E-L Financial Corporation Limited

ANNUAL REPORT

Financial Highlights

(Thousands of dollars, except per share amounts)

Years ended December 31	**2015**	2014
Shareholders' Net Income	**$ 534,609**	$ 394,530
Shareholders' Comprehensive Income	**$ 523,132**	$ 428,032
Basic Earnings per Common Share	**$ 132.18**	$ 96.51
Common Shareholders' Equity	**$ 4,676,524**	$ 4,166,228
Adjusted Common Shares Outstanding	**4,019,667**	4,019,667
Net Equity Value per Common Share	**$ 1,089.23**	$ 970.65
Contribution to Shareholders' Comprehensive Income:		
E-L Corporate	**$ 445,175**	$ 322,620
Empire Life	**77,957**	105,412
	$ 523,132	$ 428,032
E-L Corporate:		
Shareholders' Net Income	**$ 447,205**	$ 315,072
Investment and Other Income	**$ 109,090**	$ 94,353
Invested Assets	**$ 4,145,707**	$ 3,790,503
Empire Life:		
Shareholders' Net Income	**$ 87,404**	$ 79,458
Net Premiums and Fee Income	**$ 1,052,034**	$ 1,055,009
Assets Under Management	**$ 14,535,000**	$ 13,838,000
Minimum Continuing Capital and Surplus Requirements	**201%**	197%

ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders will be held at 11:30 a.m. on Wednesday May 11, 2016 in the Caledonia Room at St. Andrew's Club & Conference Centre, 150 King Street West, 27th Floor, Toronto, Ontario. All shareholders are invited to attend.

Board of Directors

J. Christopher Barron,
Corporate Director

James F. Billett,
President, J.F. Billett Holdings Ltd.

Michael J. Cooper,
President and Chief Executive Officer, Dream Unlimited Corporation

William J. Corcoran, LL.B.,
Corporate Director

Duncan N.R. Jackman,
Chairman, President and Chief Executive Officer, E-L Financial Corporation Limited

The Honourable Henry N.R. Jackman,
Honorary Chairman, The Empire Life Insurance Company

R.B. Matthews,
Chairman, Longview Asset Management Ltd.

Clive P. Rowe,
Partner, Oskie Capital

Mark M. Taylor,
Corporate Director

Honorary Director

The Right Honourable John N. Turner

Officers

Chairman, President and Chief Executive Officer
Duncan N.R. Jackman

Vice-President, Chief Financial Officer
Scott F. Ewert

Vice-President, General Counsel and Corporate Secretary
Richard B. Carty

Treasurer
Susan C. Clifford

REPORT ON E-L FINANCIAL CORPORATION LIMITED

This document has been prepared for the purpose of providing Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations for the years ended December 31, 2015 and 2014 for E-L Financial Corporation Limited ("E-L Financial" or the "Company"). This MD&A should be read in conjunction with the December 31, 2015 year end consolidated financial statements and the notes, which form part of the E-L Financial Corporation Limited 2015 Annual Report dated March 2, 2016. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Unless otherwise noted, both the consolidated financial statements and this MD&A are expressed in Canadian dollars.

Unless otherwise stated, all per share amounts are based on the average number of Common Shares and Series A Convertible Preference Shares outstanding for the period, adjusted for the Company's proportionate interest in its own common shares held indirectly through investments in associates ("Adjusted Common Shares").

Additional information relating to the Company, including its Annual Information Form, may be found at www.sedar.com.

The Company

E-L Financial operates as an investment and insurance holding company. In managing its operations, the Company distinguishes between two operating segments E-L Corporate and The Empire Life Insurance Company ("Empire" or "Empire Life").

E-L Corporate's operations includes the oversight of investments in global equities held through direct and indirect holdings of common shares, investment funds, closed-end investment companies and other private companies. E-L Financial holds a 51.5% interest in a closed-end investment corporation, United Corporations Limited ("United") which is listed on the Toronto Stock Exchange. United is an investment vehicle for long-term growth through investments in common equities. The invested assets and operations of United are consolidated and included in the E-L Corporate segment. In addition, E-L Corporate has two significant investments in associates including a 36.3% interest in Algoma Central Corporation ("Algoma") and a 24.0% interest in Economic Investment Trust Limited ("Economic"). Algoma and Economic are accounted for using the equity method.

The Company's investment in Empire Life (99.2% interest) is consolidated by E-L Financial. The Empire Life operating segment underwrites life and health insurance policies and provides segregated funds, mutual funds and annuity products.

The Company's strategy is to accumulate shareholder value through long-term capital appreciation and dividend income from its investments. E-L Financial oversees its investments through representation on the boards of directors of the subsidiaries and the other companies in which the Company has significant shareholdings.

Overview of results attributable to shareholders of E-L Financial

The following tables summarize the results of the Company's business segments:

E-L Financial consolidated

(thousands of dollars)	**2015**	2014
Contribution to net income		
E-L Corporate [1]	**$ 447,205**	$ 315,072
Empire Life [2]	**87,404**	79,458
Net income	**534,609**	394,530
Other comprehensive (loss) income [2]	**(11,477)**	33,502
Comprehensive income	**$ 523,132**	$ 428,032

E-L Corporate

(thousands of dollars)		**2015**		2014
Revenue				
Net gains on investments [3]	**$**	**568,917**	$	345,349
Investment and other income		**109,090**		94,353
Share of associates income		**24,829**		25,519
		702,836		465,221
Expenses				
Operating		**24,156**		20,980
Income taxes		**96,051**		60,765
Non-controlling interests		**135,424**		68,404
		255,631		150,149
Net income		**447,205**		315,072
Other comprehensive (loss) income, net of taxes [1]		**(2,030)**		7,548
Comprehensive income	**$**	**445,175**	$	322,620

