that are neither subsidiaries nor joint ventures, as associates. Significant influence is presumed to exist when the Company holds, either directly or indirectly, between 20% and 50% of the voting rights of an entity. Investments in associates are accounted for using the equity method. Under the equity method, such investments are initially measured at cost, and are adjusted thereafter to recognize the

Company's share of profit or loss of the investee. Distributions received from an investee reduce the carrying amount of the investment. The Company reviews investments in associates quarterly to identify and evaluate indications of possible impairment. For these investments, a significant or prolonged decline in the fair value of a security to an amount below its cost is objective evidence of impairment.

Management fee revenue

Revenue from investment management fees for services rendered are calculated in accordance with the respective agreements of the managed funds or service agreements. The fees are earned and recognized over the period during which the assets are managed by the Company. Management fee revenue is recognized gross of expenses payable to third-parties.

Intangible assets

Intangible assets include payments made to purchase existing investment management contracts from third-party investment managers. Intangible assets with definite useful lives are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recorded using the straight-line method and is based on the estimated useful lives between 6 to 10 years. Intangible assets with indefinite useful lives are not amortized but are subject to an annual impairment test which is performed more frequently if an indication that it is not recoverable arises. Intangible assets are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the asset may be impaired. Intangible assets that are determined to be impaired are written down to their recoverable amount. The recoverable amount is the higher of the value in use and the fair value less costs to sell. If the carrying value exceeds the recoverable amount, these assets are considered impaired. Additional information regarding intangible assets is included in Note 9.

Material accounting policies - insurance

Insurance contracts are those contracts under which the Company accepts significant insurance risk at the inception of the contract. Insurance risk arises when the Company agrees to compensate a policyholder if a specified uncertain future event adversely affects the policyholder, with the possibility of paying (including variability in timing of payments) a significantly higher amount in a scenario where the insured event occurs than when it does not occur.

IFRS 17 is a comprehensive accounting standard for insurance contracts covering recognition, measurement, presentation and disclosure, which replaces IFRS 4 *Insurance Contracts*. IFRS 17 was effective for years beginning on January 1, 2023, and was to be applied retrospectively. MLC applied IFRS 17 from January 1, 2022 including a fully retrospective transition on adoption.

Scope

IFRS 17 applies to all insurance contracts issued and reinsurance contracts held. On adoption of IFRS 17, the contracts subject to significant insurance risk were unchanged.

In addition, IFRS 17 requires the following components to be separated from insurance contracts: (i) embedded derivatives, if they meet certain specified criteria; (ii) distinct investment components; and (iii) distinct performance obligations to provide non-insurance goods and services. Where relevant, these components should be accounted for separately in accordance with the relevant standards. The Company has not identified any such distinct components but does hold non-distinct investment components, which are not separated from the insurance contract. They are accounted for together with the insurance component but receipts and payments from these investment components are excluded from insurance contract revenue and insurance service expenses presented in the Consolidated Statements of Comprehensive Income (Loss).

Level of Aggregation

Measurement is not performed on an individual contract level but on portfolios that are divided into specific groups. IFRS 17 requires an entity to identify portfolios of insurance contracts that share similar risks and are managed together.

The Company's key portfolios include: (i) Long Term Care Insurance, which represents Long Term Care policies assumed from other insurance companies; (ii) Long Term Care Reinsurance, which represents Long Term Care policies ceded by the Company to other insurers; and (iii) Multi-Year Guaranteed Annuities ("MYGA"), which represents a block of multi-year guaranteed annuity policies.

Each portfolio of insurance contracts has been divided into: (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of becoming onerous; and (iii) any remaining contracts in the portfolio. See section below titled Measurement for further details on onerous contracts. Contracts issued more than one year apart are not included in the same group. Once established at initial recognition, the composition of the groups is not subsequently reassessed.

Measurement

IFRS 17 introduces a new measurement model, the General Measurement Model ("GMM"), that comprises of fulfilment cash flows, risk adjustment for non-financial risk and the contractual service margin.

Fulfilment Cash Flows ("FCF")

The FCF represent the expected cash flows attributable to groups of insurance contracts discounted to the present value and an explicit risk adjustment for non-financial risk. The relevant cash flows include amounts that the Company expects to collect from premiums and pay out for claims, benefits, and expenses.

Risk Adjustment for Non-Financial Risk

The risk adjustment for non-financial risk is applied to the FCF and reflects the compensation the Company requires for bearing the uncertainty surrounding the amount and timing of the cash flows from non-financial risk as it fulfils insurance contracts.

For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Company to the reinsurer.

The Company has elected to not disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. As a result, all the changes are included in the insurance service result.

Contractual Service Margin ("CSM")

The CSM represents the unearned profit the Company will recognize as it provides insurance services over the coverage period of the group of insurance contracts. At initial recognition, the CSM is an amount that results in no income or expenses; however, if a group of contracts is onerous (i.e., shows a net cash outflow), then a loss component is recognized as a loss in the Consolidated Statements of Comprehensive Income (Loss).

Subsequent to initial recognition, the liability of a group of insurance contracts comprises the liability for remaining coverage (LRC) (FCF for future services, for example, insured events that have not occurred and the CSM) and the liability for incurred claims (LIC) (FCF for claims and expenses already incurred but not yet paid).

The FCF are remeasured at each reporting date to reflect current estimates. Generally, the changes in the FCF are treated in a number of ways:

1. Changes in the effect of the time value of money and financial risk are reflected in the Consolidated Statements of Comprehensive Income (Loss).
2. Changes related to past and current services are recognized in the Consolidated Statements of Comprehensive Income (Loss).
3. Changes related to future service adjust the CSM.

An insurance contract is onerous at the date of initial recognition if the fulfillment cash flows allocated to the contract, any previously recognized insurance acquisition cash flows and any cash flows arising from the contract at the date of initial recognition in total are a net outflow.

Presentation and Disclosure

The Company presents insurance contract liabilities and reinsurance contract assets as individual amounts on the liability and asset sides of the Consolidated Statements of Financial Position, respectively. This presentation is determined at the portfolio of insurance contracts level, with balances for any portfolios of insurance contracts issued that are in a net asset position shown separately from those portfolios that are in a net liability position. Similarly, balances for portfolios of reinsurance contracts held that are in a net liability position are shown separately from those that are in a net asset position.

Amounts recognized in the Consolidated Statements of Comprehensive Income (Loss) are disaggregated into: (a) an insurance service result, comprising insurance revenue and insurance service expenses; and (b) insurance finance income or expenses, which comprises the effects of discounting. Amounts from reinsurance contracts held are presented separately.

Ceded Reinsurance

A reinsurance contract is a type of insurance contract that is issued by an entity (the reinsurer) to compensate another entity (the cedant) for claims arising from insurance contract(s) issued by the cedant.

Consistent with the overall business strategy, the Company assumes certain policy risks written by other insurance companies on a coinsurance basis. Reinsurance accounting is applied for reinsurance transactions when risk transfer provisions have been met. The Company reviews all contractual features, particularly those that may limit the amount of insurance risk to which the reinsurer is subject or features that delay the timely reimbursement of claims. The Company does not have any assumed or ceded reinsurance contracts that do not meet risk transfer requirements.

The Company uses ceded reinsurance contracts in the normal course of business to manage its risk exposure. For each of its reinsurance agreements, cessions under reinsurance agreements do not discharge the Company's obligations as the primary insurer. Reinsurance assets represent the benefit derived from reinsurance agreements in-force at the reporting date, considering the financial condition of the reinsurer. Amounts recoverable from reinsurers are estimated in accordance with the terms of the relevant reinsurance contract and historical reinsurance recovery information. Amounts recoverable from reinsurers are based on what the Company believes are reasonable estimates and the balance is reported as an asset in the Consolidated Statements of Financial Position. However, the ultimate amount of the reinsurance recoverable is not known until all claims are settled.

Ceded reinsurance – Funds withheld with Front Street Re

The Company has a coinsurance with funds withheld arrangement with Front Street Re covering a significant portion of the long-term care business (the "Medico" block of policies). Under the funds withheld arrangement, assets are retained by the Company; however, all investment activity pertaining to those assets are passed through to Front Street Re. Investment activity includes any interest income, unrealized gains, and losses, and realized gains and losses from sales on these assets.

Ceded reinsurance – Modified coinsurance with Vista Life and Casualty Reinsurance Company

The Company also has a modified coinsurance ("Modco") agreement with Vista Life and Casualty Reinsurance Company ("Vista"). Pursuant to such agreement, the Company retains assets in a designated custody account to support the quota share of the ceded Modco reserves (102% of required U.S. statutory reserves). Similar to a funds withheld arrangement, all investment activity pertaining to those assets are passed through to Vista. Investment activity includes any interest income, unrealized gains, and losses, and realized gains and losses from sales on these assets.

Ceded reinsurance – Embedded derivatives

As the return on receivables or payable balances under the arrangements with Front Street Re and Vista are not clearly and closely related to the host insurance contract, these contracts are deemed to contain embedded derivatives, which are measured at fair value based on the fair value of the assets held by the Company in designated portfolios to support the underlying liability. The fair value of the embedded derivatives for the funds withheld and Modco agreements are included in the funds held under reinsurance contracts (Front Street Re) and reinsurance contract assets line items (Vista) on the Consolidated Statement of Financial Position, respectively.

The key accounting policies for ceded reinsurance are consistent with the sections above with a few key differences:

1. The Company accounts for a group of reinsurance contracts held separately from the underlying contracts that it relates to because the Company does not have the right to reduce the amounts that it owes to the underlying policyholders. The Company's contractual obligations to the underlying policyholders are not extinguished because the underlying contracts are reinsured.
2. Reinsurance contracts held are generally assets, rather than liabilities. They are presented separately from the underlying insurance contracts; however, they correspond with them with the relationship typically being inverse due to the nature of the Company's ceded reinsurance arrangements.
3. For reinsurance contracts held, the cedant pays a premium to a reinsurer and receives a reimbursement from the reinsurer if it pays valid claims arising from the underlying contracts. The cedant can have a net cost or a net gain on purchasing the reinsurance – i.e., a CSM that can be positive or negative.

Transition

MLC previously acquired 100% of the equity of the Ability on October 29, 2021, in a business combination transaction within the scope of IFRS 3. For the purposes of consolidated reporting under IFRS 17, the Company's insurance contracts issued and reinsurance contracts held are insurance contracts acquired under IFRS 17 and therefore treated as if they had been issued by MLC at the date of the acquisition of the Ability. Accordingly, the consideration for the insurance contracts is deemed to be the contracts' fair value at the date of acquisition. The fair value is determined using the requirements in IFRS 13 *Fair Value Measurement* ("IFRS 13"), except for the requirement that the fair value of a financial liability with a demand feature cannot be less than the amount payable on demand.

MLC has applied a full retrospective approach on adoption of IFRS 17 meaning that it has: (i) recognized and measured each group of insurance contracts as if IFRS 17 had always applied; (ii) derecognized any existing balances that would not exist had IFRS 17 always applied; and (iii) recognized any resulting net difference in equity as at the transition date. Refer to Note 13 for a summary of adjusted balances upon transition on January 1, 2022.

Goodwill

In accordance with IFRS 3, goodwill is recognized at the date of acquisition and represents the difference between the fair value of purchase consideration of an acquired business and Ability's proportionate share of net identifiable assets acquired. Goodwill is initially recorded at cost and is subsequently measured at cost less accumulated impairment.

Goodwill is tested for impairment at least annually and whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable at the cash generating unit ("CGU") or groups of CGUs level. The Company allocates goodwill to CGUs or groups of CGUs for impairment testing at the lowest level within the entity where the goodwill is monitored for internal management purposes. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. Any potential impairment of goodwill is identified by comparing the recoverable amount with the carrying value of a CGU or groups of CGUs. Goodwill is reduced by the amount of deficiency, if any. If the deficiency exceeds the carrying amount of goodwill, the carrying values of the remaining assets in the CGU or groups of CGUs are subject to being reduced by the excess on a pro-rata basis. Goodwill recorded as a result of the Ability Acquisition has been allocated to the insurance segment. Additional information regarding goodwill is included in Note 9.

Intangible assets

Insurance Licenses

In accordance with IFRS 3, all identifiable intangible assets acquired in a business combination are recognized separately from goodwill and are initially measured at their acquisition date fair values. This often involves identifying and recognizing intangible assets not previously recognized by the acquiree in its financial statements.

The only separately identifiable intangible assets arising from the Ability Acquisition are state insurance licenses, which have been recorded at fair value. State insurance licenses are deemed intangible assets with an indefinite useful life. The indefinite useful life assessment for the state insurance licenses are based off the circumstances that these licenses are incapable of being separated from the entity and sold, arise from a contractual and legal right to write insurance policies in respective licensed states, and the expected future economic benefits attributable to the asset will flow to the entity. An intangible asset with an indefinite useful life is not amortized but is subject to an annual impairment test which is performed more frequently if an indication that it is not recoverable arises. The state insurance licenses are recorded in insurance intangibles in the Consolidated Statements of Financial Position.

(in thousands of United States dollars, except per share amounts and where otherwise noted)

4. Net gains (losses) from investment activities

Net gains (losses) from investment activities in the Consolidated Statements of Comprehensive Income (Loss) consist primarily of the realized and unrealized gains and losses on investments (including foreign exchange gains and losses attributable to foreign denominated investments and related activities). Unrealized gains or losses result from changes in the fair value of these investments during the period. Upon disposition of an investment, previously recognized unrealized gains or losses are reversed and an offsetting realized gain or loss is recognized in the current period.

The table below summarizes the net gains (losses) from investment activities:

For the years ended December 31,	**2023**			**2022**		
	Net Realized Gains (Losses)	**Net Unrealized Gains (Losses)**	**Total**	**Net Realized Gains (Losses)**	**Net Unrealized Gains (Losses)**	**Total**
Asset Management						
Debt securities: (1)						
Corporate	$ —	$ —	$ —	$ (10)	$ 525	$ 515
Equity securities	82	(271)	(189)	—	207	207
Net gains (losses) from investment activities — asset management	$ 82	$ (271)	$ (189)	$ (10)	$ 732	$ 722
Insurance						
Debt securities: (2)						
U.S. government and agency	$ —	$ 322	$ 322	$ (79)	$ (816)	$ (895)
U.S. state, territories and municipalities	(2)	138	136	(446)	(1,438)	(1,884)
Other government and agency	—	—	—	(32)	(1,656)	(1,688)
Corporate	885	12,046	12,931	(2,848)	(61,884)	(64,732)
Asset and mortgage- backed securities	433	15,381	15,814	(123)	(36,107)	(36,230)
Mortgage loans (3)	4	(2)	2	51	30	81
Equity securities (4)	15	(21)	(6)	(387)	(285)	(672)
Other invested assets (5)	14	(108)	(94)	1	(1,562)	(1,561)
Net gains (losses) from investment activities — insurance	$ 1,349	$ 27,756	$ 29,105	(3,863)	(103,718)	(107,581)

(1) Certain debt securities are measured at amortized cost. The remainder of debt securities are designated at FVTPL.

(2) Ability accounts for its fixed maturity securities (including bonds, structured securities and redeemable preferred stock) at FVTPL by election. This election reduces accounting mismatches between the accounting for these assets and the related insurance contract liabilities. These securities are carried at fair value, with realized and unrealized gains and losses reported in Net gains (losses) from investment activities in the Consolidated Statements of Comprehensive Income (Loss).

(3) Mortgage loans and real estate are carried at amortized cost.

(4) Equity securities (including common stock and non-redeemable preferred stock) are measured at FVTPL.

(5) Other invested assets primarily include structured securities and loan receivables are measured at FVTPL.

(in thousands of United States dollars, except per share amounts and where otherwise noted)

5. Net investment income and net insurance finance (income) expenses – insurance

Net investment income for Ability is comprised primarily of interest income and dividend income from common and preferred stock. Insurance finance (income) expenses represent the effects of discount rates and other financial variables on the value of insurance obligations.

An analysis of net investment income and insurance finance (income) expenses by product line is presented below:

For the years ended December 31		**2023**		**2022**
Debt securities — interest and other income	$	76,129	$	45,458
Mortgage interest		11,734		10,475
Short-term and other investment income		463		41
Equity securities — dividends and other income		203		13
Gross investment income		88,529		55,987
Less:				
Investment expenses		(1,424)		(929)
Net investment income	$	87,105	$	55,058

An analysis of finance (income) expenses from insurance contracts issued and reinsurance contracts held is presented below:

Year ended December 31, 2023		**Long Term Care Insurance**		**MYGA**		**Long Term Care Reinsurance**		**Total**
Finance (income) expenses from insurance contract issued								
Interest accreted	$	36,910	$	2,731	$	—	$	39,641
Effects of changes in interest rates and other financial assumptions		32,392		(271)		—		32,121
Finance (income) expenses from insurance contracts issued	$	69,302	$	2,460	$	—	$	71,762
Finance (income) expenses from reinsurance contracts held								
Interest accreted		—		—		(22,860)		(22,860)
Effect of changes in interest rates and other financial assumptions		—		—		(20,031)		(20,031)
Finance (income) expenses from reinsurance contracts held	$	—	$	—	$	(42,891)	$	(42,891)
Net insurance finance (income) expenses	$	69,302	$	2,460	$	(42,891)	$	28,871

Year ended December 31, 2022		**Long Term Care Insurance**		**MYGA**		**Long Term Care Reinsurance**		**Total**
Finance (income) expenses from insurance contract issued								
Interest accreted	$	28,587	$	(725)	$	—	$	27,862
Effects of changes in interest rates and other financial assumptions		(268,627)		(26)		—		(268,653)
Finance (income) expenses from insurance contracts issued	$	(240,040)	$	(751)	$	—	$	(240,791)
Finance (income) expenses from reinsurance contracts held								
Interest accreted		—		—		(17,736)		(17,736)
Effect of changes in interest rates and other financial assumptions		—		—		158,500		158,500
Finance (income) expenses from reinsurance contracts held	$	—	$	—	$	140,764	$	140,764
Net insurance finance (income) expenses	$	(240,040)	$	(751)	$	140,764	$	(100,027)

An analysis of investment income, net insurance finance income (expense) and net insurance result from insurance contracts issued and reinsurance contracts held is presented below:

For the years ended December 31,		**2023**		**2022**
Summary of the amounts recognized in profit or loss				
Insurance service result	$	(23,374)	$	(17,744)
Net investment income		87,105		55,058
Net insurance finance income (expenses)		(28,871)		100,027
Net insurance and investment result	$	34,860	$	137,341

(in thousands of United States dollars, except per share amounts and where otherwise noted)

6. Investments

Investment in associates

An associate is an entity over which the Company has significant influence, but does not control (or have joint control). Generally, the Company is considered to exert significant influence when it holds, directly or indirectly, between 20% and 50% of the voting power of the investee. Investment in associates are accounted for using the equity method. The financial effects and risks related to this equity method investment are limited to the performance of the associate and the environment in which it operates.

On December 17, 2020, the Company, through its wholly-owned subsidiary, ML Management, acquired an equity stake in Sierra Crest Investment Management, LLC ("SCIM"). On June 8, 2021, ML Management acquired an additional equity stake in SCIM, increasing the ownership interest from 21% to 24.99%.

The Company received dividends of $2.1 million for the year ended December 31, 2023 (December 31, 2022 – $2.2 million), which is recorded as a reduction of carrying value. As at December 31, 2023, $0.1 million (December 31, 2022 – $0.3 million) is payable related to the purchases.

The Company's associates that are accounted for under the equity method include:

				December 31, 2023				December 31, 2022			
Name	Type	Principal Place of Business	Country of Incorporation	Carrying Value	Fair Value	Ownership Interest %	Voting Rights %	Carrying Value	Fair Value	Ownership Interest %	Voting Rights %
Sierra Crest Investment Management LLC	Limited Liability Company	United States	United States	$ 7,067	$ 7,067	24.99%	24.99%	$ 8,397	$ 8,397	24.99%	24.99%
Opportunistic Credit Interval Fund [(1)]	Delaware statutory trust	United States	United States	-	-	-	-	$ 4,692	$ 4,692	49.86%	49.86%
Total investment in associates				**$ 7,067**				**$ 13,089**			

(1) On April 29, 2022, ML Management seeded Opportunistic Credit Interval Fund ("OCIF"), a closed-end, diversified management investment company $0.1 million. On October 5, 2022, ML Management invested an additional $4.0 million in OCIF. During the third quarter of 2023, the Company's investment in OCIF was reclassified from Investment in associates to equity securities due to the decrease in ownership interest to below 20%. The Company's investment in OCIF as at December 31, 2023 is disclosed in the Financial Instruments section below.