Empire Life

(thousands of dollars)		**2015**		2014
Revenue				
Net premiums	**$**	**835,216**	$	867,493
Net (loss) gains on investments [3]		**(24,316)**		625,126
Investment and other income		**259,210**		245,881
Fee income		**216,818**		187,516
		1,286,928		1,926,016
Expenses				
Benefits and expenses		**1,142,752**		1,774,080
Income and other taxes		**41,718**		44,560
Non-controlling and participating policyholders' interests		**15,054**		27,918
		1,199,524		1,846,558
Net income		**87,404**		79,458
Other comprehensive (loss) income, net of taxes [2]		**(9,447)**		25,954
Comprehensive income	**$**	**77,957**	$	105,412

(1) Net of non-controlling interests
(2) Net of non-controlling interests and participating policyholders' income (loss)
(3) Includes fair value change on fair value through profit and loss ("FVTPL") investments and realized gains on available for sale ("AFS") investments

E-L Financial earned consolidated net income of $534.6 million or $132.18 per share in 2015 compared with $394.5 million or $96.51 per share in 2014. The increase in net income is primarily due to a $132.1 million increase in E-L Corporate's net income resulting primarily from the impact of 2015 currency gains affecting the global investment portfolio. Empire Life's net income increased $7.9 million during 2015 primarily due to the growing profit on in-force Wealth Management business and increased earnings on surplus.

Consolidated comprehensive income for 2015 was $523.1 million or $129.26 per share compared with $428.0 million or $105.04 per share in 2014. The $95.1 million increase in comprehensive income is mainly due to the reasons noted above.

Consolidated other comprehensive loss ("OCL") was $11.5 million in 2015 compared to other comprehensive income ("OCI") of $33.5 million in 2014. The decrease is mainly due to higher realized gains reclassified to net income and lower unrealized investment gains on AFS investments during 2015 compared to 2014.

Net equity value per share

Under IFRS, investments in Algoma and Economic are accounted for using the equity method and are not carried at fair value. Therefore, to provide an indication of the accumulated shareholder value, the following table adjusts shareholders' equity to reflect investments in associates at fair value:

(thousands of dollars, except per share amounts)	**2015**	2014
E-L Financial shareholders' equity	**$ 4,676,524**	$ 4,166,228
Less: First preference shares	**(300,000)**	(300,000)
	4,376,524	3,866,228
Adjustments for investments in associates not carried at fair value:		
Carrying value	**(328,389)**	(301,228)
Fair value [(1)]	**330,194**	336,703
	1,805	35,475
Net equity value	**$ 4,378,329**	$ 3,901,703
Common Shares [(2)] outstanding at year end	**4,019,667**	4,019,667
Net equity value per Common Share [(2)]	**$ 1,089.23**	$ 970.65

(1) Based on quoted market prices, net of non-controlling interest and deferred tax of $1,261 (2014 - $5,770)
(2) Common Shares includes Series A Convertible Preference Shares

Growth in net equity value

The Company's objective is to build long-term shareholder value by compounding growth in net equity value per Common Share over the long term. Set out below is a table that shows the net equity value per common share and growth for the respective periods. The growth in net equity value includes dividends paid to common shareholders.

Annual	Net equity value*	Growth*
	$	%
2006	596.50	25.3
2007	671.81	12.7
2008	551.59	(17.8)
2009	681.51	23.6
2010	747.28	9.7
2011	642.98	(13.9)
2012	740.49	15.2
2013	872.45	28.0
2014	970.65	11.3
2015	**1,089.23**	**12.3**
Compounded annual growth *		
2006 - 2015 - 10 years		9.4
1969 - 2015 - Since inception		12.5

* This chart was drawn from the individual annual reports and has not been restated for any subsequent changes in accounting policies.

Quarter results

The following table summarizes the quarterly consolidated results:

(millions of dollars, except per share amounts)	2015 Q4	2015 Q3	2015 Q2	2015 Q1	2014 Q4	2014 Q3	2014 Q2	2014 Q1
Revenue								
Net gain (loss) on investments [1]	**$ 332**	$ (118)	$ (327)	$ 658	$ 361	$ 110	$ 187	$ 312
Net premium income	**206**	208	203	218	216	208	214	229
Investment and other income	**149**	142	159	135	136	128	140	124
Associates [2]	**7**	8	8	2	14	10	7	(5)
	$ 694	$ 240	$ 43	$ 1,013	$ 727	$ 456	$ 548	$ 660
Net income [3]	**$ 208**	$ 28	$ 37	$ 262	$ 142	$ 71	$ 77	$ 105
Earnings per share [3]								
- basic	**$ 51.90**	$ 6.20	$ 8.33	$ 65.75	$ 35.16	$ 17.00	$ 18.66	$ 25.69
- diluted	**$ 47.29**	$ 6.20	$ 8.33	$ 59.66	$ 32.40	$ 16.12	$ 17.61	$ 24.75

(1) Fair value change on FVTPL investments and realized gain (loss) on AFS investments

(2) Share of income (loss) of associates

(3) Attributable to shareholders

Quarterly trend analysis

The consolidated revenue and net income of the Company are expected to fluctuate on a quarterly basis given its various segments. In particular, changes in equity markets, interest rates, underwriting results, policy liability discount rates and policy reserves are likely to cause fluctuations.

The quarterly fluctuations of the Company`s investments have been significant and can be attributed to the volatility in equity markets and movement in bond prices. For the past eight quarters, net premium income has shown some decline primarily due to weak demand for fixed interest deferred annuities due to the low interest rate environment. Investment and other income continued to increase in 2015 primarily as a result of growth in the average global investment portfolio.

Quarterly net income throughout 2015 was significantly impacted by the currency movements affecting the global equity portfolios combined with long-term interest rate movements.

E-L Corporate's global equity portfolio was the contributor to the foreign currency effects impacting the quarterly variability in net income and net gain (loss) on investments. For this investment portfolio, investment returns in local currency were lower in 2015 compared to 2014, with U.S. dollar currency gains impacting primarily the first and third quarters of 2015.

Empire Life also contributed to net income variability throughout the eight quarters, which was primarily driven by long-term interest rate movements and growth in earnings from the Wealth Management product line. During the quarter ended March 31, 2015 and all 2014 quarters, long-term interest rates decreased resulting in unfavourable net income in the individual insurance product line. During the second, third and fourth quarters of 2015, long-term interest rates increased, resulting in favourable net income in the individual insurance product line.

Fourth quarter results

For the three months ended December 31, 2015, E-L Financial had consolidated net income of $207.7 million or $51.90 per share compared with $142.0 million or $35.16 per share in 2014.The $65.7 million increase is mainly due to E-L Corporate's $270.1 million net gain on investments in the fourth quarter of 2015 compared to a $148.7 million gain in 2014. This was partially offset by a $6.9 million decline in income from associates and lower profit from Empire Life's Employee Benefits product line.

For the three months ended December 31, 2015, E-L Financial had consolidated comprehensive income of $210.4 million or $52.59 per share compared with $162.3 million or $40.35 per share for the comparable period in 2014. OCI was $2.7 million compared with $20.4 million in 2014. The decrease in OCI is mainly due to realized gains reclassified to net income in 2015 combined with lower unrealized investment gains on AFS investments.

Liquidity and capital resources

The condensed cash flows of E-L Financial non-consolidated, United, Empire Life and E-L Financial consolidated are presented below:

Year ended December 31 (thousands of dollars)	E-L Financial non-consolidated	United	Empire Life	Consolidation adjustments	**E-L Financial consolidated**	
Cash flows from:					**2015**	2014
Operating activities	$ 52,714	$ 12,930	$ 148,566	$ (11,295)	**$ 202,915**	$ 186,483
Financing activities	(217,509)	(22,327)	(8,610)	11,295	**(237,151)**	(249,148)
Investing activities	190,997	12,262	(179,288)	—	**23,971**	59,727
Increase (decrease) in cash and cash equivalents	26,202	2,865	(39,332)	—	**(10,265)**	(2,938)
Cash and cash equivalents, beginning of the year	60,704	17,005	239,102	—	**316,811**	319,749
Cash and cash equivalents, end of the year	$ 86,906	$ 19,870	$ 199,770	$ —	**$ 306,546**	$ 316,811

The increase in cash provided from operating activities in 2015 relative to 2014 reflects the increase in earnings during 2015 compared to the prior year along with changes in working capital.

The cash used for financing activities during 2015 reflected the $199.9 million purchase of E-L Financial Services Limited shares, whereas in 2014 the cash used was mainly due to Empire Life's redemption of $200 million 6.73% subordinated debentures.

The decrease in cash provided from investing activities during 2015 relative to 2014 was driven by the timing of portfolio investment transactions along with the financing activities noted above.

The following table details the non-consolidated cash flows of the Company on a direct basis, excluding the cash flows of the subsidiaries. This table has been prepared to assist the reader in isolating the cash flows of E-L Financial (non-consolidated).

(thousands of dollars)	**2015**	2014
Cash flows from:		
Operating activities		
Dividends from subsidiaries and associates	**$ 15,939**	$ 49,849
Dividends and interest	**57,362**	50,086
Expenses and taxes, net of other income	**(20,587)**	(33,039)
	52,714	66,896
Financing activities		
Cash dividends	**(17,560)**	(17,560)
Purchase of subsidiary shares	**(199,949)**	—
	(217,509)	(17,560)
Investing activities		
Purchases of investments	**(208,755)**	(168,118)
Proceeds from sales of investments	**206,469**	176,947
Net sales (purchases) of short-term investments	**193,283**	(85,160)
	190,997	(76,331)
Increase (decrease) in cash and cash equivalents	**26,202**	(26,995)
Cash and cash equivalents, at the beginning of the year	**60,704**	87,699
Cash and cash equivalents, at the end of the year	**$ 86,906**	$ 60,704

Operating cash flows for 2015 decreased relative to the prior period reflecting lower dividends from subsidiaries and associates. This was partially offset by higher dividends from investments - corporate during 2015 and lower expenses and taxes. The 2014 amounts included tax payments and associated costs relating to the sale of The Dominion of Canada General Insurance Company ("The Dominion"). The increase in dividends during 2015 occurred primarily as a result of growth in the investment portfolio along with the impact of foreign exchange gains including the movement of the U.S. dollar relative to the Canadian dollar.

On December 17, 2015, E-L Financial acquired a 19.0% interest in E-L Financial Services Limited from Guardian Assurance Limited for a purchase price of $199.9 million. This increased the Company's ownership in Empire Life to 99.2%.

E-L Financial (non-consolidated) maintains sufficient liquidity through holding short-term investments, cash equivalents and high quality marketable investments that may easily be sold, if necessary, to fund new investment opportunities and to meet any operating cash flow requirements.

Selected annual information

(millions of dollars)		2015		2014		2013 [2]
Revenue [1]	**$**	**1,990**	$	2,391	$	1,645
Shareholder net income [1]						
E-L Corporate	**$**	**448**	$	316	$	507
Empire Life		**87**		79		90
Total	**$**	**535**	$	395	$	597
Earnings per share [1]						
- basic	**$**	**132.18**	$	96.51	$	147.95
- diluted	**$**	**121.74**	$	90.06	$	126.82
Assets						
E-L Corporate	**$**	**4,603**	$	4,184	$	3,805
Empire Life		**14,364**		13,729		12,080
Total assets	**$**	**18,967**	$	17,913	$	15,885
Cash dividends per share						
First Preference shares, Series 1	**$**	**1.3250**	$	1.3250	$	1.3250
First Preference shares, Series 2	**$**	**1.1875**	$	1.1875	$	1.1875
First Preference shares, Series 3	**$**	**1.3750**	$	1.3750	$	1.3750
Common shares	**$**	**0.50**	$	0.50	$	75.50

[1] Based on continuing operations.