Financial assets

The following tables summarize the measurement categories of financial assets held by the Company as at December 31, 2023 and 2022:

December 31, 2023	**FVTPL [(1)]**	**Amortized cost[(2)]**	**Total[(3)]**
Financial assets			
Asset management			
Debt securities:			
Corporate	$ —	$ 13,587	$ 13,587
Equity securities [(4)]	6,056	—	6,056
Total financial assets — asset management [(5)]	6,056	13,587	$ 19,643
Insurance			
Debt securities:			
U.S. government and agency	$ 7,845	$ —	$ 7,845
U.S. state, territories and municipalities	5,471	—	5,471
Other government and agency	2,396	—	2,396
Corporate	457,987	—	457,987
Asset and mortgage-backed securities	371,578	—	371,578
Mortgage loans	—	123,540	123,540
Equity securities	8,321	—	8,321
Other invested assets [(6)]	31,499	—	31,499
Total financial assets — insurance	885,097	123,540	1,008,637
Total financial assets	**$ 891,153**	**$ 137,127**	**$ 1,028,280**

(1) The FVTPL classification was elected for securities backing insurance contract liabilities to substantially reduce any accounting mismatch arising from changes in fair value of these assets and changes in the value of their related insurance contract liabilities. If this election had not been made and instead the FVOCI classification was elected, there would be an accounting mismatch because changes in insurance contract liabilities are recognized in net income rather than in OCI.

(in thousands of United States dollars, except per share amounts and where otherwise noted)

(2) The fair value of items carried at amortized cost in the financial statements are: (i) Corporate debt securities - asset management: $13.2 million and (ii) Mortgage loans - Insurance: $125.0 million. These have been valued using level 3 inputs.

(3) The methodologies used in determining the values of investments are described in Note 3.

(4) On April 29, 2022, ML Management seeded OCIF, a closed-end, diversified management investment company $0.1 million. On October 5, 2022, ML Management invested an additional $4.0 million in OCIF. Investment in OCIF was reclassified from Investment in associates to equity securities at September 30, 2023 due to the decrease in ownership interest to below 20%.

(5) The MLC US Holdings Credit Facility (as hereinafter defined) is collateralized by assets held by MLC US Holdings, including financial assets totaling $19.9 million as at December 31, 2023.

(6) Other invested assets primarily include structured securities and loan receivables.

December 31, 2022	FVTPL [(1)]	Other [(2)]	Total Investment [(3)]
Financial assets			
Asset management			
Debt securities:			
Corporate	$ 2,950	$ 13,586	$ 16,536
Investments in associates [(4)] [(5)]	—	13,089	13,089
Equity securities	980	—	980
Total investments — asset management [(6)]	3,930	26,675	30,605
Insurance			
Debt securities:			
U.S. government and agency	$ 7,546	$ —	$ 7,546
U.S. state, territories and municipalities	5,350	—	5,350
Other government and agency	2,396	—	2,396
Corporate	364,257	—	364,257
Asset and mortgage backed securities	335,273	—	335,273
Mortgage loans	—	138,564	138,564
Equity securities	1,568	—	1,568
Other invested assets [(7)]	29,673	—	29,673
Total investments — insurance	746,063	138,564	884,627
Total investments	**$ 749,993**	**$ 165,239**	**$ 915,232**

(1) The FVTPL classification was elected for securities backing insurance contract liabilities to substantially reduce any accounting mismatch arising from changes in fair value of these assets and changes in the value of their related insurance contract liabilities. If this election had not been made and instead the FVOCI classification was elected, there would be an accounting mismatch because changes in insurance contract liabilities are recognized in net income rather than in OCI.

(2) Primarily includes assets classified as debt securities carried at amortized cost, investment properties, and equity method accounted investments.

(3) The methodologies used in determining the values of invested assets are described in Note 3.

(4) The Company, through its wholly-owned subsidiary, ML Management, holds an equity stake in Sierra Crest Investment Management, LLC and Opportunities Credit Interval Fund ("OCIF"). Investments in associates accounted for using the equity method are initially recognized at cost.

(5) On April 29, 2022, ML Management seeded OCIF, a closed-end, diversified management investment company $0.1 million. On October 5, 2022, ML Management invested an additional $4.0 million in OCIF.

(6) The MLC US Holdings Credit Facility is collateralized by assets held by MLC US Holdings, including financial assets totaling $22.0 million as at December 31, 2022.

(7) Other invested assets primarily include structured securities and loan receivables.

(in thousands of United States dollars, except per share amounts and where otherwise noted)

Fair value measurements

The following tables summarize the fair value hierarchy of the Company's financial assets measured at fair value in the financial statements:

	Fair Value Measurements			
December 31, 2023	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Asset management				
Debt securities:				
Corporate	$ —	$ —	$ —	$ —
Equity securities	—	—	6,056	6,056
Total financial assets — asset management	**—**	**—**	**6,056**	**6,056**
Insurance				
Debt securities:				
U.S. government and agency	$ —	$ 7,845	$ —	$ 7,845
U.S. state, territories and municipalities		5,471	—	5,471
Other government and agency	—	2,396	—	2,396
Corporate	—	228,762	229,225	457,987
Asset and mortgage-backed securities	—	369,338	2,240	371,578
Equity securities	345	2,712	5,264	8,321
Other invested assets	—	—	31,499	31,499
Total financial assets — insurance	**345**	**616,524**	**268,228**	**885,097**
Total financial assets	**$ 345**	**$ 616,524**	**$ 274,284**	**$ 891,153**

	Fair Value Measurements			
December 31, 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Asset management				
Debt securities:				
Corporate	$ —	$ —	$ 2,950	$ 2,950
Equity securities	—	—	980	980
Total financial assets — asset management	**—**	**—**	**3,930**	**3,930**
Insurance				
Debt securities:				
U.S. government and agency	$ —	$ 7,546	$ —	$ 7,546
U.S. state, territories and municipalities	—	5,350	—	5,350
Other government and agency	—	2,396	—	2,396
Corporate	3,323	174,705	186,229	364,257
Asset and mortgage-backed securities	—	332,743	2,530	335,273
Equity securities	411	—	1,157	1,568
Other invested assets	—	—	29,673	29,673
Total financial assets — insurance	**3,734**	**522,740**	**219,589**	**746,063**
Total financial assets	**$ 3,734**	**$ 522,740**	**$ 223,519**	**$ 749,993**

The availability of observable inputs can vary depending on the financial asset and is affected by a wide variety of factors, including, for example, the type of instrument, whether the instrument has recently been issued, whether the instrument is traded on an active exchange or in the secondary market, and current market conditions. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires additional judgment. Accordingly, the degree of judgment exercised by MLC in determining fair value is greatest for instruments categorized as Level 3. The variability and availability of the observable inputs affected by the factors described above may cause transfers between Levels 1, 2, and 3, as discussed further below.

Transfers between Level 1 and Level 2

The Company records transfers of assets between Level 1 and Level 2 at their fair values at the end of each reporting period. Assets are transferred out of Level 1 when they are no longer transacted with sufficient frequency and volume in an active market. Conversely, assets are transferred from Level 2 to Level 1 when transaction volume and frequency are indicative of an active market. During the year ended December 31, 2023, $3.3 million was transferred from Level 1 to Level 2. There were no assets transferred between Level 1 and Level 2 during the year ended December 31, 2022.

Transfers between Level 2 and Level 3

The Company records transfers of assets between Level 2 and Level 3 at the end of each reporting period. Assets are transferred into Level 3 when there is no active or inactive market and they are valued using significant unobservable inputs.

Conversely, assets are transferred from Level 3 to Level 2 when there is no active market, but can be priced using observable inputs or prices on an inactive market.

(in thousands of United States dollars, except per share amounts and where otherwise noted)

The following is a reconciliation of the Company's investment portfolio for which Level 3 inputs were used in determining fair value:

Year Ended December 31, 2023	Balance December 31, 2022	Purchases	Sales and Repayments	Net Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Transfer in (1)	Transfer out (1)	Balance December 31, 2023	Change in Unrealized Gains (Losses) on Level 3 Investments Still Held
Financial assets									
Asset management									
Debt securities:									
Corporate	$ 2,950	$ —	$ —	$ —	$ (2,950)	$ —	$ —	$ —	$ —
Equity securities	980	840	(499)	76	(270)	4,929	-	6,056	-
Total assets — asset management	**$ 3,930**	**$ 840**	**$ (499)**	**$ 76**	**$ (3,220)**	**$ 4,929**	**$ —**	**$ 6,056**	**$ —**
Insurance									
Debt securities:									
Corporate	$ 186,229	$ 164,283	$ (140,352)	$ 1,023	$ 1,944	$ 16,098	$ —	$ 229,225	$ 1,851
Asset and mortgage-backed securities	2,530	-	(132)	-	(397)	1,230	(991)	2,240	(397)
Equity securities	1,157	4,176	-	-	(69)	-	-	5,264	(69)
Other invested assets	29,673	6,011	(4,091)	14	(108)	-	-	31,499	(414)
Total assets — insurance	**$ 219,589**	**$ 174,470**	**$ (144,575)**	**$ 1,037**	**$ 1,370**	**$ 17,328**	**$ (991)**	**$ 268,228**	**$ 971**
Total investments	**$ 223,519**	**$ 175,310**	**$ (145,074)**	**$ 1,113**	**$ (1,850)**	**$ 22,257**	**$ (991)**	**$ 274,284**	**$ 971**

(1) Transfers into Level 3 are due to decrease in the quantity and reliability of broker quotes obtained or decrease in the ownership interests to below 20%. Transfers out of Level 3 are due to an increase in the quantity and reliability of broker quotes obtained. Transfers are assumed to have occurred at the end of the period.

Year Ended December 31, 2022	Balance December 31, 2021	Purchases	Sales and Repayments	Net Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Transfer in (1)	Transfer out (1)	Balance December 31, 2022	Change in Unrealized Gains (Losses) on Level 3 Investments Still Held
Asset management									
Debt securities:									
Corporate	$ 9,867	$ —	$ (6,289)	$ (857)	$ 229	$ —	$ —	$ 2,950	$ 825
Equity securities	2,074	—	(1,193)	(107)	206	—	—	980	234
Total assets — asset management	**11,941**	**—**	**(7,482)**	**(964)**	**435**	**—**	**—**	**3,930**	**1,059**
Insurance									
Debt securities:		—							
Corporate	$ 98,979	$ 119,451	$ (31,324)	$ 78	$ (3,909)	$ 2,954	$ —	$ 186,229	$ (3,917)
Asset and mortgage-backed securities	2,109	733	—	—	(312)	—	—	2,530	(312)
Equity securities	278	915	—	—	(36)	—	—	1,157	(36)
Other invested assets	27,141	4,858	(860)	—	(1,466)	—	—	29,673	(1,466)
Total assets — insurance	**128,507**	**125,957**	**(32,184)**	**78**	**(5,723)**	**2,954**	**—**	**219,589**	**(5,731)**
Total investments	**$ 140,448**	**$ 125,957**	**$ (39,666)**	**$ (886)**	**$ (5,288)**	**$ 2,954**	**$ —**	**$ 223,519**	**$ (4,672)**

(1) Transfers into Level 3 are due to a decrease in the quantity and reliability of broker quotes obtained. Transfers out of Level 3 are due to an increase in the quantity and reliability of broker quotes obtained. Transfers are assumed to have occurred at the end of the period.

(in thousands of United States dollars, except per share amounts and where otherwise noted)

The valuation techniques and significant unobservable inputs used in the valuation of Level 3 investments were as follows:

December 31, 2023		Quantitative Information about Level 3 Fair Value Measurements				
Asset Category	Fair Value	Valuation Technique/ Methodology	Unobservable Input	Range (Weighted Average)	Change in Valuation (2) +	Change in Valuation (2) -
Financial assets						
Asset management						
Debt securities	$ —	—	—	—	—	—
Equity securities	889	Discounted cash flow	Discount rate	28.5%-33.5% (31.0%)	93	(76)
Equity securities	782	Enterprise Value	Multiple	4.5x - 5.5x (5.0x)	54	(54)
Equity securities	4,385	Recent transaction	Transaction price	NA	NA	NA
Total — asset management	**6,056**					
Insurance						
Debt securities (1):						
Corporate	52,289	Recent transaction	Transaction price	NA	NA	NA
Corporate	176,936	Discounted cash flow	Discount rate	5.3% - 24.4% (11.3%)	(1,166)	1,162
Asset and mortgage-backed securities	130	Recent transaction	Transaction price	NA	NA	NA
Asset and mortgage-backed securities	2,110	Discounted cash flow	Discount rate	5.3% - 5.6% (5.4%)	(35)	35
Equity securities	2,157	Recent transaction	Transaction price	NA	NA	NA
Equity securities	330	Enterprise value	Multiple	8.25x - 9.25x (8.75x)	(3)	3
Equity securities	2,777	Discounted cash flow	Discount rate	11.1% - 11.3% (11.2%)	(6)	6
Other invested assets	—	Recent transaction	Transaction price	NA	NA	NA
Other invested assets	31,499	Discounted cash flow	Discount rate	9.5% - 20.4% (12.2%)	(403)	402
Total — insurance	**268,228**					
Total	**274,284**					
Financial liabilities						
Asset management						
Contingent value rights	—	—	—	—	—	—
Total	**$ —**					

(1) For loan investments where the recent transaction price does not estimate fair value, the Company determines the fair value utilizing a yield analysis.

(2) Represents a sensitivity analysis to the impact of an increase or decrease movement of the unobservable input.

December 31, 2022		Quantitative Information about Level 3 Fair Value Measurements				
Asset Category	Fair Value	Valuation Technique/ Methodology	Unobservable Input	Range (Weighted Average)	Change in Valuation (3) +	Change in Valuation (3) -
Financial assets						
Asset management						
Debt securities (1)	$ 2,950	Discounted cash flow (2)	Discount rate	12.0% (12.0%)	$ (852)	$ (692)
Equity investments	980	Discounted cash flow	Discount rate	30.0% (30.0%)	98	(80)
Total — asset management	**3,930**					
Insurance						
Debt securities (1):						
Corporate	5,618	Recent transaction	Transaction price	NA	NA	NA
Corporate	180,611	Discounted cash flow	Discount rate	7.0% - 16.4% (12.3%)	(1,095)	1,063
Asset and mortgage- backed securities	2,530	Discounted cash flow	Discount rate	4.2% - 20.9% (11.6%)	(157)	157
Equity securities	1,157	Recent transaction	Transaction price	NA	NA	NA
Other invested assets	29,673	Discounted cash flow	Discount rate	9.9% - 12.0% (10.0%)	(179)	176
Total — insurance	**219,589**					
Total	**223,519**					
Financial liabilities						
Asset management						
Contingent value rights(2)	3,003	Discounted cash flow	Discount rate	12.0% (12.0%)	NA	NA
Total	**$ 3,003**					

(in thousands of United States dollars, except per share amounts and where otherwise noted)

(1) For loan investments where the recent transaction price does not estimate fair value, the Company determines the fair value utilizing a yield analysis.

(2) The estimated fair value was determined based on discounted cash flows of expected proceeds resulting from the sale by Cline to Allegiance Coal Limited of all the shares in NECC. The estimated fair value in Cline was determined based on both observable and unobservable assumptions primarily related to expected value of certain Cline assets to be realized on sale, timing of the repayment of certain obligations owed by NECC to Cline, and the discount rate used.

(3) Represents a sensitivity analysis to the impact of an increase or decrease movement of the unobservable input.

The Company typically determines the fair value of its performing Level 3 debt investments utilizing a yield analysis. In a yield analysis, a price is ascribed for each investment based upon an assessment of current and expected market yields for similar investments and risk profiles. Additional consideration is given to the expected life, portfolio company performance since close, and other terms and risks associated with an investment. Among other factors, a determinant of risk is the amount of leverage used by the portfolio company relative to the total enterprise value of the company, and the rights and remedies of the Company's investment within each portfolio company's capital structure.

Significant unobservable inputs include an illiquidity spread as well as a credit spread, both of which increase the discount rate. These rates are initially set at a level such that the loan valuation equals the initial purchase cost of the loan and are subsequently adjusted at each valuation date to reflect management's current assessment of market conditions as well as of loan-specific credit and illiquidity risk. Discount rates are subject to adjustment based on both management's current assessment of market conditions and the economic performance of individual investments. The significant unobservable inputs used in the fair value measurement of the Company's Level 3 debt securities primarily include current market yields, including relevant market indices, but may also include quotes from brokers, dealers, and pricing services as indicated by comparable investments.

Allowance for expected credit losses

An allowance for ECL is established when debt instruments held at amortized cost becomes impaired. ECLs represent the difference between all contractual cash flows that are due to the Company and all the cash flows the Company expects to receive, discounted at the original effective interest rate. ECL allowances represent credit losses that reflect an unbiased and probability-weighted amount, which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions.

The following table summarizes the characterization of ECL allowances of the Company:

As at December 31, 2023	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Financial assets				
Asset management				
Gross carrying value at amortized cost	$ 13,587	$ —	$ —	$ 13,587
Allowance for credit losses	—	—	—	—
Net carrying value at amortized cost - asset management	**13,587**	**—**	**—**	**13,587**
Insurance				
Gross carrying value at amortized cost	124,977	—	—	124,977
Allowance for credit losses	(1,437)	—	—	(1,437)
Net carrying value at amortized cost - insurance	**123,540**	**—**	**—**	**123,540**
Total	**$ 137,127**	$ —	$ —	**$ 137,127**

As at December 31, 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Financial assets				
Asset management				
Gross carrying value at amortized cost	$ 13,586	$ —	$ —	$ 13,586
Allowance for credit losses	—	—	—	—
Net carrying value at amortized cost - asset management	**13,586**	**—**	**—**	**13,586**
Insurance				
Gross carrying value at amortized cost	138,564	—	—	138,564
Allowance for credit losses	(100)	—	—	(100)
Net carrying value at amortized cost - insurance	**138,464**	**—**	**—**	**138,464**
Total	**$ 152,050**	$ —	$ —	**$ 152,050**

All financial assets classified at amortized cost were categorized as Stage 1 – performing instruments that have not experienced a significant increase in credit risk since initial recognition.
For the year ended December 31, 2022, all ECL allowances were categorized as Stage 1 - performing instruments that have not experienced a significant increase in credit risk since initial recognition.

(in thousands of United States dollars, except per share amounts and where otherwise noted)

The Company recognized a $1.4 million allowance for credit losses as at December 31, 2023 (December 31, 2022 – $0.1 million).

7. Revenue from service contracts

The Company provides investment management and related services to third-party investment funds and other arrangements.

The Company's management and service contracts generally impose single performance obligations, each consisting of a series of similar related services to each customer.

The Company's performance obligations within service arrangements are generally satisfied over time as the customer simultaneously receives and consumes the benefits of the services rendered and are measured using an output method. Fees typically include variable consideration and the related revenue is recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty is subsequently resolved.

Asset-based fees vary with asset values of accounts under management, subject to market conditions and investor behaviors beyond the Company's control. Fees related to services provided are generally recognized as services are rendered, which is when it becomes highly probable that no significant reversal of cumulative revenue recognized will occur. The Company has determined that its service contracts have no significant financing components as fees are collected quarterly.

The following tables summarize the Company's revenue from service contracts:

	Year Ended December 31,	
	2023	**2022**
Management fees	$ 7,943	$ 5,200
Incentive fees	1,282	—
Servicing fees (expense)	(291)	74

(in thousands of United States dollars, except per share amounts and where otherwise noted)

Revenue Type	Customer	Performance Obligation	Performance Obligation Satisfied Over Time or Point in Time	Variable or Fixed Consideration	Payment Terms	Subject to Return Once Recognized	Classification of Uncollected Amounts(4)
Management fee (1)	Investment funds, CLOs and other vehicles	Investment management services	Over time as services are rendered	Variable consideration since varies based on fluctuations in the basis of management fee over time	Typically quarterly in arrears	No	Other assets
Incentive fee (2)	Investment funds	Investment management services that result in achievement of minimum investment return levels	End of measurement period when fixed and determinable	Variable consideration since contingent upon the investment fund achieving more than the stipulated investment return hurdles	Typically paid shortly after the end of the performance measurement period	No	Other assets
Servicing fee (3)	Sierra Crest Investment Management LLC	Administrative services	Over time as services are rendered	Variable consideration since contingent upon the economics achieved by the underlying fund managed by SCIM	Typically quarterly in arrears	No	Due to/from Affiliates

(1) The Company, through ML Management, provides investment management services to investment funds and ML CLOs (as defined below) in exchange for a management fee. Management fees are determined quarterly based on an annual rate and generally based upon gross assets or as otherwise defined in the respective contractual agreements. Management fees are considered to be constrained since some of the factors that cause the fees to fluctuate are outside of the Company's control, and are therefore not included in the transaction price. There are no significant judgments made when determining the transaction price after the contract is established.