[2] In 2013, the operations of The Dominion were presented as discontinued. Including the gain on sale, The Dominion contributed an additional $311 million to shareholders' net income. Total shareholders' net income was $908 million for 2013. Total basic and diluted earnings per share were $227.18 and $192.97 respectively.

Revenues and net income over the period have been significantly impacted by fluctuations in the global stock markets. E-L Corporate reported $611.0 million in net gains on investments in 2013 reflecting the favourable impact of global equities during the year. With the continued strength in the global equity markets in 2014, E-L Corporate reported net gains on investments of $345.3 million for the year. In 2015 investment returns in local currency were down over the prior year, however foreign currency movements contributed to the $568.9 million of net gains on investments.

The fluctuation in Empire Life's revenue for the three year period is primarily driven by the impact of market interest rate movements on FVTPL investments. The impact of this on net income is largely reduced due to a corresponding change in insurance contract liabilities. Empire Life's net income for 2015 was higher due to growing profit on in-force Wealth Management business and investment gains on capital and surplus. Empire Life's net income for 2014 was lower relative to 2013 due to the unfavourable impact of long-term interest rates offset by higher net income in the Wealth Management product line.

On November 1, 2013, the Company sold The Dominion for gross proceeds of $1.08 billion. The proceeds from the sale were used for a special dividend of $75.00 per share to common shareholders, re-investment of approximately $650 million into U.S. and international equities, with the remainder added to E-L Corporate cash reserves. During 2014 and 2015 assets continued to increase due to the growth in the investment portfolio combined with favourable stock market and currency movements.

Disclosure controls and procedures

The Company's disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company under Canadian securities laws is recorded, processed, summarized and reported within the specified time periods, and include controls and procedures that are designed to ensure that information is accumulated and communicated to management on a timely basis to allow appropriate decisions regarding public disclosure. Under the supervision of management, an evaluation was carried out on the effectiveness of the Company's disclosure controls and procedures as of December 31, 2015. Based on that evaluation, management concluded that the Company's disclosure controls and procedures were effective as at December 31, 2015.

Internal control over financial reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS. Under the supervision of management, an evaluation of the Company's internal control over financial reporting was carried out as at December 31, 2015. Based on that evaluation, management concluded that the Company's internal control over financial reporting was effective as at December 31, 2015. No changes were made in the Company's internal control over financial reporting during the year ended December 31, 2015, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Critical accounting estimates

The consolidated financial statements are prepared in accordance with generally accepted accounting principles in Canada which require estimates and assumptions in determining amounts reported in the financial statements. Note 2 to the consolidated financial statements describes the significant accounting policies. The Company considers the following items to be particularly susceptible to changes in estimates and judgments:

Insurance-related liabilities

The determination of policy liabilities requires best estimate assumptions that cover the remaining life of the policies for mortality, morbidity, investment returns, persistency, expenses, inflation and taxes and include consideration of related reinsurance effects. Due to the long-term risks and measurement uncertainties inherent in the life insurance business, a margin for adverse deviation from best estimates is included in each assumption. These margins allow for possible deterioration in future experience and provide for greater confidence that policy liabilities are adequate to pay future benefits. The resulting provisions for adverse deviations have the effect of increasing policy liabilities and decreasing the income that otherwise would have been recognized at policy inception. A range of allowable margins is prescribed by the Canadian Institute of Actuaries. Assumptions are reviewed and updated at least annually and the impact of changes in those assumptions is reflected in earnings in the year of the change.

Pension and other employee future benefits

Pension and other employee future benefits expense is calculated by independent actuaries using assumptions determined by management. The assumptions made affect the pension and other employee future benefits expense included in net income. If actual experience differs from the assumptions used, the resulting experience gain or loss is recorded in OCI.

Provision for impaired investments

The Company maintains a prudent policy in setting the provision for impaired investments. When there is no longer reasonable assurance of full collection of loan principal and loan interest related to a mortgage or policy contract loan, management establishes a specific provision for loan impairment and charges the corresponding reduction in carrying value to income in the period the impairment is identified. In determining the estimated realizable value of the investment, management considers a number of events and conditions.

These include the value of the security underlying the loan, geographic location, industry classification of the borrower, an assessment of the financial stability of the borrower, repayment history and an assessment of the impact of current economic conditions. Changes in these circumstances may cause subsequent changes in the estimated realizable amount of the investment and changes in the specific provision for impairment.

Available for sale securities are subject to a regular review for losses that are significant or prolonged. Objective evidence of impairment exists if there has been a significant or prolonged decline in the fair value of the investment below its cost or if there is a significant adverse change in the technological, market, economic or legal environment in which the issuer operates or the issuer is experiencing financial difficulties.

Investments in associates recognize an impairment loss if the investment in associates' recoverable amount is determined to be lower than the investment's carrying amount at the reporting date. Recoverable amount is equal to the higher of the investment's fair value less costs of disposal and value in use. Impairment losses are recognized in the consolidated statements of income. Previously recognized impairment losses are reversed if the investment's recoverable amount subsequently increases and there is a significant indication that the circumstances that led to the initial recognition of the impairment loss have improved or recovered completely.

Consolidation

There could be judgment involved in assessing control or significant influence of certain of the Company's interests in other entities. The Company has applied judgment to assess which party has power or influence over the relevant activities of these entities. When assessing decision making power, the Company has considered voting rights, contractual agreements, relative share holdings, and other facts and circumstances. The initial assessment of control or influence is reassessed when there are changes in facts and circumstances.

Fair value estimates

In measuring the fair value of financial instruments, management exercises judgment in the selection of fair value inputs and in determining their significance to the fair value estimate. Judgment is also required in the classification of fair value measurements within the levels of the fair value hierarchy, in particularly those items categorized within Level 3 of the hierarchy.

Accounting changes

New accounting pronouncements adopted in 2015

Amendment to IAS 19 Employee Benefits ("IAS 19")
The IASB amended IAS 19 to permit employee contributions that are independent of the number of years of service to be recognized as a reduction of service cost in the period in which the service is rendered, instead of allocating the contributions to periods of service. Retrospective adoption of the amendment on January 1, 2015 did not have a significant impact on the consolidated financial statements.

IFRS Annual Improvements
The IASB periodically issues improvements to clarify the requirements of IFRS and eliminate inconsistencies within and between standards. Adoption of the 2010-2012 and 2011-2013 improvements on January 1, 2015 in accordance with their respective transition provisions did not have a significant impact on the consolidated financial statements.

New accounting pronouncements issued but not yet effective

IFRS Annual Improvements 2012-2014

In September 2014 the IASB issued a limited number of amendments to clarify the requirements of four IFRS standards. The amendments are effective for annual periods beginning on or after January 1, 2016, with retrospective application. The company is currently evaluating the impact of IFRS Annual Improvements 2012-2014 on its consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

In May 2014 the IASB published IFRS 15 which introduces a single model for recognizing revenue from contracts with customers. IFRS 15 excludes insurance contracts from its scope and is primarily applicable to the Company's non-insurance revenue. The standard is effective for annual periods beginning on or after January 1, 2018, with retrospective application. The Company is evaluating the impact of IFRS 15 on its consolidated financial statements.

IFRS 9 Financial Instruments

In July 2014 the IASB published the complete version of IFRS 9 which is effective for annual periods beginning on or after January 1, 2018, with retrospective application. The new standard includes requirements on the classification and measurement of financial assets and liabilities, an expected credit loss model that replaces the existing incurred loss impairment model and new hedge accounting guidance. The Company is evaluating the impact of IFRS 9 on its consolidated financial statements as well as the implementation options for insurers proposed in the December 2015 Exposure Draft Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Proposed amendments to *IFRS 4).*

IFRS 16 Leases

In January 2016, the IASB published IFRS 16 which is effective January 1, 2019. The new standard requires the capitalization of all leases by recognizing the present value of the lease payments and showing them as lease assets, and recognizing a financial liability representing an obligation to make future lease payments. The Company is evaluating the impact of IFRS 16 on its consolidated financial statements.

Forward-looking statements and information

Certain statements in this MD&A about the Company's current and future plans, expectations and intentions, results, market share growth and profitability, strategic objectives or any other future events or developments constitute forward-looking statements and information within the meaning of applicable securities laws. The words "may", "will", "would", "should", "could", "expects", "plans", "intends", "trends", "indications", "anticipates", "believes", "estimates", "predicts", "likely" or "potential" or the negative or other variations of these words or other comparable words or phrases, are intended to identify forward-looking statements and information. Although management believes that the expectations and assumptions on which such forward-looking statements and information are based are reasonable, undue reliance should not be placed on the forward-looking statements and information because there can be no assurance that they will prove to be correct. By their nature, such forward-looking statements and information are subject to various risks and uncertainties, which could cause the actual results and expectations to differ materially from the anticipated results or expectations expressed. These risks and uncertainties include, but are not limited to, market risks including equity risks, hedging risks, interest rate risks, foreign exchange rate risks; liquidity risks; credit risks including counterparty risks; insurance risks including mortality risks, policyholder behaviour risks, expense risks, morbidity risks, product design and pricing risks, underwriting and claims risks, reinsurance risks; operational risks, including legal and regulatory risks, model risks, human resources risks, third party risks, technology, information security and business continuity risks; and business risks, including risks with respect to competition, risks with respect to financial strength, capital adequacy risks, risks with respect to distribution channels, risks with respect to changes to applicable income tax legislation, risks with respect to litigation, risks with respect to reputation, risks with respect to risk management policies, risks with respect to intellectual property, risks with respect to significant ownership of common shares. Please see the section titled

"Description of the Business" in E-L Financial's Annual Information Form available at www.sedar.com for more details on these risks.

Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking statements and information include that the general economy remains stable; assumptions on interest rates, mortality rates and policy liabilities; and capital markets continue to provide access to capital. These factors are not intended to represent a complete list of the factors that could affect the Company; however, these factors should be considered carefully, and readers should not place undue reliance on forward-looking statements made herein or in the documents reproduced herein.

To the extent any forward-looking information in this MD&A constitutes future-oriented financial information or financial outlooks within the meaning of securities laws, such information is being provided to demonstrate potential benefits and readers are cautioned that this information may not be appropriate for any other purpose. Future-oriented financial information and financial outlooks are, without limitation, based on the assumptions and subject to the risks set out above.

The forward-looking information contained herein is expressly qualified in its entirety by this cautionary statement. When relying on the Company's forward-looking statements and information to make decisions, investors and others should carefully consider the foregoing factors, assumptions and other uncertainties and potential events. Readers are cautioned not to place undue reliance on this forward-looking information, which is given as of the date hereof or the date indicated, and to not use such forward-looking information for anything other than its intended purpose. The Company undertakes no obligation to update publicly or revise any forward-looking statements and information, whether as a result of new information, future events or otherwise after the date of this document, except as required by law.

Use of non-GAAP measures

The MD&A contains information using non-GAAP measures. The Company believes that these measures provide information that is useful to its shareholders in evaluating the Company's financial results. Where non-GAAP measures are used, descriptions have been provided as to the nature of the adjustments made.

The MD&A contains reference to net equity value, net equity value per common share and growth in net equity value per common share. Net equity value per common share is described and reconciled to shareholders' equity on page 5. These terms do not have any standardized meaning according to IFRS and therefore may not be comparable to similar measures presented by other companies.

The MD&A also contains non-consolidated cash flow information of E-L Financial which is a non-GAAP presentation. The information is useful as it separates the Company's cash flows from the cash flows of its subsidiaries. This information is reconciled to the consolidated cash flows on page 7.

Other non-GAAP measures are also used in the Empire Life section of the MD&A. These include references to annualized premium sales, assets under management, mutual fund gross and net sales, segregated fund gross and net sales and sources of earnings. These terms do not have any standardized meaning according to IFRS and therefore may not be comparable to similar measures presented by other companies.