(2) The Company, through ML Management, provides investment management services to investment funds and ML CLOs in exchange for a management fee as discussed above and, in some cases an incentive fee. The incentive fee consists of two parts: (i) the first component, the income incentive fee, is based on pre-incentive fee net investment income in excess of a hurdle rate (ii) the second component, the capital gains incentive fee, is based on cumulative realized capital gains and losses and unrealized capital depreciation. Incentive fees are considered a form of variable consideration as these fees are based on performance and the recognition of such fee is deferred until the end of the measurement period when the performance-based incentive fees become fixed and determinable. There are no significant judgments made when determining the transaction price after the contract is established.

(3) The Company, through its wholly-owned subsidiary MLC US Holdings LLC ("MLC US Holdings"), provides certain administrative services to SCIM in respect of the management of an investment fund ("ACIF") in exchange for a servicing fee. The servicing fee is determined quarterly based on the net economic benefit derived by SCIM under its advisory agreement with ACIF. Each quarter, the servicing fee is comprised of the management fee and incentive fees received by SCIM from ACIF, less: a specified fee retained by SCIM, debt servicing expense, compensation and other certain expenses SCIM incurs in connection with investment advisory services it provides to ACIF. The servicing fee is considered a form of variable consideration as the fee is based on the net income or loss of SCIM and the recognition of such fee is deferred until the end of the measurement period when SCIM's net income or loss becomes fixed and determinable. There are no significant judgments made when determining the transaction price after the contract is established. For the year ended December 31, 2023, the servicing fee was a net expense for the Company as reimbursements to SCIM for certain expenses and the specified investment advisory fee retained by SCIM exceeded the net economic benefit derived under the ACIF advisory agreement.

(4) For amounts classified in other assets, see Note 15 "Other assets and accrued expenses and other liabilities." Additional information regarding related party transactions is included in Note 10.

On August 21, 2020, the Company, through ML Management, entered into an asset purchase agreement with Garrison Investment Management LLC ("GIM") and other sellers (collectively, the "GARS Sellers") with respect to the acquisition by ML Management of the rights of the GARS Sellers under certain investment management agreements, the general partnership interests of the GARS Sellers under certain partnership agreements and the rights of the GARS Sellers under certain collateral management agreements relating to Garrison Funding 2018-1 LP (the "2018-1 CLO") and Garrison MML CLO 2019-1 LP (the "2019-1 CLO" and together with the 2018-1 CLO, the "ML CLOs") (the "ML CLO Acquisition"). The ML CLO Acquisition closed on November 12, 2020 and ML Management became the investment manager of the ML CLOs and receives management fees based upon aggregate gross assets under management, paid quarterly, and subject to various reductions based on caps, transaction fees, and fee-sharing arrangements.

On October 30, 2020, the Company and SCIM entered into a services agreement (the "SCIM Services Agreement") pursuant to which the Company will provide certain administrative services to SCIM in respect of the management of ACIF. On December 17, 2020, the SCIM Services Agreement was amended to be between the Company’s wholly-owned subsidiary, MLC US Holdings LLC (“MLC US Holdings”), and SCIM. Under the SCIM Services Agreement, in exchange for the administrative services, SCIM pays the Company, on a quarterly basis, an amount equal to the aggregate base management and incentive fees received by SCIM from ACIF in respect of such quarter, net of the Retained Benefits (refer to Note 10 for further detail). In addition, SCIM is reimbursed by MLC US Holdings quarterly for certain expenses it incurs in connection with the investment advisory services provided to ACIF. Pursuant to this arrangement, the Company receives the net economic benefit derived by SCIM under the ACIF advisory agreement, subject to the holdback of the Retained Benefits and expense reimbursements. For the year ended December 31, 2023,the Retained Benefits and expense reimbursements exceeded the net economic benefit derived by SCIM and therefore this fee was a net expense to the Company.

On April 20, 2021, the Company, through ML Management, entered into an asset purchase agreement with Capitala Investment Advisors, LLC ("CIA") with respect to the acquisition by ML Management of certain assets from CIA and whereby ML Management will become the investment adviser of Capitala Finance Corp. ("Capitala"), a U.S. publicly traded business development company whose common stock is listed on NASDAQ (the "Capitala Acquisition"). The Capitala Acquisition closed on July 1, 2021 and Capitala Finance Corp. changed its name to Logan Ridge Finance Corporation ("Logan Ridge"). ML Management, as the investment adviser, receives a fee for investment advisory and management services consisting of two components – a 1.75% annual base management fee based upon gross assets and an incentive fee tied to performance. The incentive fee consists of the following two parts:

The first part of the incentive fee is calculated and payable quarterly in arrears based on Logan Ridge's pre-incentive fee net investment income for the immediately preceding calendar quarter. For this purpose, pre-incentive fee net investment income means interest income, dividend income, and any other income (including any other fees (other than fees for providing managerial assistance), such as commitment, origination, diligence, and consulting fees or other fees that we receive from portfolio companies) accrued during the calendar quarter, minus our operating expenses for the quarter (including the base management fee, expenses payable under Logan Ridge's administration agreement to its administrator, and any interest expense and dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-incentive fee net investment income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with pay-in-kind interest and zero coupon securities), and accrued income that Logan Ridge has not yet received in cash. Pre-incentive fee net investment income does not include any realized capital gains, computed net of all realized capital losses or unrealized capital appreciation or depreciation. Pre-incentive fee net investment income, expressed as a rate of return on the value of Logan Ridge's net assets at the end of the immediately preceding calendar quarter, is compared to a hurdle of 2.0% per quarter (8.0% annualized). ML Management receives an incentive fee with respect to the pre-incentive fee net investment income in each calendar quarter as follows:

(1) no incentive fee in any calendar quarter in which the pre-incentive fee net investment income does not exceed the hurdle of 2.0%;

(2) 100% of the pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle but is less than 2.5% in any calendar quarter (10.0% annualized). This portion of the pre-incentive fee net investment income (which exceeds the hurdle but is less than 2.5%) is referred to as the “catch-up.” The “catch-up” is meant to provide ML Management with 20% of the pre-incentive fee net investment income as if a hurdle did not apply if this net investment income exceeds 2.5% in any calendar quarter; and

(3) 20% of the amount of the pre-incentive fee net investment income, if any, that exceeds 2.5% in any calendar quarter (10.0% annualized) (once the hurdle is reached and the catch-up is achieved, 20% of all pre-incentive fee investment income thereafter is allocated to ML Management).

The second part of the incentive fee will be determined and payable in arrears as of the end of each calendar year, commencing on December 31, 2021, and will equal 20.0% of Logan Ridge's realized capital gains, if any, on a cumulative basis with respect to each of the investments in Logan Ridge's portfolio from the fiscal quarter ending on or immediately prior to July 1, 2021 through the end of each calendar year beginning with the calendar year ending December 31, 2021, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis from September 30, 2021 through the end of each calendar year beginning with the calendar year ending December 31, 2021, less the aggregate amount of any previously paid capital gain fees under the investment advisory agreement. Any realized capital gains, realized capital losses and unrealized capital depreciation with respect to Logan Ridge's portfolio as of the end of the fiscal quarter ending on or immediately prior to July 1, 2021 shall be excluded from the calculations of the capital gains fee. In the event that the investment advisory agreement shall terminate as of a date that is not a calendar year end, the termination date shall be treated as though it were a calendar year end for purposes of calculating and paying a capital gains fee.

On January 1, 2022, the Company, through ML Management, and other purchasers related to ML Management (collectively, the "GIM Purchasers") entered into an asset purchase agreement with GIM and other sellers (collectively, the "GIM Sellers") with respect to the acquisition by the GIM Purchasers of the rights and interests of the GIM Sellers under a certain investment agreement relating to Garrison Laurel Funding LP ("GLF"), the general partnership interest under a certain partnership agreement and the rights of the GIM Sellers under certain financing arrangements (the "Laurel Transaction"). In addition, Mount Logan Bluebird Funding LP ("ML Bluebird Funding"), a newly formed entity, acquired all the assets and assumed all the liabilities of Garrison Bluebird Funding LP effective as of the closing date (the "Bluebird Transaction" and together with the Laurel Transaction, the "Bluebird Laurel Transaction"). The Bluebird Laurel Transaction closed on January 1, 2022 and ML Management became the investment manager of GLF and Mount Logan Bluebird Funding LP ("ML Bluebird Funding"). In connection with the closing, GLF changed its name to Mount Logan Laurel Funding LP ("ML Laurel Funding"). As currently structured, ML Management does not expect to receive any management fees from ML Bluebird Funding or ML Laurel Funding. The Bluebird Laurel Transaction strategically positions the Company's platform to grow the assets it manages.

On May 14, 2022, the Company, through ML Management, entered into an investment advisory agreement with OCIF, a closed-end, diversified management investment company, pursuant to which ML Management provides certain investment advisory services to OCIF and in consideration of the advisory services provided, ML Management is entitled to a fee consisting of two components – a 1.25% annual base management fee based upon gross assets and an incentive fee tied to performance. The incentive fee is calculated and payable quarterly in arrears based on OCIF's pre-incentive fee net investment income for the immediately preceding calendar quarter. For this purpose, pre-incentive fee net investment income means, interest income, dividend income and any other income (including any other fees, such as commitment, origination, structuring, diligence and consulting fees or other fees that OCIF receives from portfolio companies) accrued by OCIF during the calendar quarter, minus OCIF's operating expenses for the quarter (including the base management fee, expenses payable under OCIF's administration agreement to its administrator, and any interest expense and dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-incentive fee net investment income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with pay-in-kind interest and zero coupon securities), accrued income that OCIF has not yet received in cash. Pre-incentive fee net investment income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation. Pre-incentive fee net investment income, expressed as a rate of return on the value of OCIF's net assets at the end of the immediately preceding calendar quarter, will be compared to a hurdle of 1.50% per quarter (6.0% annualized). ML Management receives an incentive fee with respect to the pre-incentive fee net investment in each calendar quarter as follows:

(1) no incentive fee in any calendar quarter in which the pre-incentive fee net investment income does not exceed the hurdle of 1.50%;

(2) 100% of the pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle but is less than 1.7647% in any calendar quarter (7.0% annualized). This portion of the pre-incentive fee net investment income (which exceeds the hurdle but is less than 1.7647%) is referred to as the “catch-up.” The “catch-up” is meant to provide ML Management with 15% of OCIF's pre-incentive fee net investment income as if a hurdle did not apply if this net investment income exceeds 1.7647% in any calendar quarter; and

(3) 15% of the amount of OCIF’s pre-incentive fee net investment income, if any, that exceeds 1.7647% in any calendar quarter (7.0% annualized) (once the hurdle is reached and the catch-up is achieved, 15% of all pre-incentive fee net investment income thereafter is allocated to ML Management).

ML Management agreed to waive its management fees (excluding any incentive fee) and to pay or absorb the ordinary operating expenses of OCIF to the extent that its management fees plus the OCIF's ordinary annual operating expenses exceed 2.5% per annum of OCIF's average daily net assets attributable to Class I shares until August 30, 2023.

On July 5, 2023, the Company completed the transactions under the Ovation Purchase Agreement to acquire Ovation, a Texas-based specialty-finance focused asset manager, and in connection therewith ML Management became the investment advisor to the platform . Ovation’s platform is focused on investments in commercial lending, real estate lending, consumer finance and litigation finance.

Ovation receives fees from Ovation Alternative Income Fund LP (“OAIF”) and Ovation Alternative Income Fund-A LP (“OAIF-A”). Ovation receives fees from OAIF, which consists of two components—the OAIF Base Management Fee and the OAIF Incentive Fee. The OAIF Base Management Fee is calculated monthly, due and payable quarterly in arrears, and represents an amount equal to 0.125% of the net assets on the last day of the preceding month. The OAIF Incentive Fee is calculated monthly, due and payable quarterly in arrears, and calculated as ten percent (10%) of pre-incentive fee distributable income amounts.

Ovation receives fees from OAIF-A, which consists of two components—the OAIF-A Base Management Fee and the OAIF-A Incentive Fee. The OAIF-A Base Management Fee is calculated monthly, due and payable monthly in arrears, and represents an amount equal to 0.125% of the net assets of OAIF-A on the last day of the preceding month, plus capital contributions by limited partners to OAIF-A, plus or minus (if negative), the accrued and unpaid corporate tax expense as of the last day of the previous month. The OAIF-A Incentive Fee is calculated monthly, due and payable quarterly in arrears, and calculated as ten percent (10%) of pre-incentive fee distributable income amounts. If pre-incentive fee distributable income amounts do not exceed zero percent (0%) in any fiscal quarter, such shortfall (a “High Watermark Shortfall”) will carry forward to subsequent quarters. Neither the OAIF Incentive Fee nor OAIF-A Incentive Fee is payable to Ovation in any fiscal quarter in which a High Watermark Shortfall exists.

Management fees earned from MLC's consolidated entities are eliminated in consolidation.

(in thousands of United States dollars, except per share amounts and where otherwise noted)

8. Insurance service results

An analysis of insurance revenue, insurance service expenses and net expenses from reinsurance contracts held by product line is included in the following tables:

Year ended December 31, 2023	Long Term Care Insurance	MYGA	Long Term Care Reinsurance	Total
Insurance revenue				
Amounts relating to changes in the LRC				
- Expected incurred claims and other expenses after loss component allocation	$ 85,922	$ 157	$ —	$ 86,079
- Change in the risk adjustment for non-financial risk for the risk expired after loss component allocation	1,685	42	—	1,727
- CSM recognized in profit or loss for the services provided	—	—	—	—
Insurance acquisition cash flows recovery	—	—	—	—
Total insurance revenue	**87,607**	**199**	**—**	**87,806**
Insurance service expenses				
Incurred claims and other directly attributable expenses	(85,955)	(125)	—	(86,080)
Changes that relate to past service - adjustments to the LIC	-	—	—	—
Losses on onerous contracts and reversal of those losses	16,459	(8,534)	—	7,925
Insurance acquisition cash flows amortization	—	—	—	—
Total insurance service expenses	**(69,496)**	**(8,659)**	**—**	**(78,155)**
Net income (expenses) from reinsurance contracts held				
Amounts relating to the changes in the remaining coverage				
- Expected claims and other expenses recovery	—	—	(103,312)	(103,312)
- Changes in the risk adjustment recognized for the risk expired	—	—	(429)	(429)
- CSM recognized for the services received	—	—	(13,772)	(13,772)
Other incurred directly attributable expenses	—	—	—	—
Effect of changes in the risk of reinsurers non-performance	—	—	(181)	(181)
Claims recovered	—	—	102,068	102,068
Changes that relate to future service - changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts	—	—	(17,399)	(17,399)
Changes that relate to past service - adjustment to incurred claims	—	—	—	—
Total net expenses from reinsurance contracts held	**—**	**—**	**(33,025)**	**(33,025)**
Total insurance service result	**$ 18,111**	**$ (8,460)**	**$ (33,025)**	**$ (23,374)**

(in thousands of United States dollars, except per share amounts and where otherwise noted)

Year ended December 31, 2022	Long Term Care Insurance	MYGA	Long Term Care Reinsurance	Total
Insurance revenue				
Amounts relating to changes in the LRC				
- Expected incurred claims and other expenses after loss component allocation	$ 91,776	$ 60	$ —	$ 91,836
- Change in the risk adjustment for non-financial risk for the risk expired after loss component allocation	3,664	14	—	3,678
- CSM recognized in profit or loss for the services provided	—	—	—	—
Insurance acquisition cash flows recovery	—	—	—	—
Total insurance revenue	**95,440**	**74**	**—**	**95,514**
Insurance service expenses				
Incurred claims and other directly attributable expenses	(89,282)	(23)	—	(89,305)
Changes that relate to past service - adjustments to the LIC	—	(1,146)	—	(1,146)
Losses on onerous contracts and reversal of those losses	(29,326)	—	—	(29,326)
Insurance acquisition cash flows amortization	—	—	—	—
Total insurance service expenses	**(118,608)**	**(1,169)**	**—**	**(119,777)**
Net income (expenses) from reinsurance contracts held				
Amounts relating to the changes in the remaining coverage				
- Expected claims and other expenses recovery	—	—	(103,342)	(103,342)
- Changes in the risk adjustment recognized for the risk expired	—	—	(2,402)	(2,402)
- CSM recognized for the services received	—	—	(21,581)	(21,581)
Other incurred directly attributable expenses	—	—	—	—
Effect of changes in the risk of reinsurers non-performance	—	—	—	—
Claims recovered	—	—	99,036	99,036
Changes that relate to future service - changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts	—	—	34,808	34,808
Changes that relate to past service - adjustment to incurred claims	—	—	—	—
Total net expenses from reinsurance contracts held	**—**	**—**	**6,519**	**6,519**
Total insurance service result	**$ (23,168)**	**$ (1,095)**	**$ 6,519**	**$ (17,744)**

9. Goodwill and intangible assets

The following table is a summary of goodwill and intangible assets:

	Balance December 31, 2022	Additions [1]	Amortization Expense	Balance December 31, 2023
Asset management				
Intangible assets — indefinite life				
Investment management contracts	$ 19,204	$ —	$ —	$ 19,204
Intangible assets — definite life				
Investment management contracts	2,297	8,250	(972)	9,575
Total intangible assets — asset management	$ 21,501	$ 8,250	$ (972)	$ 28,779
Insurance				
Goodwill	$ 55,015	$ —	$ —	$ 55,015
Intangible assets — indefinite life				
State insurance licenses	2,444	—	—	2,444
Total intangible assets — insurance	2,444	—	—	2,444
Total goodwill and intangible assets — insurance	$ 57,459	$ —	$ —	$ 57,459

(1) Refer to Note 2 for Ovation acquisition.

(in thousands of United States dollars, except per share amounts and where otherwise noted)

	Balance December 31, 2021 (1)	Additions	Amortization Expense	Balance December 31, 2022
Asset management				
Intangible assets — indefinite life				
Investment management contracts	$ 19,204	$ —	$ —	$ 19,204
Intangible assets — definite life				
Investment management contracts	2,856	—	(559)	2,297
Total intangible assets — asset management	$ 22,060	$ —	$ (559)	$ 21,501
Insurance				
Goodwill	$ 55,015	$ —	$ —	$ 55,015
Intangible assets — indefinite life				
State insurance licenses	2,444	—	—	2,444
Total intangible assets — insurance	2,444	—	—	2,444
Total goodwill and intangible assets — insurance	$ 57,459	$ —	$ —	$ 57,459

(1) Beginning balance as at October 29, 2021 for insurance segment.

The following table presents carrying value of goodwill by CGU or group of CGUs:

For the year ended December 31, 2023	Balance January 1, 2023	Net Additions/(disposals)	Effects of changes in foreign exchange rates	Balance December 31, 2023
Insurance				
Long term care	$ 25,191	$ —	$ —	$ 25,191
Multi year guaranteed annuities	29,824	—	—	29,824
Total goodwill— insurance	$ 55,015	$ —	$ —	$ 55,015

Asset Management

Intangible assets related to the Company's acquisitions of management agreements are initially recorded at their fair value at the acquisition date and subsequently at cost less accumulated amortization and/or accumulated impairment losses.

Amortization is recorded using the straight-line method and is based on the estimated periods that the Company expects to collect management fees, which range from 6 to 10 years. Amortization expense is recognized in the Consolidated Statements of Comprehensive Income (Loss) in amortization of intangible assets. The indefinite useful life assessment for certain investment management contracts is based on the ability to renew these contracts indefinitely. In addition, there are no legal, regulatory or contractual provisions that limit the useful lives of these intangible assets. An intangible asset with an indefinite useful life is not amortized but is subject to an annual impairment test which is performed more frequently if an indication that it is not recoverable arises.

Insurance

Goodwill represents the excess of acquisition cost over the fair value of net tangible and intangible assets acquired in connection with an acquisition. Goodwill is assessed for impairment annually in the fourth quarter of each fiscal year or more frequently if circumstances indicate impairment may have incurred.

Ability holds intangible assets consisting of state insurance licenses, which was recognized upon acquisition at fair value and recorded in intangible assets in the Consolidated Statements of Financial Position. The state insurance licenses will subsequently be measured and reported at cost less any accumulated impairment losses. The indefinite lived intangible assets are not subject to amortization but are subject to an annual impairment test which is performed more frequently if an indication that the carrying amount is not recoverable arises.

Impairment testing

The useful lives of intangible assets are reviewed at each reporting period for any changes in circumstances and whether events and circumstances continue to exist to support the useful life ascribed to each intangible asset. The Company assesses indicators of impairment at each reporting date and tests intangible assets for impairment when events or changes in circumstances indicate that their carrying value may not be recoverable. Additionally, the Company tests indefinite-life intangible assets for impairment at least annually. If any intangible assets are determined to be impaired, the Company writes them down to their recoverable amount, the higher of value in use and the fair value less costs to sell.