Annualized premium sales is used as a method of measuring sales volume. It is equal to the premium expected to be received in the first twelve months for all new Individual Insurance and Employee Benefit policies sold during the period. Mutual fund gross and net sales and segregated fund gross and net sales are also used as measures of sales volume. The Company believes that these measures provide useful information to its shareholders in evaluating Empire Life's underlying financial results.

Sources of earnings breaks down Empire Life earnings into several categories which are useful to assess the performance of the business. These categories include expected profit from inforce business, impact of new business, experience gains and losses, management actions and changes in assumptions, and earnings on surplus. These terms are defined in the Glossary of Terms found at the end of this report. The sources of earnings components are reconciled to net income on page 18.

Assets under management is a non-GAAP measure of the assets managed by Empire Life, which includes general fund assets, mutual fund assets and segregated fund assets. They represent the total assets of Empire Life and the assets its customers invest in. The Company believes that these measures provide useful information to its shareholders in evaluating Empire Life's underlying financial results.

The following table provides a reconciliation of assets under management to total assets in Empire Life's financial statements.

(in millions of dollars)		**2015**		2014
General fund assets	**$**	**6,996**	$	6,781
Segregated fund assets		**7,368**		6,948
Total Empire Life assets		**14,364**		13,729
Mutual fund assets		**171**		109
Total assets under management	**$**	**14,535**	$	13,838

Analysis of business segments

The remainder of this MD&A discusses the individual results of operations and financial condition of the Company's business segments: E-L Corporate and Empire Life.

E-L CORPORATE

E-L Corporate owns investments in equities and fixed income securities directly and indirectly through pooled funds and other investment companies, as well as significant investments in United, Economic and Algoma.

Economic and Algoma are reported as investments in associates and are discussed below. Investments in equities and fixed income securities held directly by E-L Financial and through United are combined to form "Investments – corporate".

The following table provides a summary of E-L Corporate's results:

E-L Corporate		**Fourth quarter**			**Year**	
(thousands of dollars)		**2015**	2014		**2015**	2014
Revenue						
Net gains on investments	**$**	**270,126**	$ 148,728	**$**	**568,917**	$ 345,349
Investment and other income		**25,785**	23,436		**109,090**	94,353
Share of associates income		**7,316**	14,235		**24,829**	25,519
		303,227	186,399		**702,836**	465,221
Expenses						
Operating		**6,842**	5,622		**24,156**	20,980
Income taxes		**41,165**	21,149		**96,051**	60,765
Non-controlling interests		**60,550**	32,961		**135,424**	68,404
		108,557	59,732		**255,631**	150,149
Net income		**194,670**	126,667		**447,205**	315,072
Other comprehensive income (loss), net of taxes		**559**	4,760		**(2,030)**	7,548
Comprehensive income	**$**	**195,229**	$ 131,427	**$**	**445,175**	$ 322,620

Investments - corporate

Investments - corporate includes investments in equities and short-term fixed-income investments. At December 31, 2015, investments - corporate had aggregate investments of $4,145.7 million, comprised primarily of common shares, compared to aggregate investments at December 31, 2014 of $3,790.5 million. The fair value of investments - corporate is summarized in the table below.

(thousands of dollars)		**2015**	2014
Short-term investments	**$**	**18,231**	$ 211,513
Preferred shares		**1,058**	1,058
Common shares			
Canadian		**583,795**	627,085
U.S.		**1,988,652**	1,640,458
Europe		**958,968**	797,181
Other		**595,003**	513,208
Total		**4,126,418**	3,577,932
Total invested assets	**$**	**4,145,707**	$ 3,790,503

Other investments includes $372,201 (2014 - $309,502) of equities and investment funds with exposure to Japan.

The return on investments - corporate for 2015 was approximately 17% (2014 - 13%).

During 2015 the Company earned net gains on investments of $568.9 million compared with net gains of $345.3 million for the comparable period in 2014. The $223.6 million increase in net gains on investments was primarily due to the strengthening of foreign currencies against the Canadian dollar. This included the U.S dollar which appreciated 19.3% relative to the Canadian dollar.

U.S. equities were the primary contributors to the net gain on investments with a combined return of approximately 26%, comprising 63% of the net gains on investments. These were partially offset by fair value losses for Canadian equities of $43 million.

The following table details the twelve month return on investment by geographic region:

	Return	% of net gains on investments
	%	%
Canada and U.S.	18	58
Europe	24	28
Other	10	14

E-L Corporate's 2015 fourth quarter net income was $194.7 million, an increase of $68.0 million compared to 2014. The return on investments for the fourth quarter increased from the prior quarter primarily due to stronger investment returns.

Investments and other income which is comprised primarily of foreign dividends increased $14.7 million for the year and $2.4 million for the fourth quarter. The majority of the increase is attributed to higher dividend income due to growth in investments and currency movements.

Share of income of associates

The details of E-L Corporate's share of comprehensive income from associates, net of income taxes are as follows:

	Fourth quarter		Year	
(thousands of dollars)	**2015**	2014	**2015**	2014
Algoma	**$ (1,100)**	$ 5,900	**$ 7,673**	$ 13,100
Economic	**4,000**	3,500	**12,741**	7,600
	$ 2,900	$ 9,400	**$ 20,414**	$ 20,700

The decrease in Algoma's net income for 2015 was driven primarily by lower rates due to competition in the dry bulk business and lower volumes carried in the product tanker and ocean dry-bulk carrier units. This was partially offset by a one time gain on the cancellation of shipbuilding contracts in the second quarter of 2015.

Economic's net income for 2015 increased $5.1 million over 2014 reflecting the higher investment gains of the global investment portfolio during the year which also benefited from foreign currency movements. Economic's global investment portfolio had a pre-tax return, gross of fees, of 27.1% in 2015 compared to 18.2% in 2014. The 2015 strong performance of the global investment portfolio was partially offset by negative returns from Economic's long-term investments.