There were no changes in estimated useful lives of intangible assets for the years ended December 31, 2023 and 2022.

There were no write-downs of intangible assets for the year ended December 31, 2023 (December 31, 2022 – $nil).

The Company also completed its annual goodwill impairment testing in the fourth quarter of 2023 by determining the recoverable amounts of its businesses using the valuation techniques discussed below. The testing indicated that there was no impairment of goodwill for the year ended December 31, 2023 (December 31, 2022 – $nil).

The valuation techniques and significant assumptions applied in the goodwill impairment testing are described below.

When determining if a CGU is impaired, the Company compares its recoverable amount to the allocated capital for that unit, which is aligned with the Company's internal reporting practices. The recoverable amounts were based on value in use. Under the value in use approach, used for CGUs with insurance business, an embedded appraisal value is determined from a projection of future distributable earnings derived from both the in-force business and new business expected to be sold in the future, therefore, reflects the economic value of each CGU's or group of CGU's profit potential under a set of assumptions. This approach requires assumptions including premium growth rates, capital requirements, interest rates, mortality, morbidity, policyholder behavior and discount rates.

To calculate an insurance appraisal value, the Company discounted projected earnings from in-force contracts and valued 5 years of new business growing at expected plan levels, consistent with the periods used for forecasting long term businesses, in addition to considering a terminal value for the value of new business beyond 5 years at the Company’s long-term growth rate. In arriving at its projections, the Company considered past experience, economic trends such as interest rates, capital requirements and market trends. Capital requirements were based on a risk-based capital (RBC) ratio of 350.0%, consistent with Company policy. Excess capital above this requirement was added to the fair value of the CGUs, consistent with market participant treatment. Where growth rate assumptions for new business premiums were used in the embedded appraisal value calculations, they ranged from 68% to 3%.

Interest rates assumptions are based on prevailing market rates at the valuation date.

Discount rates assumed in determining the value in use for applicable CGUs or group of CGUs was based on a weighted-average cost of capital of 16.0% on an after-tax basis and 16.5% on a pre-tax basis. The weighted-average cost of capital was derived using a cost of equity of 18.2% based on the capital asset pricing model and a pre-tax cost of debt of 6.4% based on a market participant BAA corporate rate. The applied discount rate considers 300 basis points of execution risk to account for risk of achieving the planned forecast.

Key assumptions may change as economic and market conditions change, which may lead to impairment changes in the future. Adverse changes in discount rates (including from changes in interest rates) and growth rate assumption for new business cash flow projections used in the determination of embedded appraisal values or reductions in market-based earnings multiple calculations may result in impairment charges in future which could be material.

10. Related party transactions

Servicing Agreement

On November 20, 2018, the Company entered into a servicing agreement (the “Servicing Agreement”) with BC Partners Advisors L.P. ("BC Partners"). Under the terms of the Servicing Agreement, BC Partners as servicing agent (the "Servicing Agent") performs (or oversees, or arranges for, the performance of) the administrative services necessary for the operation of the Company, including, without limitation, office facilities, equipment, bookkeeping and recordkeeping services and such other services the Servicing Agent, subject to review by the Board, shall from time to time deem necessary or useful to perform its obligations under this Servicing Agreement. The Servicing Agent is authorized to enter into sub-administration agreements as determined to be necessary in order to carry out the administrative services.

Unless earlier terminated as described below, the Servicing Agreement will remain in effect from year-to-year if approved annually by (i) the vote of the Board and (ii) the vote of a majority of the Company’s directors who are not parties to the Servicing Agreement or a "related party" of the Servicing Agent, or of any of its affiliates, as defined in the Multilateral Instrument 61-101 under Canadian securities law. The Servicing Agreement may be terminated at any time, without the payment of any penalty, upon 60 days’ written notice by the vote of the Board or by the Servicing Agent.

The Company reimburses BC Partners for an allocable portion of compensation paid to the Company’s Chief Financial Officer, associated management personnel (based on a percentage of time such individuals devote, on an estimated basis, to the business affairs of the Company), and out-of-pocket expenses. While the Servicing Agent performs certain administrative functions for the Company, the management functions of the Company are wholly performed by the Company’s management team. For the year ended December 31, 2023, the Company incurred administrative fees of $3.7 million (December 31, 2022 – $1.7 million). As at December 31, 2023, administration fees payable to BC Partners was $1.3 million (December 31, 2022 –$0.3 million).

Transactions with Affiliates - servicing fees

The Company, through MLC US Holdings, a wholly-owned subsidiary of the Company, provides certain administrative services to SCIM in respect of the management of an investment fund ("ACIF") in exchange for a servicing fee. Servicing fees are determined quarterly based on an amount equal to the aggregate base management fee and incentive fees received by SCIM from ACIF in respect of such quarter, net of debt servicing expense, a quarterly fee to be retained by SCIM comprised of a specified amount, and an allocable portion of the compensation of SCIM’s investment professionals in connection with their performance of investment advisory services for ACIF (collectively, the "Retained Benefits"). In addition, SCIM is reimbursed by MLC US Holdings quarterly for certain expenses it incurs in connection with the investment advisory services provided to ACIF. Pursuant to this arrangement, the Company receives the net economic benefit derived by SCIM under the ACIF advisory agreement, subject to the holdback of the Retained Benefits and expense reimbursements. For the year ended December 31, 2023, the Company incurred servicing fees of $(0.3) million (December 31, 2022 – earned $0.1 million).

Potential Conflicts of Interest

The Company's senior management team is comprised of substantially the same personnel as the senior management team of BC Partners, and such personnel may serve in similar or other capacities for BC Partners or to future investment vehicles affiliated with BC Partners. As a result, such personnel provide investment advisory services to the Company and certain investment vehicles considered affiliates of BC Partners.

Compensation of Key Management Personnel

The Company's key management personnel are those personnel who have the authority and responsibility for planning, directing and controlling the activities of the Company. Directors (both executive and non-executive) are considered key personnel. Certain directors and officers of the Company are affiliated with BC Partners. For the year ended December 31, 2023, the Chief Executive Officer ("CEO") and Co-Presidents will receive no cash salary or bonuses of any kind. Instead, their compensation will be 100% equity-based compensation granted pursuant to the Company's security-based compensation arrangements that vests over time for services rendered, which will be calculated and granted in 2024. The CEO and Co-presidents had a total of 165,664 RSUs, inclusive of Dividend Equivalent Units ("DEUs") outstanding as at December 31, 2023 (December 31, 2022 - 160,351), which will vest over three years. A total of 5,313 DEUs were granted to the CEO and Co-presidents for the year ended December 31, 2023 (December 31, 2022 - 3,816). See Note 11 for more information. No person or employee of the Servicing Agent or its affiliates that serves as a director of the Company receives any compensation from the Company for his or her services as a director.

Common shares held by directors and officers of the Company who are affiliated with BC Partners at December 31, 2023 were 645,370 (December 31, 2022 – 645,370).

Other Transactions with BC Partners or its Affiliates

The Servicing Agent may, from time to time, pay amounts owed by the Company to third-party providers of goods or services, and the Company will subsequently reimburse the Servicing Agent for such amounts paid on its behalf. Amounts payable to the Servicing Agent are settled in the normal course of business without any formal payment terms. As at December 31, 2023, operating expenses reimbursable to BC Partners for amounts paid on behalf of the Company was $11.4 million (December 31, 2022 – $3.7 million).

The Company may, from time to time, enter into transactions in the normal course of operations with entities that are considered affiliates of BC Partners. At December 31, 2023, the Company held investments with affiliates of BC Partners totaling $25.0 million (December 31, 2022 – $22.0 million), and the insurance segment held investments in the 2018-1 CLO totaling $20.8 million (December 31, 2022 – $16.5 million) and 2019-1 CLO totaling $1.4 million (December 31, 2022 - $1.4 million).

11. Share capital and earnings per share

Authorized share capital

The Company is authorized to issue an unlimited number of common shares, without par value, for unlimited consideration. The common shares are not redeemable or convertible. Dividends are declared by the Board at its discretion. Historically, the Board has declared dividends on a quarterly basis and the amount can vary from quarter to quarter.

The Company is authorized to issue an unlimited number of preference shares, without par value, in series, for unlimited consideration.

Share issuance

As at December 31, 2023, there were 25,733,735 common shares issued and outstanding (December 31, 2022 – 22,190,195). There were no preference shares outstanding as at December 31, 2023 (December 31, 2022 – nil). On June 30, 2023, the Company issued an aggregate of 357,142 common shares in consideration for the acquisition of a minority interest in Marret Asset Management Inc., a fixed income asset manager and the manager of the Company prior to the completion of a reorganization of the Company by way of a plan of arrangement on October 19, 2018. On July 5, 2023, the Company issued an aggregate of 3,186,398 common shares as partial consideration for the Ovation Acquisition. There were no transactions with shareholders for the years ended December 31, 2023 and 2022.

(in thousands of United States dollars, except per share amounts and where otherwise noted)

Dividends

The following table reflects the distributions declared on the common shares of the Company during the years ended December 31, 2023 and 2022:

			Dividend Amount per Share		Total Dividend Amount	
Declaration Date	**Record Date**	**Payment Date**	**CAD**	**USD (1)**	**CAD**	**USD (1)**
March 22, 2023	April 4, 2023	April 14, 2023	$ 0.020	$ 0.016	$ 444	$ 324
May 10, 2023	May 18, 2023	May 31, 2023	0.020	0.015	444	331
August 9, 2023	August 22, 2023	August 31, 2023	0.020	0.015	515	386
November 8, 2023	November 20, 2023	November 30, 2023	0.020	0.015	515	373
					$ 1,918	**$ 1,414**
March 22, 2022	March 31, 2022	April 8, 2022	$ 0.020	$ 0.016	$ 444	$ 352
May 10, 2022	May 27, 2022	June 24, 2022	0.020	0.015	444	341
August 10, 2022	August 24, 2022	September 23, 2022	0.020	0.016	444	345
November 9, 2022	November 21, 2022	December 21, 2022	0.020	0.015	444	330
					$ 1,776	**$ 1,368**

(1) Dividends are issued and paid in CAD. For reporting purposes, amounts recorded in equity are translated to USD using the daily exchange rate on the date of declaration.

The dividends were designated as an eligible dividend for the purpose of the *Income Tax Act* (Canada) and any similar provincial or territorial legislation.

Stock option plan and performance and restricted share unit plan

On May 30, 2019, the Company's shareholders approved (i) a stock option plan (the "Option Plan") and (ii) a performance and restricted share unit ("RSU") plan (the "RSU Plan").

The Option Plan provides that the administrators may, from time to time, at their discretion, grant to directors, officers, employees and certain other service providers of the Company or its subsidiaries, in connection with their employment or position, options to purchase common shares of the Company. The aggregate number of common shares that are issuable under the Option Plan upon the exercise of options which have been granted and are outstanding, together with common shares that are issuable pursuant to outstanding awards and grants under any other share compensation arrangement of the Company, shall not at any time exceed 10% of the common shares then issued and outstanding. The purchase price for any common shares underlying an option shall not be less than the fair market value of a common share on the date the option is granted, being the closing price of the common shares on the NEO Exchange on the last trading day before the date of grant. Options granted under the Option Plan have a maximum term of 10 years from the date of grant.

The Option Plan was re-approved on June 23, 2022. There were no options or awards outstanding under the Option Plan as at December 31, 2023 (December 31, 2022 – nil).

The aggregate number of common shares that are issuable under the RSU Plan to pay awards which have been granted and are outstanding under the RSU Plan, together with common shares that are issuable pursuant to outstanding awards or grants under any other share compensation arrangement of the Company, shall not exceed at any time 10% of the common shares then issued and outstanding.

Under the RSU Plan, RSUs of MLC were granted to certain key employees and directors on February 15, 2022, being the "grant date". RSU grants are made in the form of equity-settled awards that vest one-third annually beginning one year after the grant date, whereby one RSU will vest in exchange for one common share. The grant date fair value of each equity-settled RSU unit granted is calculated based on the closing price per common share on Cboe Canada on the date of grant. A total of 308,579 RSUs were outstanding as at December 31, 2023. As at December 31, 2022 a total of 298,688 RSUs granted at a price of $4.04 per common share were outstanding. For the year ended December 31, 2023, 9,891 DEUs were granted (December 31, 2022 - 8,079). DEUs are granted on issued RSUs based on the amount of cash dividend that would have been paid to the participant, if the RSU had been recorded in the participant's account at the record date for the cash dividend, as a common share. No additional RSUs were granted, exercised or expired. For the year ended December 31, 2023 no RSUs or DEUs were forfeited (December 31, 2022 - 41,186).

Arrangement – contingent value rights

On October 19, 2018, in connection with the completion of a plan of arrangement carried out under the OBCA (the "Arrangement"), the Company terminated the Management Services Agreement ("MSA") with Marret Asset Management except for retaining Marret Asset Management to continue to manage the Company's investment in Cline for a fee equal to 1% of the net proceeds of any distribution made by Cline in a particular year or 1% of the net proceeds to the Company from a sale of the Company's interest in Cline. Fees that are attributable to the investment in Cline shall only be determined and become payable to Marret Asset Management on the sale of the investment in Cline, in its entirety, and shall be calculated using, and payable only on the net sale proceeds actually received by the Company for its investment in Cline. Any fees paid to Marret Asset Management as a result of the sale of the investment in Cline will reduce the amounts paid to the holders of CVRs.

Upon completion of the Arrangement, each of the common shares of the Company was exchanged for one new common share of the Company created pursuant to the Arrangement ("New Shares") and, subject to certain restrictions, one CVR, with each CVR representing a contingent cash entitlement in respect of Cline. The Company issued to its shareholders an aggregate of 17,288,140 CVRs. Under the terms of the indenture governing the CVRs, the Company will seek to dispose of Cline during the five year period following the closing of the Arrangement and will distribute to the holders of the CVRs any distributions received from Cline and the net proceeds received from the sale of the Company's holdings in Cline.

(in thousands of United States dollars, except per share amounts and where otherwise noted)

In addition, each shareholder, subject to certain restrictions, was provided with the option to exchange all of its New Shares for: (i) C$0.53 in cash (subject to proration) for each New Share held, or (ii) 7.62 warrants (subject to proration) exercisable for a period of seven years from the effective date of the Arrangement at a price of C$0.77 per share for each New Share held, which is a non-cash transaction.

On October 27, 2020, the Marret Asset Management announced that Allegiance Coal Limited, a coal exploration and development company, acquired all the shares in New Elk Coal Company ("NECC"), which holds all the mining assets of Cline. On February 24, 2021 and January 7, 2022, the Company received C$0.5 million and C$1.1 million, respectively, from Marret Asset Management in connection with the sale. On June 9, 2021 and April 7, 2022, the Company distributed C$0.3 million and C$1.2 million, respectively, to the holders of the CVRs.

On February 27, 2023, Marret Asset Management announced that NECC and three other entities indirectly owned and controlled by Allegiance Coal Limited, including the guarantor of NECC's obligations to Cline under secured notes issued by NECC to Cline (the "NECC Notes"), which is Cline's primary asset, had filed for Chapter 11 protection on February 21, 2023 (the "NECC Bankruptcy"). On February 28, 2023, Marret Asset Management announced that it was taking an 82% write-down in the value of securities in Cline held by its various funds to reflect the increased uncertainty of future cash flows to Cline from the NECC Notes. The CVR's had a market value of nil and have since expired.

On October 19, 2023, the CVRs issued on October 19, 2018 expired in accordance with their terms and were cancelled and accordingly the possibility of further distributions in respect of the CVRs ceased. The Company continues to hold its debt and equity securities of Cline at a fair value of nil as at December 31, 2023 .

Warrants

On closing of the Arrangement and in accordance with the terms of the Arrangement, the Company issued to shareholders who made an election to acquire warrants under the Arrangement warrants to acquire an aggregate of 20,468,128 common shares of the Company (the "Arrangement Warrants"). As at December 31, 2023 and 2022, the Company had 20,468,128 Arrangement Warrants outstanding, which are exercisable at any time up to October 19, 2025. As a result of a share consolidation completed on December 3, 2019, every eight (8) Arrangement Warrants entitled the holder to receive, upon exercise, one common share of the Company at a price of C$6.16 per common share. Accordingly, an aggregate of up to 2,558,516 common shares are issuable upon the exercise of the 20,468,128 outstanding Arrangement Warrants as at December 31, 2023 and 2022.

In connection with the private placement on July 20, 2021, the Company issued an aggregate of 76,923 broker warrants, each of which is exercisable to acquire one common share at any time up to January 20, 2023 at an exercise price of C$3.90. All broker warrants expired unexercised during the three months ended March 31, 2023.

As at December 31, 2023, there was 20,468,128 Arrangement Warrants outstanding (December 31, 2022 – 20,468,128).

Earnings per share

Basic earnings per share is calculated by dividing net income or loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated in the same manner, with further adjustments made to reflect the dilutive impact of instruments convertible into the Company's common shares.

The following table sets forth the computation of basic and diluted income (loss) per common share for the years ended December 31, 2023 and 2022:

	Year Ended	
	December 31, 2023	December 31, 2022
Basic earnings per share		
Net income (loss)	$ (16,456)	$ 48,321
Weighted-average number of common shares outstanding	23,942,587	22,190,195
Basic earnings per share	$ (0.69)	$ 2.18
Diluted earnings per share		
Net income (loss)	(16,456)	48,321
Weighted-average number of common shares outstanding	23,942,587	22,190,195
Effect of dilutive financial instruments		
Warrants potentially exercisable (1)	—	—
Common shares potentially issuable (2)	—	298,690
Weighted-average number of diluted common shares outstanding	23,942,587	22,488,885
Diluted earnings per share	$ (0.69)	$ 2.15

(1) For the years ended December 31, 2023 and 2022, the Arrangement Warrants and the broker warrants are excluded from the calculation of diluted earnings per share given the exercise price is greater than the average market price of the Company's common shares (i.e., they are "out of the money").

(2) For the year ended December 31, 2023, RSUs granted are anti-dilutive and are excluded from the calculation of diluted earnings per share.

(in thousands of United States dollars, except per share amounts and where otherwise noted)

12. Debt obligations

Asset management

MLC US Holdings Credit Facility

On August 20, 2021, MLC US Holdings entered into a credit facility with a large US-based asset manager, as administrative agent and collateral agent for the lenders, whereby MLC US Holdings may borrow up to $25.0 million by December 31, 2021 (the "MLC US Holdings Credit Facility"). On September 19, 2022, MLC US Holdings entered into an amendment to its existing credit agreement to increase the term loan available thereunder by $4.5 million. The primary use of the proceeds from the amendment was to seed OCIF, an interval fund managed by ML Management. On May 2, 2023, MLC US Holdings entered into an amendment to the MLC US Holdings Credit Facility to increase the term loan available thereunder by an additional $4.5 million. The primary use of the proceeds from the most recent amendment was to finance the acquisition of Ovation on July 5, 2023, and other related fees and expenses. The MLC US Holdings Credit Facility matures on August 20, 2027.

Amounts drawn under the MLC US Holdings Credit Facility initially bore interest at LIBOR plus a spread of 7.50%. The benchmark, LIBOR, was replaced by the secured overnight financing rate ("SOFR") upon the transition from LIBOR on May 2, 2023. Payments of principal and interest are made on each payment date, with the remaining principal outstanding and accrued but unpaid interest payable on August 20, 2027. The MLC US Holdings Credit Facility is collateralized by assets held by MLC US Holdings. MLC is a guarantor of the MLC US Holdings Credit Facility.

The MLC US Holdings Credit Facility contains affirmative and negative covenants, events of default and other customary provisions, including periodic financial reporting requirements.

Seller Notes

On July 1, 2021, MLC completed the Capitala Acquisition through in part the issuance of an unsecured promissory note of $4.0 million, which bears no interest and is payable by July 1, 2025. The repayment amount on maturity date is adjusted to reflect the performance of the investment portfolio of Logan Ridge specified at closing and shall not be less than $nil or more than $6.0 million.

On October 29, 2021, MLC completed the Ability Acquisition through in part the issuance of an unsecured promissory note of $15.0 million, which bears interest at 5% per annum and is payable by October 29, 2031.

Promissory Note

On October 20, 2022, Lind Bridge L.P. (“Lind Bridge”), a limited partnership controlled by the Company, as borrower, issued a promissory note to a third-party lender (the “Initial Lind Bridge Note”) for $7.5 million. The Initial Lind Bridge Note bears interest at a rate per annum of 7.5% on the unpaid principal amount and matures on October 20, 2029. On August 14, 2023, Lind Bridge issued an additional promissory note to a third-party lender for $5 million (the “Subsequent Lind Bridge Note” and collectively the “Lind Bridge Notes”). The Subsequent Lind Bridge Note bears interest at a rate per annum of 7.5% on the unpaid principal amount and matures on April 1, 2025. The Company has guaranteed the obligations of Lind Bridge under the Lind Bridge Notes. The proceeds of the Lind Bridge Notes were used to support the reinsurance of additional annuities in Ability and maintain required statutory surplus. Subsequent to the year ended December 31, 2023, the Company repaid the indebtedness under the Lind Bridge Notes in full, resulting in prepayments on the Subsequent Lind Bridge Note at an effective interest rate of 16% per annum. Refer to Note 22 *Subsequent Events* for further detail.

Debt obligations consisted of the following as at December 31, 2023 and December 31, 2022:

As at December 31, 2023	Maturity date	Stated interest Rate	Effective interest rate	Extension options	Total facility	Outstanding balance [3]
Subsequent Lind Bridge Note	April 2025	7.5% PIK [2]	7.5% PIK	N/A	5,000	5,315
Seller note — Capitala Acquisition	July 2025	—	—	N/A	4,000	4,000
MLC US Holdings Credit Facility [1]	August 2027	SOFR +7.50%	13.16%	N/A	34,000	30,794
Initial Lind Bridge Note	October 2029	7.5% PIK [2]	7.5% PIK	N/A	7,500	8,210
Seller note — Ability Acquisition	October 2031	5.0%	5.0%	N/A	15,000	15,000
Total debt					**$ 65,500**	**$ 63,319**

(in thousands of United States dollars, except per share amounts and where otherwise noted)

SOFR - Secured Overnight Financing Rate

(1) The MLC US Holdings Credit Facility is secured by all assets and interests in assets and proceeds owned and acquired by MLC US Holdings.

(2) Payment in kind ("PIK").

(3) The fair value of financial liabilities carried at amortized cost in the financial statements are: (i) MLC US Holdings Credit Facility: $30.8 million and (ii) Seller note - Ability Acquisition: $10.6 million. These have been valued using level 3 inputs. The remaining carrying values of financial liabilities measured at amortized cost approximate their fair values.

As at December 31, 2022	Maturity date	Stated interest Rate	Effective interest rate	Extension options	Total facility	Outstanding balance
Seller note — Capitala Acquisition	July 2025	—	—	N/A	$ 4,000	$ 4,000
MLC US Holdings Credit Facility (1)	August 2027	L+7.50%	11.19%	N/A	29,500	27,881
Initial Lind Bridge Note	October 2029	7.5% PIK (2)	7.5% PIK	N/A	7,500	7,613
Seller note — Ability Acquisition	October 2031	5.0%	5.0%	N/A	15,000	15,000
Total debt					**$ 56,000**	**$ 54,494**

L - London Interbank Offered Rate

(1) The MLC US Holdings Credit Facility is secured by all assets and interests in assets and proceeds owned and acquired by MLC US Holdings.

(2) Payment in kind ("PIK").

The scheduled principal repayments are as follows:

As at	December 31, 2023
2024	1,700
2025	11,015
2026	1,700
2027	28,694
2028 and thereafter	20,210
	63,319
Transaction costs (net of amortization)	(1,289)
Total debt	**$ 62,030**

For the year ended December 31, 2023, interest expense, including the amortization of debt issuance costs and the PIK interest, was $6.0 million (December 31, 2022 – $3.6 million).

Insurance

Surplus Note

Ability has the following surplus notes outstanding as at December 31, 2023 and December 31, 2022:

As at December 31, 2023	Date Issued	Date of Maturity	Interest Rate	Par Value	Carrying Value of Note	Interest and/or Principal Paid during current year (1)
Sentinel Security Life Insurance Company	2/25/2013	June 2028	5.00%	$ 2,250	$ 2,250	$ 113
Pavonia Life Insurance Company of Michigan	8/30/2023	December 2032	10.00%	12,000	12,000	400
Total Surplus Notes				**$ 14,250**	**$ 14,250**	**$ 513**

As at December 31, 2022	Date Issued	Date of Maturity	Interest Rate	Par Value	Carrying Value of Note	Interest and/or Principal Paid during current year (2)
Sentinel Security Life Insurance Company	2/25/2013	May 2023	5.00%	$ 2,250	$ 2,250	$ 113
Total Surplus Notes				**$ 2,250**	**$ 2,250**	**$ 113**

(in thousands of United States dollars, except per share amounts and where otherwise noted)

(1) Reflects interest and/or principal paid for the year ended December 31, 2023.

(2) Reflects interest and/or principal paid for the year ended December 31, 2022.

The fair value of financial liabilities carried at amortized cost in the financial statements are Pavonia Life Insurance Company of Michigan: $12.4 million. This has been valued using level 3 inputs. The remaining carrying values of financial liabilities measured at amortized cost approximate their fair values.

The surplus notes are subordinated in right of payment of all indebtedness, policy claims, and other creditor claims. The note issued to Sentinel Security Life Insurance Company had an initial maturity date of June 12, 2023; however, in the second quarter of 2023, Ability renewed the note, extending the date of maturity to June 12, 2028. On August 30, 2023, Ability, completed a private offering of US$12 million aggregate principal amount of 10% Surplus Notes due December 2032. Payments of interest or principal shall be paid only if Ability has the required levels of statutory surplus and upon prior authorization by the Director of the Nebraska Department of Insurance.

The following table shows the reconciliation of debt obligations for the Company:

For the year ended	**December 31, 2023**	**December 31, 2022**
Asset management		
Balance at the beginning of the period	$ 53,172	$ 42,708
Cashflows:		
Proceeds from borrowings	9,500	11,865
Repayments of borrowings	(3,452)	(1,619)
Financing costs paid and deferred	(297)	(137)
Non-cash changes:		
Assumption of debt from acquisition of Ovation	1,863	—
Amortization of deferred financing costs	331	242
PIK interest	913	113
Balance at the end of the financial year - asset management	**$ 62,030**	**$ 53,172**
Insurance		
Balance at the beginning of the period	$ 2,250	$ 2,250
Cashflows:		
Proceeds from borrowings	12,000	—
Repayments of borrowings	—	—
Balance at the end of the financial year - insurance	**$ 14,250**	**$ 2,250**

13. Insurance contract liabilities and reinsurance contract assets

(a) Insurance contract liabilities and reinsurance assets

The following table sets out the carrying amounts of insurance and reinsurance contracts expected to be (recovered) settled more than 12 months after the reporting date:

As at	**December 31, 2023**	**December 31, 2022**
Insurance contract liabilities by portfolio:		
Long Term Care Insurance	$ 1,020,242	$ 1,031,270
MYGA	86,814	41,981
Total insurance contract liabilities	**$ 1,107,056**	**$ 1,073,251**
Reinsurance contract assets by portfolio:		
Long Term Care Reinsurance	$ 634,440	$ 653,283
Modco investments[2]	(191,767)	(198,168)
Net Reinsurance contract assets	**$ 442,673**	**$ 455,115**

(1) Reconciliations for insurance contract liabilities and reinsurance contract assets for Long Term Care Insurance, Long Term Care Reinsurance and MYGA portfolios are shown in Note 13e and 13f.

(in thousands of United States dollars, except per share amounts and where otherwise noted)

(2) Under the modified coinsurance agreement with Vista Life, the funds withheld assets are held with legal right of offset to the related insurance contract liabilities. See Note 3 "Material Accounting Policies" for further details.

(b) Discount rates

The bottom-up approach was used to derive the discount rate for the Company's insurance contracts. Under this approach, the discount rate is determined as the risk free yield adjusted for differences in liquidity characteristics between the financial assets used to derive the risk free yield and the relevant liability cash flows (known as an illiquidity premium). The risk free yield was derived using swap rates available in the market denominated in the same currency as the product being measured. When swap rates are not available, highly liquid sovereign bonds with a AAA credit rating were used. Management uses judgment to assess liquidity characteristics of the liability cash flows.

Observable market information is available for up to 30 years. For the unobservable period, the ultimate rate was assumed to be the last observable point.

The yield curves that were used to discount the estimates of future cash flows are as follows:

	Q4 2023					Q4 2022				
Product	1 year	5 years	10 years	20 years	30 years	1 year	5 years	10 years	20 years	30 years
Long Term Care Insurance	6.70%	5.79%	5.84%	6.23%	5.93%	6.77%	6.05%	5.91%	6.19%	6.01%
Long Term Care Reinsurance	6.70%	5.79%	5.84%	6.23%	5.93%	6.77%	6.05%	5.91%	6.19%	6.01%
MYGA	4.70%	3.79%	3.84%	4.23%	3.93%	4.77%	4.05%	3.91%	4.19%	4.01%

(c) Significant insurance contract liability valuation assumptions

Included in the measurement of each group of contracts in the scope of IFRS 17 are all the future cash flows within the boundary of each group of contracts. The estimates of these future cash flows are based on probability weighted expected future cash flows. The Company estimates which cash flows are expected and the probability that they will occur as at the measurement date. In making these expectations, the Company uses information about past events, current conditions and forecasts of future conditions. The Company's estimate of future cash flows is the mean of a range of scenarios that reflect the full range of possible outcomes. Each scenario specifies the amount, timing and probability of cash flows. The probability weighted average of the future cash flows is calculated using a deterministic scenario representing the probability weighted mean of a range of scenarios.

Where estimates of expenses related cash flows are determined at the portfolio level or higher, they are allocated to groups of contracts on a systematic basis such as activity based costing method. The Company has determined that this method results in a systematic and rational allocation. Similar methods are consistently applied to allocate expenses of a similar nature. Acquisition cash flows are typically allocated to groups of contracts based on gross premiums written. Expenses of an administrative policy maintenance nature are typically allocated to groups of contracts based on the number of contracts in force within groups. Claims settlement related expenses are allocated based on the number of claims expected for all groups.

Assumptions used to develop estimates about future cash flows are reassessed at each reporting date and adjusted where required.

Significant methods and assumptions used are discussed below.

Mortality

Mortality relates to the occurrence of death and is a key assumption for long term care insurance. Mortality assumptions are based on the Company's internal experience as well as past and emerging industry experience. Assumptions are differentiated by sex, underwriting class, policy type and geographic market. The table below shows assumptions made for future mortality improvements:

Gender	Smoker status	Mortality table - Long Term Care	Mortality table - MYGA
Male	Non-smoker	GAM 1994	IAM 2012
	Smoker	GAM 1994	IAM 2012
Female	Non-smoker	GAM 1994	IAM 2012
	Smoker	GAM 1994	IAM 2012

Morbidity

Morbidity relates to the occurrence of accidents and sickness for insured risks and is a key assumption for long term care insurance. Morbidity assumptions are based on the Company's internal experience as well as past and emerging industry experience and are established for each type of morbidity risk and geographic market. Morbidity assumptions are based on the 2009 Milliman Long Term Care Guidelines with adjustments for actual experience. Morbidity improvement of 0.75% per year is assumed for 17 years starting in 2020.

Lapse

Long term care policies are terminated or enter non-forfeiture status due to non-payment of premiums. MYGA policies are surrendered when a policyholder elects to end their policy prior to maturity in exchange for a cash surrender, and typically includes additional surrender or market value adjustment. Surrender charges are a reduction of the amount paid to the customer, whereas, the market value adjustment can be either a positive or negative adjustment to the amount paid to the customer. Policy termination and lapse assumptions are primarily based on the Company's recent experience adjusted for expected future conditions.

(in thousands of United States dollars, except per share amounts and where otherwise noted)

The table below shows assumptions about lapse and surrender rates used:

	Q4 2023	Q4 2022
Long Term Care Insurance	0.6%	0.6%
Long Term Care Reinsurance	0.6%	0.6%
Multi Year Guaranteed Annuities	1.0%	1.0%

Expenses

The Group projects estimates of future expenses relating to fulfilment of contracts in the scope of IFRS 17 using current expense levels adjusted for inflation. Expenses comprise expenses directly attributable to the groups of insurance contracts including an allocation of fixed and variable overheads.

The expense inflation assumption is based on Oneland's retail price inflation swap curve adjusted to the Group's own experience and is considered to be a non-financial risk. The Company has not changed its methods or assumptions used to project expenses in 2023.

Possible increases in expense assumptions increase estimates of future cash outflows and thus increase in the loss component within the LRC.

(d) Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk as the insurance contract is fulfilled. Because the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favorable and unfavorable outcomes in a way that reflects the Company's degree of risk aversion. The Group estimates an adjustment for non-financial risk separately from all other estimates.

The risk adjustment was calculated at the issuing entity level and then allocated down to each group of contracts in accordance with their risk profiles. The Risk Adjustment ("RA") technique used for the Long Term Care and MYGA blocks involves shocking key assumptions and taking the difference of this shocked run and the Best Estimate Liability ("BEL"). The shocks used to calculate the RA were designed to be in line with a 70% Value at Risk ("VaR") confidence level on a direct basis. The methods and assumptions used to determine the risk adjustment for non-financial risk were not changed in 2023.

(e) Insurance contract liability reconciliations

The following tables present reconciliations of the changes in insurance contract liability in accordance with IFRS 17.

The tables below show an analysis by remaining coverage and incurred claims for Long Term Care Insurance:

(in thousands of United States dollars, except per share amounts and where otherwise noted)

	Year ended December 31, 2023			
	LRC		LIC	Total
Long Term Care Insurance	Excluding loss component	Loss component		
Opening insurance contract liabilities	$ 736,897	$ 294,373	$ —	$ 1,031,270
Opening insurance contract assets	—	—	—	—
Net balance as at January 1, 2023	**736,897**	**294,373**	**—**	**1,031,270**
Insurance revenue	**(87,607)**	**—**	**—**	**(87,607)**
Insurance service expenses				—
Incurred claims and other directly attributable expenses	—	(26,661)	112,616	85,955
Changes that relate to past service - adjustments to the LIC	—	—	—	—
Losses on onerous contracts and reversals of those losses	—	(16,459)	—	(16,459)
Insurance acquisitions cash flows amortization	—	—	—	—
Insurance service expenses	**—**	**(43,120)**	**112,616**	**69,496**
Insurance service result	**(87,607)**	**(43,120)**	**112,616**	**(18,111)**
Finance (income) expenses from insurance contracts issued	60,995	8,307	—	69,302
Total amounts recognized in comprehensive income	**(26,612)**	**(34,813)**	**112,616**	**51,191**
Investment components	—	— —	—	—
Other changes	—	— —	—	—
Cash flows				
Premiums received	50,397	—	—	50,397
Claims and other directly attributable expenses paid	—	—	(112,616)	(112,616)
Insurance acquisition cash flows	—	—	—	—
Total cash flows	**50,397**	**—**	**(112,616)**	**(62,219)**
Net balance as at December 31, 2023	**760,682**	**259,560**	**-**	**1,020,242**
Closing insurance contract liabilities	760,682	259,560	-	1,020,242
Closing insurance contract assets	—	—	—	—
Net balance as at December 31, 2023	**$ 760,682**	**$ 259,560**	**$ —**	**$ 1,020,242**

	Year ended December 31, 2022			
	LRC		LIC	Total
Long Term Care Insurance	Excluding loss component	Loss component		
Opening insurance contract liabilities	$ 1,026,978	$ 284,877	$ —	$ 1,311,855
Opening insurance contract assets	—	—	—	—
Net balance as at January 1, 2022	**1,026,978**	**284,877**	**—**	**1,311,855**
Insurance revenue	**(95,440)**	**—**	**—**	**(95,440)**
Insurance service expenses				—
Incurred claims and other directly attributable expenses	—	(25,941)	115,223	89,282
Changes that relate to past service - adjustments to the LIC	—	—	—	—
Losses on onerous contracts and reversals of those losses	—	29,326	—	29,326
Insurance acquisitions cash flows amortization	—	—	—	—
Insurance service expenses	**—**	**3,385**	**115,223**	**118,608**
Insurance service result	**(95,440)**	**3,385**	**115,223**	**23,168**
Finance (income) expenses from insurance contracts issued	(246,151)	6,111	—	(240,040)
Total amounts recognized in comprehensive income	**(341,591)**	**9,496**	**115,223**	**(216,872)**
Investment components	—	—	—	—
Other changes	—	—	—	—
Cash flows				
Premiums received	51,510	—	—	51,510
Claims and other directly attributable expenses paid	—	—	(115,223)	(115,223)
Insurance acquisition cash flows	—	—	—	—
Total cash flows	**51,510**	**—**	**(115,223)**	**(63,713)**
Net balance as at December 31, 2022	**736,897**	**294,373**	**-**	**1,031,270**
Closing insurance contract liabilities	736,897	294,373	—	1,031,270
Closing insurance contract assets	—	—	—	—
Net balance as at December 31, 2022	**$ 736,897**	**$ 294,373**	**$ —**	**$ 1,031,270**

(in thousands of United States dollars, except per share amounts and where otherwise noted)

The table below shows an analysis by remaining coverage and incurred claims for MYGA:

	Year ended December 31, 2023			
	LRC		LIC	Total
MYGA	Excluding loss component	Loss component		
Opening insurance contract liabilities	$ 40,833	$ 1,148	$ —	$ 41,981
Opening insurance contract assets	—	—	—	—
Net balance as at January 1, 2023	**40,833**	**1,148**	**—**	**41,981**
Insurance revenue	**(199)**	—	—	**(199)**
Insurance service expenses				
Incurred claims and other directly attributable expenses	—	(14)	139	125
Changes that relate to past service - adjustments to the LIC	—	—	—	—
Losses on onerous contracts and reversals of those losses	—	8,534	—	8,534
Insurance acquisitions cash flows amortization	—	—	—	—
Insurance service expenses	**—**	**8,520**	**139**	**8,659**
Insurance service result	**(199)**	**8,520**	**139**	**8,460**
Finance (income) expenses from insurance contracts issued	2,181	279	—	2,460
Total amounts recognized in comprehensive income	**1,982**	**8,799**	**139**	**10,920**
Investment components	(2,361)	—	2,361	—
Other changes	—	—	—	—
Cash flows				
Premiums received	36,413	—	—	36,413
Claims and other directly attributable expenses paid	—	—	(2,500)	(2,500)
Insurance acquisition cash flows	—	—	—	—
Total cash flows	**36,413**	**—**	**(2,500)**	**33,913**
Net balance as at December 31, 2023	**76,867**	**9,947**	**—**	**86,814**
Closing insurance contract liabilities	76,867	9,947	—	86,814
Closing insurance contract assets	—	—	—	—
Net balance as at December 31, 2023	**$ 76,867**	**$ 9,947**	**$ —**	**$ 86,814**

(in thousands of United States dollars, except per share amounts and where otherwise noted)

	Year ended December 31, 2022			
	LRC		LIC	Total
MYGA	Excluding loss component	Loss component		
Opening insurance contract liabilities	$ —	$ —	$ —	$ —
Opening insurance contract assets	—	—	—	—
Net balance as at January 1, 2022	**$ —**	**$ —**	**$ —**	**$ —**
Insurance revenue	**(74)**	—	—	**(74)**
Insurance service expenses				
Incurred claims and other directly attributable expenses	—	(1)	25	24
Changes that relate to past service - adjustments to the LIC	—	505	—	505
Losses on onerous contracts and reversals of those losses	—	640	—	640
Insurance acquisitions cash flows amortization	—	—	—	—
Insurance service expenses	**—**	**1,144**	**25**	**1,169**
Insurance service result	**(74)**	**1,144**	**25**	**1,095**
Finance (income) expenses from insurance contracts issued	(755)	4	—	(751)
Total amounts recognized in comprehensive income	**(829)**	**1,148**	**25**	**344**
Investment components	(404)	—	404	—
Other changes	—	—	—	—
Cash flows				
Premiums received	42,066	—	—	42,066
Claims and other directly attributable expenses paid	—	—	(429)	(429)
Insurance acquisition cash flows	—	—	—	—
Total cash flows	**42,066**	**—**	**(429)**	**41,637**
Net balance as at December 31, 2022	**40,833**	**1,148**	**—**	**41,981**
Closing insurance contract liabilities	40,833	1,148	—	41,981
Closing insurance contract assets	—	—	—	—
Net balance as at December 31, 2022	**$ 40,833**	**$ 1,148**	**$ —**	**$ 41,981**

(in thousands of United States dollars, except per share amounts and where otherwise noted)

The tables below show an analysis by measurement component for Long Term Care Insurance:

	Year ended December 31, 2023			
Long Term Care Insurance	**Present value of future cash flows**	**Risk adjustment for non-financial risk**	**CSM**	**Total**
Opening insurance contract liabilities	$ 777,167	$ 254,103	$ —	$ 1,031,270
Opening insurance contract assets	—	—	—	—
Net balance as at January 1, 2023	**777,167**	**254,103**	**—**	**1,031,270**
Changes that relate to current service				
CSM recognized in profit or loss for the services provided	—	—	—	—
Change in the risk adjustment for non-financial risk for the risk expired	—	(2,163)	—	(2,163)
Experience adjustments	510	—	—	510
	510	**(2,163)**	**—**	**(1,653)**
Changes that relate to future service				
Changes in estimates that adjust the CSM	—	—	—	—
Changes in estimates that result in onerous contract losses or reversal of losses	9,238	(25,696)	—	(16,458)
Contracts initially recognized in the period	—	—	—	—
	9,238	**(25,696)**	**—**	**(16,458)**
Changes that relate to past service				
Changes that relate to past service - adjustments to the LIC	—	—	—	—
Insurance service result	**9,748**	**(27,859)**	**—**	(18,111)
Finance (income) expenses from insurance contracts issued	49,880	19,422	—	69,302
Total amounts recognized in comprehensive income	**59,628**	**(8,437)**	**—**	**51,191**
Other changes	—	—	—	—
Cash flows				
Premiums received	50,397	—	—	50,397
Claims and other directly attributable expenses paid	(112,616)	—	—	(112,616)
Insurance acquisition cash flows	—	—	—	—
Total cash flows	**(62,219)**	**—**	**—**	**(62,219)**
Net balance as at December 31, 2023	**774,576**	**245,666**	**—**	**1,020,242**
Closing insurance contract liabilities	774,576	245,666	-	1,020,242
Closing insurance contract assets	—	—	—	—
Net balance as at December 31, 2023	**$ 774,576**	**$ 245,666**	**$ —**	**$ 1,020,242**

(in thousands of United States dollars, except per share amounts and where otherwise noted)

	Year ended December 31, 2022			
Long Term Care Insurance	**Present value of future cash flows**	**Risk adjustment for non-financial risk**	**CSM**	**Total**
Opening insurance contract liabilities	$ 967,841	$ 344,013	$ —	$ 1,311,854
Opening insurance contract assets	—	—	—	—
Net balance as at January 1, 2022	**967,841**	**344,013**	**—**	**1,311,854**
Changes that relate to current service				
CSM recognized in profit or loss for the services provided	—	—	—	—
Change in the risk adjustment for non-financial risk for the risk expired	—	(4,666)	—	(4,666)
Experience adjustments	(1,492)	—	—	(1,492)
	(1,492)	**(4,666)**	**—**	**(6,158)**
Changes that relate to future service				
Changes in estimates that adjust the CSM	—	—	—	—
Changes in estimates that result in onerous contract losses or reversal of losses	42,432	(13,106)	—	29,326
Contracts initially recognized in the period	—	—	—	—
	42,432	**(13,106)**	**—**	**29,326**
Changes that relate to past service				
Changes that relate to past service - adjustments to the LIC	—	—	—	—
Insurance service result	**40,940**	**(17,772)**	**—**	23,168
Finance (income) expenses from insurance contracts issued	(167,902)	(72,138)	—	(240,040)
Total amounts recognized in comprehensive income	**(126,962)**	**(89,910)**	**—**	**(216,872)**
Other changes	—	—	—	—
Cash flows				
Premiums received	51,511	—	—	51,511
Claims and other directly attributable expenses paid	(115,223)	—	—	(115,223)
Insurance acquisition cash flows	—	—	—	—
Total cash flows	**(63,712)**	—	—	**(63,712)**
Net balance as at December 31, 2022	**777,167**	**254,103**	**—**	**1,031,270**
Closing insurance contract liabilities	777,167	254,103	—	1,031,270
Closing insurance contract assets	—	—	—	—
Net balance as at December 31, 2022	**$ 777,167**	**$ 254,103**	**$ —**	**$ 1,031,270**

(in thousands of United States dollars, except per share amounts and where otherwise noted)

The table below shows an analysis by measurement component for MYGA:

	Year ended December 31, 2023			
MYGA	**Present value of future cash flows**	**Risk adjustment for non-financial risk**	**CSM**	**Total**
Opening insurance contract liabilities	$ 41,934	$ 47	$ —	$ 41,981
Opening insurance contract assets	—	—	—	—
Net balance as at January 1, 2023	**41,934**	**47**	**—**	**41,981**
Changes that relate to current service				
CSM recognized in profit or loss for the services provided	—	—	—	—
Change in the risk adjustment for non-financial risk for the risk expired	—	(45)	—	(45)
Experience adjustments	(29)	—	—	(29)
	(29)	**(45)**	**—**	**(74)**
Changes that relate to future service				
Changes in estimates that adjust the CSM	—	—	—	—
Changes in estimates that result in onerous contract losses or reversal of losses	6,439	13	—	6,452
Contracts initially recognized in the period	2,019	63	—	2,082
	8,458	**76**	**—**	**8,534**
Changes that relate to past service				
Changes that relate to past service - adjustments to the LIC	—	—	—	—
Insurance service result	8,429	31	—	8,460
Finance (income) expenses from insurance contracts issued	2,447	13	—	2,460
Total amounts recognized in comprehensive income	**10,876**	**44**	**—**	**10,920**
Other changes	—	—	—	—
Cash flows				
Premiums received	36,413	—	—	36,413
Claims and other directly attributable expenses paid	(2,500)	—	—	(2,500)
Insurance acquisition cash flows	—	—	—	—
Total cash flows	**33,913**	**—**	**—**	**33,913**
Net balance as at December 31, 2023	**86,723**	**91**	**—**	**86,814**
Closing insurance contract liabilities	86,723	91	—	86,814
Closing insurance contract assets	—	—	—	—
Net balance as at December 31, 2023	**$ 86,723**	**$ 91**	**$ —**	**$ 86,814**

(in thousands of United States dollars, except per share amounts and where otherwise noted)

	Year ended December 31, 2022			
MYGA	**Present value of future cash flows**	**Risk adjustment for non-financial risk**	**CSM**	**Total**
Opening insurance contract liabilities	$ —	$ —	$ —	$ —
Opening insurance contract assets	—	—	—	—
Net balance as at January 1, 2022	**—**	**—**	**—**	**—**
Changes that relate to current service				
CSM recognized in profit or loss for the services provided	—	—	(4)	(4)
Change in the risk adjustment for non-financial risk for the risk expired	—	(9)	—	(9)
Experience adjustments	(37)	—	—	(37)
	(37)	(9)	**(4)**	**(50)**
Changes that relate to future service				
Changes in estimates that adjust the CSM	120	11	83	214
Changes in estimates that result in onerous contract losses or reversal of losses	470	7	(79)	398
Contracts initially recognized in the period	502	31	—	533
	1,092	**49**	**4**	**1,145**
Changes that relate to past service				
Changes that relate to past service - adjustments to the LIC	—	—	—	—
Insurance service result	1,055	40	—	1,095
Finance (income) expenses from insurance contracts issued	(758)	7	—	(751)
Total amounts recognized in comprehensive income	**297**	**47**	**-**	**344**
Other changes	—	—	—	—
Cash flows				
Premiums received	42,066	—	—	42,066
Claims and other directly attributable expenses paid	(429)	—	—	(429)
Insurance acquisition cash flows	—	—	—	—
Total cash flows	**41,637**	**-**	**—**	**41,637**
Net balance as at December 31, 2022	**41,934**	**47**	**—**	**41,981**
Closing insurance contract liabilities	41,934	47	—	41,981
Closing insurance contract assets	—	—	—	—
Net balance as at December 31, 2022	**$ 41,934**	**$ 47**	**$ —**	**$ 41,981**

(in thousands of United States dollars, except per share amounts and where otherwise noted)

(f) Reinsurance contract held asset reconciliations

The following tables present reconciliations of the changes in reinsurance contract assets in accordance with IFRS 17. All reinsurance contracts held relate to the Long Term Care business.

The tables below show an analysis by remaining coverage and incurred claims for Long Term Care Reinsurance:

	Year ended December 31, 2023			
	LRC		LIC	Total
Long Term Care Reinsurance	**Excluding loss-recovery component**	**Loss component**		
Opening reinsurance contract liabilities	$ —	$ —	$ —	$ —
Opening reinsurance contract assets	385,830	267,453	—	653,283
Net balance as at January 1, 2023	**385,830**	**267,453**	**—**	**653,283**
Net income (expenses) from reinsurance contracts held				
Reinsurance expenses	(117,513)	—	—	(117,513)
Other incurred directly attributable expenses	—	—	—	—
Claims recovered	—	(27,513)	129,581	102,068
Changes that relate to past service - adjustments to incurred claims	—	—	—	—
Changes that relate to future service - changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts	—	(17,399)	—	(17,399)
Effect of changes in the risk of reinsurers non-performance	(181)	—	—	(181)
Net income (expenses) from reinsurance contracts held	**(117,694)**	**(44,912)**	**129,581**	**(33,025)**
Finance income (expenses) from reinsurance contracts held	34,192	8,699	—	42,891
Total amounts recognized in comprehensive income	**(83,502)**	**(36,213)**	**129,581**	**9,866**
Investment components	—	—	—	—
Other changes	—	—	—	—
Cash flows				
Premiums paid net of ceding commissions and other directly attributable expenses paid	100,872	—	—	100,872
Recoveries from reinsurance	—	—	(129,581)	(129,581)
Total cash flows	**100,872**	**—**	**(129,581)**	**(28,709)**
Net balance as at December 31, 2023	**403,200**	**231,240**	**—**	**634,440**
Closing reinsurance contract assets	403,200	231,240	—	634,440
Closing reinsurance contract liabilities	—	—	—	—
Net balance as at December 31, 2023	**$ 403,200**	**$ 231,240**	**—**	**$ 634,440**

(in thousands of United States dollars, except per share amounts and where otherwise noted)

	Year ended December 31, 2022			
	LRC		LIC	Total
Long Term Care Reinsurance	**Excluding loss-recovery component**	**Loss component**		
Opening reinsurance contract liabilities	$ —	$ —	$ —	$ —
Opening reinsurance contract assets	568,291	254,624	—	822,915
Net balance as at January 1, 2022	**568,291**	**254,624**	**—**	**822,915**
Net income (expenses) from reinsurance contracts held				
Reinsurance expenses	(127,325)	—	—	(127,325)
Other incurred directly attributable expenses	—	—	—	—
Claims recovered	—	(28,414)	127,450	99,036
Changes that relate to past service - adjustments to incurred claims	—	—	—	—
Changes in estimates that adjust recoveries of losses on onerous underlying contracts	—	34,808	—	34,808
Effect of changes in the risk of reinsurers non-performance	—	—	—	—
Net income (expenses) from reinsurance contracts held	**(127,325)**	**6,394**	**127,450**	**6,519**
Finance income (expenses) from reinsurance contracts held	(147,199)	6,435	-	(140,764)
Total amounts recognized in comprehensive income	**(274,524)**	**12,829**	**127,450**	**(134,245)**
Investment components	—	—	—	—
Other changes	—	—	—	—
Cash flows				
Premiums paid net of ceding commissions and other directly attributable expenses paid	92,063	—	—	92,063
Recoveries from reinsurance	—	—	(127,450)	(127,450)
Total cash flows	**92,063**	**—**	**(127,450)**	**(35,387)**
Net balance as at December 31, 2022	**385,830**	**267,453**	**—**	**653,283**
Closing reinsurance contract assets	385,830	267,453	—	653,283
Closing reinsurance contract liabilities	—	—	—	—
Net balance as at December 31, 2022	**$ 385,830**	**$ 267,453**	**—**	**$ 653,283**

(in thousands of United States dollars, except per share amounts and where otherwise noted)

The tables below show an analysis by measurement component for Long Term Care Reinsurance:

	Year ended December 31, 2023			
Long Term Care Reinsurance	**Present value of future cash flows**	**Risk adjustment for non-financial risk**	**CSM**	**Total**
Opening reinsurance contract assets	$ 435,670	$ 173,277	$ 44,336	$ 653,283
Opening reinsurance contract liabilities	—	—	—	—
Net balance as at January 1, 2023	**435,670**	**173,277**	**44,336**	**653,283**
Changes that relate to current service				
CSM recognized in profit or loss for the services provided	—	—	(13,772)	(13,772)
Change in the risk adjustment for non-financial risk for the risk expired	—	(845)	—	(845)
Experience adjustments	(828)	—	—	(828)
	(828)	**(845)**	**(13,772)**	**(15,445)**
Changes that relate to future service				
Changes in estimates that adjust the CSM	(6,063)	5,155	908	—
Contracts initially recognized in the period	—	—	—	—
Changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts	12,123	(29,522)	—	(17,399)
	6,060	**(24,367)**	**908**	**(17,399)**
Changes that relate to past service - adjustments to the incurred claims	—	—	—	—
Effect of changes in the risk of reinsurers non-performance	(181)	—	—	(181)
Net income (expenses) from reinsurance contracts held	**5,051**	**(25,212)**	**(12,864)**	**(33,025)**
Finance income (expenses) from reinsurance contracts held	27,493	14,282	1,116	42,891
Total amounts recognized in comprehensive income	**32,544**	**(10,930)**	**(11,748)**	**9,866**
Other changes	—	—	—	—
Cash flows				
Premiums paid net of ceding commissions and other directly attributable expenses paid	100,872	—	—	100,872
Recoveries from reinsurance	(129,581)	—	—	(129,581)
Total cash flows	**(28,709)**	—	—	**(28,709)**
Net balance as at December 31, 2023	**439,505**	**162,347**	**32,588**	**634,440**
Closing reinsurance contract assets	439,505	162,347	32,588	634,440
Closing reinsurance contract liabilities	—	—	—	—
Net balance as at December 31, 2023	**$ 439,505**	**$ 162,347**	**$ 32,588**	**$ 634,440**

(in thousands of United States dollars, except per share amounts and where otherwise noted)

	Year ended December 31, 2022			
Long Term Care Reinsurance	**Present value of future cash flows**	**Risk adjustment for non-financial risk**	**CSM**	**Total**
Opening reinsurance contract assets	$ 532,874	$ 236,910	$ 53,131	$ 822,915
Opening reinsurance contract liabilities	—	—	—	—
Net balance as at January 1, 2022	**532,874**	**236,910**	**53,131**	**822,915**
Changes that relate to current service				
CSM recognized in profit or loss for the services provided	—	—	(21,581)	(21,581)
Change in the risk adjustment for non-financial risk for the risk expired	—	(3,430)	—	(3,430)
Experience adjustments	(3,283)	—	—	(3,283)
	(3,283)	**(3,430)**	**(21,581)**	**(28,294)**
Changes that relate to future service				
Changes in estimates that adjust the CSM	(17,237)	5,467	11,775	5
Contracts initially recognized in the period	—	—	—	—
Changes in estimates that adjust recoveries of losses on onerous underlying contracts	50,775	(15,967)	—	34,808
	33,538	**(10,500)**	**11,775**	**34,813**
Changes that relate to past service - adjustments to the incurred claims	—	—	—	—
Effect of changes in the risk of reinsurers non-performance	—	—	—	—
Net income (expenses) from reinsurance contracts held	**30,255**	**(13,930)**	**(9,806)**	**6,519**
Finance income (expenses) from reinsurance contracts held	(92,072)	(49,703)	1,011	(140,764)
Total amounts recognized in comprehensive income	**(61,817)**	**(63,633)**	**(8,795)**	**(134,245)**
Other changes	—	—	—	—
Cash flows				
Premiums paid net of ceding commissions and other directly attributable expenses paid	92,063	—	—	92,063
Recoveries from reinsurance	(127,450)	—	—	(127,450)
Total cash flows	**(35,387)**	**—**	**—**	**(35,387)**
Net balance as at December 31, 2022	**435,670**	**173,277**	**44,336**	**653,283**
Closing reinsurance contract assets	435,670	173,277	44,336	653,283
Closing reinsurance contract liabilities	—	—	—	—
Net balance as at December 31, 2022	**$ 435,670**	**$ 173,277**	**$ 44,336**	**$ 653,283**

(g) Impact of contracts recognized during the year

The following tables present the impact of insurance and reinsurance contracts initially recognized in the period, which are within the MYGA portfolio.

	Year ended December 31, 2023		
MYGA	**Non-onerous contracts originated**	**Onerous contracts originated**	**Total**
Estimates of the present value of future cash outflows			
- Insurance acquisition cash flows	—	—	—
- Claims and other directly attributable expenses	—	43,031	43,031
Estimates of the present value of future cash outflows	**—**	**43,031**	**43,031**
Estimates of the present value of future cash inflows	—	(41,012)	(41,012)
Risk adjustment for non-financial risk	—	63	63
CSM	—	—	—
Increase in insurance contract liabilities from contracts recognized in the period	**$ —**	**$ 2,082**	**$ 2,082**

(in thousands of United States dollars, except per share amounts and where otherwise noted)

	Year ended December 31, 2022		
MYGA	**Non-onerous contracts originated**	**Onerous contracts originated**	**Total**
Estimates of the present value of future cash outflows			
- Insurance acquisition cash flows	—	—	—
- Claims and other directly attributable expenses	—	42,150	42,150
Estimates of the present value of future cash outflows	**—**	**42,150**	**42,150**
Estimates of the present value of future cash inflows	—	(41,743)	(41,743)
Risk adjustment for non-financial risk	—	47	47
CSM	—	—	—
Increase in insurance contract liabilities from contracts recognized in the period	**$ —**	**$ 454**	**$ 454**

(h) Expected recognition of the CSM

An analysis of the expected recognition of the CSM remaining at the end of the reporting period in profit or loss is provided in the following table:

	Reinsurance contracts held	
Number of years until expected to be recognized	**Long Term Care Reinsurance**	**Total CSM for reinsurance contracts held**
As at December 31, 2023		
1	$ (3,769)	$ (3,769)
2	(3,396)	(3,396)
3	(3,052)	(3,052)
4	(2,736)	(2,736)
5	(2,444)	(2,444)
6-10	(8,612)	(8,612)
>10	(8,579)	(8,579)
Total	**$ (32,588)**	**$ (32,588)**

	Reinsurance contracts held	
Number of years until expected to be recognized	**Long Term Care Reinsurance**	**Total CSM for reinsurance contracts held**
As at December 31, 2022		
Less than 1 year	$ (5,083)	(5,083)
1-2	(4,581)	(4,581)
2-3	(4,119)	(4,119)
3-4	(3,696)	(3,696)
4-5	(3,307)	(3,307)
5-10	(11,716)	(11,716)
>10	(11,834)	(11,834)
Total	**$ (44,336)**	**$ (44,336)**

(i) Sensitivity analysis to underwriting risk variables

The following tables present information on how reasonably possible changes in assumptions made by the Group with regard to underwriting risk variables impact product line insurance liabilities and profit or loss and equity before and after risk mitigation by reinsurance contracts held. The analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and actual results can differ materially from these estimates for a variety of reasons including the interaction among these assumptions and the general limitations of internal models. No changes were made by the Company in the methods and assumptions used in preparing these analyses.