(thousands of dollars)			**2015**			2014
	Ownership	**Carrying value**	**Fair value**	Ownership	Carrying value	Fair value
Algoma	**36.3%**	**$ 197,003**	**$ 197,973**	34.7%	$ 182,695	$ 221,475
Economic	**24.0%**	**131,386**	**133,482**	24.0%	118,533	120,998
Total		**$ 328,389**	**$ 331,455**		$ 301,228	$ 342,473

Additional information relating to Algoma and Economic may be found on their respective profiles at www.sedar.com.

Risk management

The objective of the Company's risk management process is to ensure that the operations of the Company encompassing risk are consistent with the Company's objectives and risk tolerance, while maintaining an appropriate risk/reward balance.

Market risk

Market risk is the most significant risk impacting E-L Corporate as its investing activities are influenced by market price, foreign currency and interest rate risk. As the Company's investment portfolio is represented by Canadian and global equities, the value of its investments will vary from day to day depending on a number of market factors including economic conditions, global events, market news, and on the performance of the issuers of the securities in which the Company invests. Changes in foreign currency exchange rates will also affect the value of investments of non-Canadian dollar securities. As of December 31, 2015, 48% (2014 - 43%) of the investment - corporate including cash and cash equivalents was denominated in U.S. dollars and 14% (2014 - 13%) in Euro representing the two largest foreign currency exposures.

Credit risk

E-L Corporate participates in securities lending which could expose the Company to the risk of counterparty failure. RBC Investor Services Trust (RBC IS), the Company's custodian, acts as lending agent. RBC IS is responsible to return the borrowed securities to the Company when required, and RBC IS indemnifies the Company in the event of borrower default. The Company has recourse to the Royal Bank of Canada in the event of a failure to indemnify by RBC IS.

In addition to the discussion of risks included in this MD&A, a comprehensive discussion of the material risks that impact the Company is included in the Annual Information Form which is available at www.sedar.com. Disclosures regarding E-L Corporate's financial instruments, including financial risk management, are included in Notes 4, 6 and 22 to the consolidated financial statements.

Outlook

The Company's future earning prospects are dependent on the successful management of its E-L Corporate portfolio and on the continued profitability of its insurance company subsidiary. The performance of the E-L Corporate portfolio is impacted by global securities markets and the selection of equity and fixed income investments. The Company continues to maintain its strategy of accumulating shareholder value through long-term capital appreciation and dividend income.

REPORT ON EMPIRE LIFE

Empire Life provides a broad range of life insurance and wealth management products, employee benefit plans and financial services to meet the needs of individuals, professionals and businesses through a network of Independent Financial Advisors ("IFA"), Managing General Agents ("MGA"), National Account firms, Mutual Fund Dealers and Employee Benefits brokers and representatives.

Empire Life reported fourth quarter shareholders' net income of $16.2 million for 2015, compared to $18.2 million for 2014. For the year shareholders' net income was $108.6 million compared to $98.7 million in 2014. Empire Life's net income attributable to the owners of E-L Financial, after adjustment for non-controlling interests, is shown in the following table:

	Fourth quarter		Year	
(millions of dollars)	**2015**	2014	**2015**	2014
Net income, contribution to E-L Financial				
Empire Life shareholders' net income	**$ 16.2**	$ 18.2	**$ 108.6**	$ 98.7
Non-controlling interests portion of net income	**3.2**	2.9	**21.2**	19.2
Net income, contribution to E-L Financial	**$ 13.0**	$ 15.3	**$ 87.4**	$ 79.5
Empire Life return on shareholders' equity (quarters annualized) ("ROE")	**5.9%**	7.4%	**10.2%**	10.5%

The following table provides a breakdown of the sources of earnings for the fourth quarter and full year.

Sources of Earnings	Fourth quarter		Year	
(millions of dollars)	**2015**	2014	**2015**	2014
Expected profit on in-force business	**$ 40.3**	$ 33.3	**$ 156.4**	$ 132.1
Impact of new business	**(8.9)**	(12.7)	**(30.5)**	(41.0)
Experience gains (losses)	**8.0**	6.3	**(9.6)**	10.0
Management actions and changes in assumptions	**(24.9)**	(1.7)	**(24.9)**	6.3
Other	**—**	(7.3)	**—**	(7.3)
Earnings on operations before income taxes	**14.5**	17.9	**91.4**	100.1
Earnings on surplus	**7.1**	7.9	**50.2**	30.8
Income before income tax	**21.6**	25.8	**141.6**	130.9
Income taxes	**5.4**	7.6	**33.0**	32.2
Empire Life's shareholders' net income	**$ 16.2**	$ 18.2	**$ 108.6**	$ 98.7

Fourth quarter shareholders' net income and ROE were lower relative to 2014 primarily due to lower profit from the Employee Benefits product line. The decreased profit from this product line primarily resulted from the 2014 favourable update of group life policy liability assumptions, which did not recur in 2015.

Full year shareholders' net income was higher relative to 2014 primarily due to growing profit on in-force Wealth Management business and increased earnings on surplus. Despite the higher net income, full year ROE was slightly lower in 2015 than 2014 due to a higher level of shareholders' equity in 2015.

The Wealth Management product line's improved result was due to the growth in segregated fund management fees and growth in segregated fund guarantee fees related to guaranteed minimum withdrawal benefit ("GMWB") products. Despite the recent drop in stock markets in 2015, many of Empire Life's segregated funds have performed well. The improvement in fee income relative to full year 2014 was due to positive segregated fund net sales (gross sales net of withdrawals) in the last 12 months, product price increases and the positive impact of the above mentioned segregated fund performance. Earnings on surplus improved primarily due to increased gains on the sale of bonds.

The impact of new business improved, relative to 2014 primarily due to lower fourth quarter and full year segregated fund sales and lower Wealth Management expenses. Experience losses occurred in the full year 2015 primarily related to unfavourable surrender, lapse and mortality experience, which adversely affected the Individual Insurance product line. In 2014 full year experience gains were primarily due to the Wealth Management product line's favourable investment experience which resulted from market interest rate movements and the availability of assets at attractive yields for matching fixed interest annuity contract liabilities.