(in thousands of United States dollars, except per share amounts and where otherwise noted)

As at December 31, 2023	FCF	Total	Impact on FCF	Total (increase) decrease in insurance contract liabilities	Total increase (decrease) in profit before income tax	Total increase (decrease) in equity
Long Term Care Insurance and Reinsurance						
Insurance contract liabilities	$ (1,020,242)	$ (1,020,242)	$ —	$ —	$ —	$ —
Reinsurance contract assets	634,440	634,440	—	—	—	—
Net insurance contract liabilities	**(385,802)**	**(385,802)**	—	—	—	—
Mortality rate - 2% adverse change						
Insurance contract liabilities	(1,029,175)	(1,029,175)	(8,933)	(8,933)	(8,933)	(6,566)
Reinsurance contract assets	638,809	638,809	4,369	4,369	4,369	3,211
Net insurance contract liabilities	**(390,366)**	**(390,366)**	**(4,564)**	**(4,564)**	**(4,564)**	**(3,355)**
Lapse rate - 10% adverse change						
Insurance contract liabilities	(1,031,223)	(1,031,223)	(10,981)	(10,981)	(10,981)	(8,071)
Reinsurance contract assets	639,128	639,128	4,688	4,688	4,688	3,446
Net insurance contract liabilities	**(392,095)**	**(392,095)**	**(6,293)**	**(6,293)**	**(6,293)**	**(4,625)**
Morbidity rate - 5% adverse change						
Insurance contract liabilities	(1,076,214)	(1,076,214)	(55,972)	(55,972)	(55,972)	(41,139)
Reinsurance contract assets	685,362	685,362	50,922	50,922	50,922	37,427
Net insurance contract liabilities	**(390,852)**	**(390,852)**	**(5,050)**	**(5,050)**	**(5,050)**	**(3,712)**
Expenses - 5% adverse change						
Insurance contract liabilities	(1,024,192)	(1,024,192)	(3,950)	(3,950)	(3,950)	(2,903)
Reinsurance contract assets	635,961	635,961	1,521	1,521	1,521	1,118
Net insurance contract liabilities	**(388,231)**	**(388,231)**	**(2,429)**	**(2,429)**	**(2,429)**	**(1,785)**
MYGA						
Insurance contract liabilities	$ (86,814)	$ (86,814)	$ —	$ —	$ —	$ —
Mortality rate - 2% adverse change						
Insurance contract liabilities	(86,818)	(86,818)	(4)	(4)	(4)	(3)
Lapse rate - 10% adverse change						
Insurance contract liabilities	(86,814)	(86,814)	—	—	—	—
Morbidity rate - 5% adverse change						
Insurance contract liabilities	(86,814)	(86,814)	—	—	—	—
Expenses - 5% adverse change						
Insurance contract liabilities	(86,814)	(86,814)	—	—	—	—

(in thousands of United States dollars, except per share amounts and where otherwise noted)

As at December 31, 2022	FCF	Total	Impact on FCF	Total (increase) decrease in insurance contract liabilities	Total increase (decrease) in profit before income tax	Total increase (decrease) in equity
Long Term Care Insurance and Reinsurance						
Insurance contract liabilities	$ (1,031,271)	$ (1,031,271)	$ —	$ —	$ —	$ —
Reinsurance contract assets	653,283	653,283	—	—	—	—
Net insurance contract liabilities	**(377,988)**	**(377,988)**	—	—	—	—
Mortality rate - 2% adverse change						
Insurance contract liabilities	(1,041,161)	(1,041,161)	(9,890)	(9,890)	(9,890)	(7,269)
Reinsurance contract assets	658,402	658,402	5,119	5,119	5,119	3,762
Net insurance contract liabilities	**(382,759)**	**(382,759)**	**(4,771)**	**(4,771)**	**(4,771)**	**(3,507)**
Lapse rate - 10% adverse change						
Insurance contract liabilities	(1,043,469)	(1,043,469)	(12,198)	(12,198)	(12,198)	(8,966)
Reinsurance contract assets	659,063	659,063	5,780	5,780	5,780	4,248
Net insurance contract liabilities	**(384,406)**	**(384,406)**	**(6,418)**	**(6,418)**	**(6,418)**	**(4,717)**
Morbidity rate - 5% adverse change						
Insurance contract liabilities	(1,090,426)	(1,090,426)	(59,155)	(59,155)	(59,155)	(43,479)
Reinsurance contract assets	705,564	705,564	52,281	52,281	52,281	38,427
Net insurance contract liabilities	**(384,862)**	**(384,862)**	**(6,874)**	**(6,874)**	**(6,874)**	**(5,052)**
Expenses - 5% adverse change						
Insurance contract liabilities	(1,035,320)	(1,035,320)	(4,049)	(4,049)	(4,049)	(2,976)
Reinsurance contract assets	655,053	655,053	1,770	1,770	1,770	1,301
Net insurance contract liabilities	**(380,267)**	**(380,267)**	**(2,279)**	**(2,279)**	**(2,279)**	**(1,675)**
MYGA						
Insurance contract liabilities	$ (41,981)	$ (41,981)	$ —	$ —	$ —	$ —
Mortality rate - 2% adverse change						
Insurance contract liabilities	(41,985)	(41,985)	(4)	(4)	(4)	(3)
Lapse rate - 10% adverse change						
Insurance contract liabilities	(41,981)	(41,981)	—	—	—	—
Morbidity rate - 5% adverse change						
Insurance contract liabilities	(41,981)	(41,981)	—	—	—	—
Expenses - 5% adverse change						
Insurance contract liabilities	(41,981)	(41,981)	—	—	—	—

(in thousands of United States dollars, except per share amounts and where otherwise noted)

(j) Amounts determined on transition to IFRS 17

The following presents the balance sheet adjusted on the (fully retrospective) adoption of IFRS 17 at January 1, 2022:

As at	January 1, 2022 (Prior to Transition)	Total adjustments*	January 1, 2022 (Subsequent to Transition)
ASSETS			
Asset Management:			
Cash	$ 14,433	$ —	$ 14,433
Restricted cash	135	—	135
Investments in financial assets	35,209	—	35,209
Intangible assets	22,060	—	22,060
Other assets	4,180	—	4,180
Total assets — asset management	76,017	—	76,017
Insurance:			
Cash and cash equivalents	29,733	—	29,733
Investments in financial assets	881,170	—	881,170
Reinsurance contract assets	329,902	287,716	617,618
Intangible assets	2,504	(60)	2,444
Goodwill	55,015	—	55,015
Other assets	18,970	(719)	18,251
Total assets — insurance	1,317,294	286,937	1,604,231
Total assets	**$ 1,393,311**	**$ 286,937**	**$ 1,680,248**
LIABILITIES			
Asset Management			
Due to affiliates	3,852	—	3,852
Debt obligations	42,708	—	42,708
Contingent value rights	4,169	—	4,169
Accrued expenses and other liabilities	3,916	—	3,916
Total liabilities — asset management	54,645	—	54,645
Insurance			
Debt obligations	2,250	—	2,250
Insurance contract liabilities	942,865	368,990	1,311,855
Investment contract liabilities	—	—	—
Funds held under reinsurance contracts	291,296	—	291,296
Reinsurance contract liabilities	—	—	—
Accrued expenses and other liabilities	16,949	(12,064)	4,885
Total liabilities — insurance	1,253,360	356,926	1,610,286
Total liabilities	1,308,005	356,926	1,664,931
EQUITY			
Common shares	108,055	—	108,055
Warrants	1,129	—	1,129
Contributed surplus	7,240	—	7,240
Surplus (Deficit)	(9,260)	(69,989)	(79,249)
Cumulative translation adjustment	(21,858)	—	(21,858)
Total equity	85,306	(69,989)	15,317
Total liabilities and equity	**$ 1,393,311**	**$ 286,937**	**$ 1,680,248**

* At June 30, 2023, Surplus (Deficit) as of January 1, 2022 and December 31, 2022 has been restated from $(89,470) and $(43,344), respectively as disclosed in the Consolidated Financial Statements for the quarter ended March 31, 2023 to $(79,249) and $(32,296), respectively, as a result of several errors identified in the second quarter of 2023 relating to the application of IFRS 17 accounting policies at transition. The adjustment to Surplus (Deficit) on initial application of IFRS 17, net of tax, as of January 1, 2022 has been restated from $(80,210) as recorded and disclosed in the Consolidated Financial Statements for the quarter ended March 31, 2023 to $(69,989). Further, the Reinsurance contract assets, Other assets and Insurance contract liabilities as of January 1, 2022 were restated by $5,788, $nil and $(4,434), and by $5,788, $825 and $(4,434), as of December 31, 2022, respectively. Management has concluded the adjustments are not material to the previously presented Consolidated Financial Statements as of March 31, 2023 or December 31, 2022. No further adjustments of amounts previously disclosed were made as of December 31, 2023.

(in thousands of United States dollars, except per share amounts and where otherwise noted)

(k) Insurance contracts contractual obligations

Insurance contracts give rise to obligations fixed by agreement. As at December 31, 2023 and December 31, 2022, the Company's contractual obligations and commitments relating to insurance contracts are as follows.

As at December 31, 2023	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Insurance contract liabilities (1)	(60,471)	(126,026)	(132,225)	(1,186,973)	(1,505,695)

As at December 31, 2022	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Insurance contract liabilities (1)	(55,627)	(112,689)	(121,173)	(1,218,535)	(1,508,024)

(1) Insurance contract liability cash flows include estimates related to the timing and payment of disability claims, lapse rates, commissions and premium taxes offset by contractual future premiums on in-force contracts. These estimated cash flows are based on the best estimate assumptions used in the determination of insurance contract liabilities. These amounts are undiscounted. Due to the use of assumptions, actual cash flows may differ from these estimates.

14. Investment contract liabilities

Investment contract liabilities are contractual obligations that are measured at amortized cost and do not contain significant insurance risk. Investment contract liabilities include MYGA annuity products that provide guaranteed income payments for a contractually determined period.

The following table presents the carrying and fair values of investment contract liabilities.

As at December 31, 2023	Amortized Cost (1)	Fair Value (2)
U.S. fixed annuity products	$ 169,314	$ 159,739
Investment contract liabilities	$ 169,314	$ 159,739

As at December 31, 2022	Amortized Cost (1)	Fair Value (2)
U.S. fixed annuity products	$ 89,358	$ 82,151
Investment contract liabilities	$ 89,358	$ 82,151

(1) Carrying value of fixed annuity products is amortized at a rate that exactly discounts the projected actual cash flows to the net carrying amount of the liability at the date of issue.

(2) Fair value of fixed annuity products is determined by projecting cash flows according to the contract terms and discounting the cash flows at current market rates. As at December 31, 2023 and December 31, 2022, fair value of all investment contract liabilities was determined using Level 2 valuation techniques.

The changes in investment contract liabilities measured at amortized cost was a result of the following business activities.

For the years ended December 31,	2023	2022
Beginning balance	$ 89,358	$ —
Policy deposits	76,880	90,239
Interest	6,316	271
Withdrawals	(3,240)	(1,152)
December 31, 2023	**$ 169,314**	**$ 89,358**

Investment contracts contractual obligations

As at December 31, 2023 and December 31, 2022, the Company's contractual obligations and commitments relating to the investment contracts are as follows.

December 31, 2023

Payments due by period	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Investment contract liabilities	$ —	$ 33,250	$ 149,538	$ 21,045	$ 203,833

December 31, 2022

Payments due by period	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Investment contract liabilities	$ —	$ —	$ 57,790	$ 47,435	$ 105,225

(in thousands of United States dollars, except per share amounts and where otherwise noted)

15. Other assets and Accrued expenses and other liabilities

Other assets consist of the following:

As at	December 31, 2023	December 31, 2022
Asset management		
Management fee receivable	$ 2,599	$ 1,390
Deferred tax assets	1,820	1,560
Prepaid income taxes	607	613
Accrued interest and dividends receivable	819	274
Deferred offering costs	116	362
Prepaid insurance	378	477
Other	254	116
Total other assets — asset management	6,593	4,792
Insurance		
Accrued investment income	18,521	15,883
Receivable for investments sold [1]	6,511	1,249
Premium receivables	2,087	5,495
Guaranty funds on deposit	113	372
Other	276	1,179
Total other assets — insurance	27,508	24,178
Total other assets	$ 34,101	$ 28,970

(1) Represents amounts due from third-parties for investment sales for which a cash settlement has not occurred.

For comparative purpose in the table above, Prepaid income taxes, Deferred offering costs and Prepaid insurance as of December 31, 2022 have been reclassified from 'Other' to the corresponding balance sheet account as of December 31, 2023.

Other liabilities and accrued expenses consist of the following:

As at	December 31, 2023	December 31, 2022
Asset management		
Payable for investments purchased [1]	$ 100	$ 299
Accounts payable and accrued liabilities	3,394	2,284
Total accrued expenses and other liabilities — asset management	3,494	2,583
Insurance		
Payable for investments purchased [1]	9,592	21,750
Other accrued expenses	20,524	3,654
Total accrued expenses and other liabilities — insurance	30,116	25,404
Total accrued expenses and other liabilities	$ 33,610	$ 27,987

(1) Represents amounts owed to third-parties for investment purchases for which a cash settlement has not occurred.

16. Income taxes

Current tax is the amount of income tax recoverable (payable) in respect of the taxable loss (profit) for a period. Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities for accounting and tax purposes. Deferred income tax assets and liabilities are measured at the tax rates expected to apply when temporary differences reverse. Current and deferred taxes are offset only when they are levied by the same tax authority, on the same entity or group of entities, and when there is a legal right to offset. On the evidence available, including management projections of income, the Company believes that it is probable there will be sufficient taxable income generated by the Company's operations to support these deferred tax assets.

Income earned through the Company's foreign subsidiaries is generally taxed in the foreign country in which they operate. Canada also taxes the income earned through the Company's controlled foreign subsidiaries and a deduction is allowed for certain foreign taxes paid on such income.

(in thousands of United States dollars, except per share amounts and where otherwise noted)

Tax reconciliation

The effective income tax rate reflected in the Consolidated Statements of Comprehensive Income (Loss) varies from the Canadian tax rate of 26.50 percent for the year ended December 31, 2023 (December 31, 2022 – 26.50 percent) for the items outlined in the following table.

For the year ended December 31,		2023		2022
Income (loss) before income taxes	$	(15,793)	$	48,751
Combined Canadian federal and provincial statutory tax rate		26.50%		26.50%
Income tax expense at Canadian statutory tax rate		(4,185)		12,919
Increase (decrease) resulting from:				
Permanent differences in tax rate on income not subject to tax in Canada		181		(309)
Deferred tax asset not recognized		5,115		(16,850)
Effect of tax rate of foreign jurisdictions		629		(1,131)
Foreign Accrual Property Income impact		(1,190)		5,585
Other		113		216
Income tax expense (recovery)	**$**	**663**	**$**	**430**

The following table presents a summary of the Company's income tax expense (recovery).

For the year ended December 31,		2023		2022
Current tax				
Current tax on profits for the year	$	923	$	1,047
Total current tax		923		1,047
Deferred tax				
Origination and reversal of timing difference		(260)		(617)
Total deferred tax		(260)		(617)
Total income tax (recovery)	$	663	$	430

Deferred tax asset – asset management

As at		December 31, 2023		December 31, 2022
Expenditure pools not yet deducted (1)	$	54,925	$	53,756
Non-capital losses available (2)		27,529		24,119
Net capital losses available (3)		23,310		22,814
Other (4) (5)		17,503		6,165
Gross deductible temporary differences		123,267		106,854
Deferred tax asset, gross		32,528		28,425
Deferred tax asset not recognized		(30,708)		(26,865)
Deferred tax asset, net	**$**	**1,820**	**$**	**1,560**

(1) The Company has $54,925 of scientific research and experimental development expenditure pools available for deduction against future income. These expenditure pools have no expiry date.

(2) The Company has $27,529 of non-capital losses available to offset future taxable income. These losses expire between 2032 and 2043.

(3) The Company has $23,310 of net capital losses available to offset future capital gains for which no benefit has been recorded. These losses have no expiry date.

(4) The Company has $9,794 of foreign accrual property losses available to offset future foreign accrual property income for which no benefit has been recorded. These losses start to expire in 2043.

(5) The Company has $320 of temporary differences for which no benefit has been recorded. These temporary differences have no expiry date.

Deferred tax asset – insurance

Ability has unrecorded deferred tax assets of $14.0 million. These unrecorded deferred tax assets are made up of temporary differences that do not have an expiry date and $45.4 million of non-capital losses that will begin to expire in 2036.

(in thousands of United States dollars, except per share amounts and where otherwise noted)

As at	December 31, 2023	December 31, 2022
Insurance reserves	$ (231)	$ (18,833)
Deferred acquisition costs	34,253	31,675
Net operating loss carryforward	45,439	38,980
Capital loss carryforward	751	—
Investments	56,486	82,140
Other	(70,087)	(64,775)
Gross deductible temporary differences	66,611	69,187
Deferred tax asset, gross	13,988	14,529
Deferred tax asset not recognized	(13,988)	(14,529)
Deferred tax asset, net	$ —	$ —

Deferred acquisition costs ("DAC") consist of commissions and other costs that are directly related to the successful renewal of long-term care contracts for tax purposes only.

On August 16, 2022, the U.S. enacted the Inflation Reduction Act of 2022 (“IRA”) which is generally effective for years beginning after December 31, 2022. Notably, the bill created a 15% corporate alternative minimum tax (“CAMT”) on corporations with three-year average financial statement income over $1 billion. The Internal Revenue Service has issued limited preliminary guidance. The Company has made certain interpretations and assumptions to comply with CAMT. The Company’s financial statement income is below $1 billion, therefore it is not expected the Company would have a CAMT liability. If CAMT is paid in the future, the amount would be indefinitely available as a credit carryforward that would reduce tax in future years and would be treated as a temporary item reflected within deferred taxes.

The Company has reviewed and made an assessment of the potential exposure to Pillar Two income taxes. The review was generally based on the most recent information available from tax filings, country-by-country reporting and financial statements, and takes into account known changes in the group and its operations. Based on the review and assessment the Company has concluded that they do not have any potential exposure to Pillar Two income taxes.

17. Segment reporting

MLC operates through two reportable segments: asset management and insurance.

The Company defines operating segments by type of product and business line. The Chief Executive Officer analyzes the results of each reportable segment, which are based on their performance as defined by the Company's management structure. Each reportable segment is responsible for managing its operating results, developing products, defining strategies for services and distribution based on the profile and needs of its business and market.

The asset management business consists of management and other fees, and interest and dividend income from investments. Management and other fees are comprised of fees received as the investment manager to the funds managed and servicing fees for providing certain administrative services to SCIM in respect of the management of ACIF. Interest and dividend income are comprised of revenue received from investments held. Historically all corporate and overhead expenses including those which could not be separately reimbursed by the underlying insurance company, Ability, were reflected within the asset management segment. As of June 30, 2023 the Company changed its presentation of its corporate and overhead expenses as a reconciling column to better reflect its asset management and insurance segments' performance and how its Chief Executive Officer analyses the results of each reportable segment. Corporate and overhead expenses that were not directly attributable to either the asset management or insurance segment have been reflected within the "Corporate" column below. The comparative figures as of December 31, 2022 have been recast to reflect this change in presentation.

The insurance business is operated by Ability. Ability's insurance business consists of premium revenue from long term care insurance policies and assumed MYGA premiums, as well as investment income generated from Ability's investment portfolio.

(in thousands of United States dollars, except per share amounts and where otherwise noted)

Financial information for the reportable segments is presented in the following tables:

Year ended December 31, 2023	Asset Management (1)	Insurance	Corporate (1)	Intercompany Adjustments (2)	Total
Revenue					
Management fee	$ 13,472	$ —	—	$ (4,247)	$ 9,225
Equity investment earning	1,124	—	—	—	1,124
Insurance service results	—	(23,374)	—	—	(23,374)
Net investment income	1,671	82,858	—	4,247	88,776
Net gains (losses) from investment activities	(189)	29,105	—	—	28,916
Realized and unrealized gains (losses) on embedded derivative — funds withheld	—	(31,403)	—	—	(31,403)
Other income	—	7,710	—	—	7,710
Total revenue	16,078	64,896	—	—	80,974
Less:					
Administration and servicing fees	1,907	—	1,036	—	2,943
Transaction costs	917	—	2,804	—	3,721
Amortization of intangible assets	972	—	—	—	972
Interest and other credit facility expenses	4,314	—	1,663	—	5,977
Net insurance finance (income) expenses	—	28,871	—	—	28,871
Increase (decrease) in investment contract liabilities	—	6,316	—	—	6,316
(Increase) decrease in reinsurance contract assets	—	20,238	—	—	20,238
General, administrative and other	7,620	14,662	5,447	—	27,729
Income tax expense	663	—	—	—	663
Net income (loss)	$ (315)	$ (5,191)	$ (10,950)	$ —	$ (16,456)
Total assets	$ 120,275	$ 1,625,507	$ —	$ (57,204)	$ 1,688,578
Total liabilities	$ 45,112	$ 1,562,559	$ 32,525	$ (3,570)	$ 1,636,626

(1) Adjustments are made for allocation of corporate expenses for the Asset Management Segment.

(2) Adjustments are made for the intercompany transactions between MLC and Ability.

Year ended December 31, 2022	Asset Management (1)	Insurance	Corporate (1)	Intercompany Adjustments (2)	Total
Revenue					
Management fee	$ 7,556	$ —	—	$ (2,356)	$ 5,200
Equity investment earning	1,922	—	—	—	1,922
Insurance service results	—	(17,744)	—	—	(17,744)
Net investment income	—	52,702	—	2,356	55,058
Net gains (losses) from investment activities	722	(107,581)	—	—	(106,859)
Realized and unrealized gains (losses) on embedded derivative — funds withheld	—	38,575	—	—	38,575
Other income	1,501	3,874	—	—	5,375
Total revenue	11,701	(30,174)	—	—	(18,473)
Less:					
Administration and servicing fees	450	—	781	—	1,231
Transaction costs	—	—	185	—	185
Amortization of intangible assets	559	—	—	—	559
Interest and other credit facility expenses	2,701	—	863	—	3,564
Net insurance finance (income) expenses	—	(100,027)	—	—	(100,027)
Increase (decrease) in investment contract liabilities	—	1,274	—	—	1,274
(Increase) decrease in reinsurance contract assets	—	5,685	—	—	5,685
General, administrative and other	3,397	12,800	4,108	—	20,305
Income tax expense	430	—	—	—	430
Net income (loss)	$ 4,164	$ 50,094	$ (5,937)	$ —	$ 48,321
Total assets	$ 107,632	$ 1,485,752	$ —	$ (49,144)	$ 1,544,240
Total liabilities	$ 37,255	$ 1,422,610	$ 22,613	$ (508)	$ 1,481,970

(1) Adjustments are made for allocation of corporate expenses for the Asset Management Segment.

(2) Adjustments are made for the intercompany transactions between MLC and Ability.

18. Commitments and contingencies

Investment commitments

In the normal course of business, the Company may enter into commitments to fund investments, which are not reflected in the Consolidated Financial Statements. There were $1.4 million of outstanding investment commitments as at December 31, 2023 (December 31, 2022 – $1.4 million).

In connection with the Capitala Acquisition, ML Management issued a promissory note to CIA for $4.0 million, which pursuant to the terms in the agreement, may increase to $6.0 million, based on the maturity date asset values of a predefined list of assets held by Logan Ridge.

Service agreements

In connection with the Capitala Acquisition, ML Management entered into a transition services agreement with CIA to provide certain non-investment advisory services upon reasonable request. There were $0.3 million of outstanding service fees as at December 31, 2023 (December 31, 2022 – $1.5 million) that are payable through March 31, 2024. In addition, ML Management entered into an independent contractor agreement to provide certain services as specified in the agreement. There were no outstanding service fees as at December 31, 2023 (December 31, 2022 – $0.4 million). These service fees for which services are not rendered are not reflected in the Consolidated Financial Statements.

Contingent liabilities and litigation

Ability is subject to lawsuits and regulatory actions in the normal course of business that do not arise from or directly relate to claims on insurance policies. This category of business litigation typically involves, among other things, allegations of underwriting errors or misconduct and litigation related to regulatory activity. These nonclaims litigation matters are considered when determining general expense accruals are necessary. As at December 31, 2023, there were no litigation related expense accruals. Legal and regulatory actions are subject to inherent uncertainties, and future events could change management's assessment of the probability or estimated amount of potential losses from pending or threatened legal and regulatory matters. A future adverse ruling by the courts in any of these pending cases could have a material adverse impact on the financial condition of Ability. Based on management's best assessment at this time, Ability is adequately reserved for these cases as at December 31, 2023.

Ability at different times may receive notifications of the insolvency of various insurance companies. It is expected that the insolvency will result in a Guaranty Fund Assessment against Ability at some future date. At this time, Ability is unable to estimate the possible amounts, if any, of such assessments as no data is available from the National Organization of Life and Health Guaranty Associations in the United States. Accordingly, Ability is unable to determine the impact, if any, that such assessments may have on its financial position or results of operations.

19. Financial risk management

In the normal course of business, the Company is exposed to a variety of financial risks. The Company seeks to minimize potential adverse effects of these risks for the Company's performance through management's professional experience in portfolio management and by monitoring the Company's investment positions and market events, and periodically may use derivatives to hedge certain risk exposures. To assist in managing risks, the Company maintains a governance structure that oversees the investment activities and monitors compliance with the Company's stated investment strategies, internal guidelines, and securities regulations.

Credit and counterparty risk

Credit and counterparty risk is the potential for loss due to the failure of a borrower or counterparty to repay a loan or honor another predetermined financial obligation. Credit risk arises predominantly with respect to loans, derivatives and other credit instruments. The objective of credit risk management is to ensure that all material credit risks to which the Company is exposed are identified, measured, managed, monitored and reported. The Company's credit risk policy is to minimize its exposure to counterparties with perceived higher risk of default by dealing only with counterparties that meet the Company's credit standards and by obtaining collateral through security on assets of the obligors.

All credit risk exposures are subject to regular monitoring. The frequency of review increases in accordance with the likelihood and size of potential credit losses. In addition, regular portfolio and sector reviews are carried out, including scenario analysis based on current, emerging or prospective risks.

The Company's maximum credit risk exposure as at the reporting date is represented by the respective carrying amounts of the financial assets in the Consolidated Statements of Financial Position.

Market risk

Market risk is the potential for adverse changes in the value of the Company's assets and liabilities resulting from market variables such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing). The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Market risk includes currency risk, interest rate risk and other price risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company holds certain debt investments with fixed interest rates that exposes it to fair value interest rate risk. The Company also holds debt investments with variable interest rates that exposes it to cash flow interest rate risk and is partially mitigated with those debt investments subject to an interest rate floor. The Company also holds a debt obligation subject to variable interest rates, which partially mitigates it to cash flow interest rate risk.

(in thousands of United States dollars, except per share amounts and where otherwise noted)

Interest rate sensitivity

The following table summarizes the potential annualized impact on net income of hypothetical base rate changes in interest rates on our debt investments, debt obligations, investment contract liabilities and insurance contract liabilities assuming a parallel shift in the yield curve, with all other variables remaining constant.

As at		December 31, 2023		December 31, 2022 (2)
50 basis point increase (1)	$	20,186	$	17,842
50 basis point decrease (1)		(21,860)		(19,495)

(1) Losses are presented in brackets and gains are presented as positive numbers.

(2) Interest rate sensitivity as at December 31, 2022 have been amended to reflect the addition of investment contract liabilities and insurance contract liabilities to the sensitivity calculation.

Actual results may differ significantly from these sensitivity analyses . As such, the sensitivities should only be viewed as directional estimates of the underlying sensitivities for the respective factors based on the assumptions outlined above.

Liquidity and funding risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities as they fall due or can only do so on terms that are materially disadvantageous. Prudent liquidity risk management includes maintaining sufficient cash on hand and the availability of funding through an adequate amount of committed credit facilities. The Company may borrow funds to make investments to the extent it determines that additional capital would allow it to take advantage of additional investment opportunities or if the market for debt financing presents attractively priced debt financing opportunities. The Company also has the ability to raise additional liquidity through the issuance of common shares, issuance of debt, and through the sale of its portfolio investments. Periodic cash flow forecasts are performed to ensure the Company has sufficient cash to meet operational and financing costs. As at December 31, 2023 the CVRs have expired. As at December 31, 2022, liquidity risk arising from the CVRs is mitigated by the investment in Cline and payable only on the net sale proceeds actually received by the Company for its investment in Cline, and as such, excluded from the table below.

Liquid assets

Liquid assets, including high-quality assets that are marketable, can be pledged as security for borrowings, and can be converted to cash in a time frame that meets liquidity and funding requirements.

As at		December 31, 2023		December 31, 2022
Cash and cash equivalents	$	90,220	$	65,898
Investments		643,578		692,693
Management fee receivable		2,599		1,385
Receivable for investments sold		6,511		1,249
Accrued interest and dividend receivable		19,340		16,157
Total liquid assets	**$**	**762,248**	**$**	**777,382**

The liquid assets held by the Company's insurance company, Ability, are subject to restrictions which prevent the Company from transferring these assets to other entities within the group without insurance regulatory approvals. These assets are not restricted for use within the insurance company.

Contractual maturities of assets and liabilities and off-balance sheet commitments

The tables below show the remaining contractual maturities of on-balance sheet assets and liabilities and off-balance sheet commitments. The contractual maturity of financial assets and liabilities is an input to, but is not necessarily consistent with, the expected maturity of assets and liabilities that is used in the management of liquidity and funding risk. The Company forecasts asset and liability cash flows, under both normal market conditions and a number of stress scenarios, to manage liquidity and funding risk. Stress scenarios include assumptions for loan repayments, and credit commitment and facility drawdowns. Stress scenarios also consider the time horizon over which liquid assets can be monetized and related haircuts and collateral requirements that may result from both market volatility and credit rating downgrades, among other assumptions.

(in thousands of United States dollars, except per share amounts and where otherwise noted)

The following table summarizes the Company's contractual maturities of financial assets and liabilities and off-balance sheet commitments. Additional information regarding Ability's insurance contract liabilities is included in Note 13.

						December 31, 2023
	Less than 1 year	1-3 years	3-5 years	Over 5 years	No specified maturity	Total
On-Balance Sheet Financial Instruments						
Assets						
Asset Management:						
Cash	$ —	$ —	$ —	$ —	$ 990	$ 990
Investments	—	—	—	13,587	13,122	26,709
Intangible assets	—	—	—	—	28,779	28,779
Other assets	4,773	—	—	—	1,820	6,593
Insurance:						
Cash	89,230	—	—	—	—	89,230
Investments	109,347	105,942	123,704	660,103	9,541	1,008,637
Guaranty funds on deposit	—	—	—	—	113	113
Other assets	27,395	—	—	—	—	27,395
Total assets	230,745	105,942	123,704	673,690	54,365	1,188,446
Liabilities and equity						
Asset Management:						
Due to affiliates	12,113	—	—	—	—	12,113
Debt obligations	1,346	12,007	31,468	17,210	—	62,030
Contingent value rights	—	—	—	—	—	—
Accrued expenses and other liabilities	3,494	—	—	—	—	3,494
Insurance:						
Debt obligations	—	—	2,250	12,000	—	14,250
Funds held under reinsurance contracts	—	—	—	238,253	—	238,253
Accrued expenses and other liabilities	30,116	—	—	—	—	30,116
Total liabilities	47,069	12,007	33,718	267,463	—	360,256
Total equity	—	—	—	—	51,952	51,952
Total liabilities and equity	**$ 47,069**	**$ 12,007**	**$ 33,718**	**$ 267,463**	**$ 51,952**	**$ 412,208**
Off-Balance Sheet Commitments						
Asset Management:						
Commitments to extend credit [(1)]	$ —	$ —	$ —	$ 1,414	$ —	$ 1,414
Service agreements	250	—	—	—	—	250
Total Off-Balance Sheet Commitments	**$ 250**	**$ —**	**$ —**	**$ 1,414**	**$ —**	**$ 1,664**

(1) In the normal course of business the Company may enter into commitments to fund investments which are not reflected in the Consolidated Financial Statements. There were $1.4 million of outstanding investment commitments as at December 31, 2023.

(in thousands of United States dollars, except per share amounts and where otherwise noted)

	December 31, 2022					
	Less than 1 year	1-3 years	3-5 years	Over 5 years	No specified maturity	Total
On-Balance Sheet Financial Instruments						
Assets						
Asset Management:						
Cash	$ —	$ —	$ —	$ —	$ 1,525	$ 1,525
Restricted cash	—	—	—	—	53	53
Due from affiliates	12	—	—	—	—	12
Investments	—	—	—	13,587	17,018	30,605
Intangible assets	—	—	—	—	21,501	21,501
Other assets	4,792	—	—	—		4,792
Insurance:						
Cash	64,373	—	—	—	—	64,373
Investments	105,494	79,367	44,161	650,469	5,136	884,627
Guaranty funds on deposit	—	—	—	—	372	372
Other assets	23,806	—	—	—	—	23,806
Total assets	198,477	79,367	44,161	664,056	45,605	1,031,666
Liabilities and equity						
Asset Management:						
Due to affiliates	1,110	—	—	—	—	1,110
Debt obligations	1,190	6,380	1,190	44,412	—	53,172
Contingent value rights	—	—	—	—	3,003	3,003
Accrued expenses and other liabilities	2,583	—	—	—	—	2,583
Insurance:						
Debt obligations	2,250	—	—	—	—	2,250
Funds held under reinsurance contracts	—	—	—	231,839	—	231,839
Accrued expenses and other liabilities	25,404	—	—	—	—	25,404
Total liabilities	32,537	6,380	1,190	276,251	3,003	319,361
Total equity	—	—	—	—	62,270	62,270
Total liabilities and equity	**$ 32,537**	**$ 6,380**	**$ 1,190**	**$ 276,251**	**$ 65,273**	**$ 381,631**
Off-Balance Sheet Commitments						
Asset Management:						
Commitments to extend credit (1)	$ —	$ —	$ —	$ 1,414	$ —	$ 1,414
Service agreements	1,375	500	—	—	—	1,875
	$ 1,375	**$ 500**	**$ —**	**$ 1,414**	**$ —**	**$ 3,289**

(1) In the normal course of business the Company may enter into commitments to fund investments which are not reflected in the Consolidated Financial Statements. There were $1.4 million of outstanding investment commitments for asset management as at December 31, 2022.

Valuation risk

MLC invests, and plans to continue to invest, primarily in illiquid debt of private companies. The majority of Ability's investments are liquid, have readily available market prices, falling under level 1 or level 2 of the fair value hierarchy. Most of the MLC's, and a portion of Ability's, investments will not have a readily available market price, and the Company values these investments at fair value as determined in good faith by management and independent third-party valuation firm(s), in accordance with the Company's valuation policy. There is no single standard for determining fair value. As a result, determining fair value requires judgment be applied to the specific facts and circumstances of each portfolio investment while employing a consistently applied valuation process for the types of investments the Company makes. If the Company was required to liquidate a portfolio investment in a forced or liquidation sale, it may realize amounts that are different from the amounts presented and such differences could be material.

Price declines in the medium- and large-sized corporate debt market may adversely affect the fair value of the Company's portfolio, reducing the net asset value of the Company through increased net unrealized depreciation.

Concentration risk

Concentration risk arises because of the concentration of exposures within the same category, whether it is geographic location, product type, industry sector or counterparty type.

(in thousands of United States dollars, except per share amounts and where otherwise noted)

The following is a summary of the Company's investments concentration risk:

	December 31, 2023		December 31, 2022	
	Fair value	% of total	Fair value	% of total
Asset management				
United States	$ 25,038	94%	$ 26,675	87%
Canada	1,671	6%	3,930	13%
	26,709	100%	30,605	100%
Insurance				
United States	733,376	73%	634,129	72%
Canada	9,936	1%	8,014	1%
Other	265,325	26%	242,484	27%
	1,008,637	100%	884,627	100%
	$ 1,035,346		**$ 915,232**	

The insurance segment's insurance contract liabilities are originated entirely in the United States.

Currency risk

Currency risk is the risk that financial instruments which are denominated in currencies other than the Company's functional currency, the United States dollar, will fluctuate due to changes in currency exchange rates and adversely impact the Company's reported income, cash flows or fair values of its investment holdings. The Company may reduce its currency exposure through the use of derivative arrangements such as foreign exchange forward contracts or futures contracts.

As at December 31, 2023 and December 31, 2022, the Company had exposure to the Canadian dollar through its holding of investments and other assets and liabilities denominated in Canadian dollars. The amount by which the net assets of the Company would have increased or decreased, as at December 31, 2023, had the prevailing exchange rates been lowered or raised by $0.01 was $17 (December 31, 2022 – $18). In practice, actual results may differ from this sensitivity analysis.

The table below summarizes the currencies that the Company had significant net exposure on its financial assets and liabilities:

As at	**Currency exposure**	**Non-USD denominated investments**	**Non-USD denominated assets**	**Non-USD denominated liabilities**	**Net exposure**	**As a % of net equity**
December 31, 2023	CAD	$ 3,416	$ 36	$ (399)	$ 3,053	5.9%
December 31, 2022	CAD	6,335	411	(3,013)	3,733	6.0%

As at December 31, 2023 and December 31, 2022, the majority of the Company's net assets were denominated in U.S. dollars.

Reinsurance Risk

In the normal course of business, Ability limits the amount of loss on any one policy by reinsuring certain levels of risk with other insurers. In addition, the Company accepts reinsurance from other reinsurers. Reinsurance ceded does not discharge Ability's liability as the primary insurer. Failure of reinsurers to honor their obligations could result in losses to Ability; consequently, allowances are established for any amounts deemed uncollectible after considering the benefit of collateral held. Ability continually monitors the financial health and solvency of its reinsurance partners and the quality of the collateral held in the Front Street Re and Vista Life portfolios.

Certain concentrations of credit risk related to reinsurance recoverables exist with the insurance organizations listed in the table below:

As at December 31, 2023	**A.M Best Credit Rating**	**Reinsurance Contract Assets**	**Funds withheld payable**	**Net reinsurance credit exposure**
Medico Insurance Company	A-	$ 4,416	$ —	$ 4,416
Front Street Re	Not Rated	435,702	238,253	197,449
Vista Life and Casualty Reinsurance Co (1)	Not Rated	2,555	—	2,555
Total		**$ 442,673**	**$ 238,253**	**$ 204,420**

As at December 31, 2022	**A.M Best Credit Rating**	**Reinsurance Contract Assets**	**Funds withheld payable**	**Net reinsurance credit exposure**
Medico Insurance Company	A-	$ 5,788	$ —	$ 5,788
Front Street Re	Not Rated	455,726	231,839	223,887
Vista Life and Casualty Reinsurance Co (1)	Not Rated	—	—	—
Total		**$ 461,514**	**$ 231,839**	**$ 229,675**

(1) Under the modified coinsurance agreement with Vista Life, the funds withheld assets are held with legal right of offset to the related insurance contract liabilities. As at December 31, 2023, the reinsurance contract asset was $194.3 million and the fair value of assets held in the designated Vista Life portfolios was $191.8 million. As at December 31, 2022, the reinsurance contract asset was $191.8 million and the fair value of assets held in the designated Vista Life portfolios was $198.2 million, therefore there is no credit exposure to report in the table above.

As at December 31, 2023, Ability's exposure to credit risk was mitigated by collateral held as security under funds withheld and modified coinsurance agreements. Net exposure after considering offsetting agreements and the benefit of the fair value of collateral held was $204.4 million as at December 31, 2023 (December 31, 2022 - $229.7 million). Refer to Note 13 for additional information.

20. Capital management and requirements

The Company's equity consists of capital and debt. In order to maintain or adjust the capital structure, the Company actively manages its equity as capital and may adjust the amount of debt borrowings, dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets. The Company's capital management framework takes into account the requirements of the Company as a whole as well as the needs and requirements of each of its subsidiaries. The Company's officers and senior management are responsible for managing the Company's capital and do so through quarterly portfolio management meetings and regular review of financial information.

As at December 31, 2023, the Company was in compliance with all financial covenants in its debt facilities.

Ability is subject to external capital requirements in the United States, as required by Nebraska statute. Regulatory Capital Requirements for Ability are determined in accordance with guidelines issued by the National Association of Insurance Commissioners ("NAIC"). The RBC requirement is a statutory minimum level of capital that is based on two factors: an insurance company's size, and the inherent riskiness of its financial assets and operations. That is, the company must hold capital in proportion to its risk. Under those requirements, the amount of statutory capital and surplus maintained by an insurance company is to be determined based on the various risk factors related to it. The minimum RBC ratio for Ability is 200% and Ability must have a ratio in excess of 300% to be able to write new business. Ability's RBC ratio is tested annually at the end of Ability's financial year and was in excess of the minimum requirement as at December 31, 2023. From time to time during a particular financial year, Ability may take steps to increase its RBC ratio to ensure it remains above the minimum requirement or exceeds the ratio required to write new business, which steps may include, among other things, securing additional funding.

21. Current environment updates

Uncertainty with respect to the economic effects of rising interest rates in response to inflation, the war between Russia and Ukraine and other geopolitical events has introduced significant volatility in the financial markets, and the effect of the volatility could materially impact the Company's market risks, including those discussed in Note 19 above.

All of these impacts could negatively affect the Company's financial outlook, results and operations.

22. Subsequent events

On January 10, 2024, the Company, through Ability, amended reinsurance agreement with Atlantic Coast Life Insurance Company ("ACL") and with Sentinel Security Life Insurance Company ("SSL") pursuant to which Ability will assume a 20% quota share coinsurance of premium MYGA policies issued and approved on or after October 1, 2023.

On January 26, 2024, the Company raised $18.8 million through the issuance of 18,752 debenture units ("Debenture Units") on a non-brokered private placement basis (the "Debenture Unit Offering"). Each Debenture Unit consists of: (i) one 8.85% paid-in-kind unsecured debenture of the Company in the principal amount of $1,000 maturing on the date that is eight (8) years from the issuance thereof, and (ii) 50 common share purchase warrants of the Company, each of which is exercisable to acquire one common share of MLC at a price of C$2.75 per share for a period of eight (8) years, from the issuance thereof, provided that the warrants are not permitted to be exercised within the first twelve (12) months from the issuance thereof. The net proceeds from the Debenture Unit Offering were used to repay the indebtedness under existing debt obligations of Lind Bridge L.P., a limited partnership controlled by the Company, in full in the aggregate amount of $13.6 million, with the balance being used for general corporate purposes.

On February 5, 2024, the Company, through Ability, has entered into interest rate swap agreement to hedge the risk of changes in its cash flows (interest receipts) attributable to changes in a contractually specified interest rate (initially expected to be 3 month USD-SOFR Term), on an amount of the Company's variable-rate loan assets with a nominal value of $187 million, effective January 2, 2025.

On March 13, 2024, the Board declared a cash dividend in the amount of C$0.02 per common share to be paid on April 2, 2024 to shareholders of record on March 25, 2024.

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