The loss from management actions in 2015 primarily resulted from an unfavourable update of policy liability assumptions for the Individual Insurance product line. This unfavourable update primarily related to lapse assumptions based on updated industry and company experience data. The full year gain from management actions in 2014 resulted from a favourable settlement on a lawsuit.

In addition, 2014 included a decrease in earnings resulting from other items due to increased premium tax rates in the province of Quebec on both in-force policies and new policies sold. Some in-force policies allow for an adjustment to prices or charges to cover the cost of the additional tax. However, some in-force policies are fully guaranteed and cannot be adjusted, which resulted in a strengthening of insurance contract liabilities of $7.3 million in 2014.

The following table provides a summary of Empire Life results by major product line:

Twelve months ended December 31

	Wealth Management		**Employee Benefits**		**Individual Insurance**		**Capital & Surplus**		**Total**	
(millions of dollars)	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Revenue										
Net premium income	**$ 144**	$ 186	**$ 325**	$ 319	**$ 366**	$ 362	**$ —**	$ —	**$ 835**	$ 867
Fee and other income	**207**	178	**9**	9	**1**	1	**—**	—	**217**	188
Investment income	**43**	49	**4**	4	**171**	151	**41**	42	**259**	246
Net (losses) gains on investments	**(27)**	29	**(1)**	4	**(18)**	579	**22**	13	**(24)**	625
	367	442	**337**	336	**520**	1,093	**63**	55	**1,287**	1,926
Expenses										
Benefits and expenses	**289**	388	**322**	317	**518**	1,049	**10**	16	**1,139**	1,770
Income and other taxes	**19**	12	**9**	10	**4**	17	**14**	10	**46**	49
	308	400	**331**	327	**522**	1,066	**24**	26	**1,185**	1,819
Net income (loss) after tax	**$ 59**	$ 42	**$ 6**	$ 9	**$ (2)**	$ 27	**$ 39**	$ 29	**$ 102**	$ 107
Participating policyholders' portion									**(6)**	9
Empire Life's shareholders' net income									**108**	98
Non-controlling interests in net income									**21**	19
Net income attributable to owners of E-L Financial									**$ 87**	$ 79

Product Line Results - Wealth Management

(millions of dollars)	**2015**	2014
Assets under management		
General fund annuity assets	**$ 959**	$ 1,063
Segregated fund assets	**7,347**	6,926
Mutual fund assets	**171**	109

	Fourth quarter		Year	
(millions of dollars)	**2015**	2014	**2015**	2014
Selected financial information				
Net fixed interest annuity premiums	**$ 32**	$ 45	**$ 144**	$ 186
Segregated fund gross sales	**279**	404	**1,120**	1,312
Segregated fund net sales	**65**	184	**272**	479
Segregated fund fee income	**52**	46	**202**	175
Mutual fund gross sales	**13**	23	**79**	68
Mutual fund net sales	**7**	19	**62**	62
Mutual fund fee income	**1**	—	**2**	1
Net income after tax	**$ 10**	$ 12	**$ 59**	$ 42

Assets in Empire Life general fund annuities decreased by 10%, while segregated fund assets increased by 6% during the last 12 months. The decrease in the last 12 months for general fund annuities is related primarily to weak demand for fixed interest deferred annuities due to the low interest rate environment. The increase over the last 12 months for segregated funds was attributable primarily to strong net sales described below.

Premium revenue for the Wealth Management product line is comprised solely of new deposits on fixed interest annuities and excludes deposits on the segregated fund and mutual fund products. For the fourth quarter and year, fixed interest annuity premiums were down 28% and 23% respectively compared to 2014 resulting from the low interest rate environment.

For the fourth quarter and year, segregated fund gross sales were down 31% and 15% respectively compared to 2014. For the fourth quarter and year, this decrease was primarily due to lower GMWB sales and lower 75% maturity guarantee product sales which decreased by $83 million and $43 million for the quarter and by $195 million and $38 million for the year, respectively. These decreases were partly offset by increased sales of 100% maturity guarantee products, which increased by $2 million and $44 million in the fourth quarter and year respectively compared to 2014. In the fourth quarter of 2014, Empire Life made significant changes to its segregated funds product line. Empire Life closed its existing segregated funds products to new policies effective October 31, 2014. In addition, on November 3, 2014 Empire Life launched a new suite of investment products including a new segregated funds family called Empire Life Guaranteed Investment Funds ("GIF"), as well as a stand-alone Guaranteed Interest Contract ("GIC") and a new version of its GMWB product. Fees charged to the customer on the new product line are higher than the former product line. The new product line's pricing and features are Empire Life's response to the economic, regulatory and competitive landscape in the segregated fund product marketplace. On April 20, 2015, Empire Life added to this new family of products by launching a new series of Empire Life GIFs and a new segregated fund, Empire Life Monthly Income GIF. While 2015 sales were down from last year (as described above), the launch of these new segregated fund products has gone well, achieving gross sales of $227 million for the fourth quarter and $844 million for the full year which represented 81% and 75% of segregated fund gross sales respectively.

Segregated fund net sales for the quarter and full year were down 65% and 43% respectively compared to 2014 primarily due to the above mentioned gross sales result.

Mutual fund gross sales improved on a full year basis, but are still a small component of our Wealth Management assets under management. Empire Life continues to explore various strategic alternatives with respect to its mutual fund business.

For the quarter and full year, segregated fund fee income increased by 13% and 15% respectively in 2015 relative to 2014. The increase was due to growth in segregated fund management fees and growth in segregated fund guarantee fees related to GMWB products. Despite the recent drop in stock markets in

2015, many of Empire Life's segregated funds have performed well. The improvement in fee income relative to 2014 was due to positive segregated fund net sales in the last 12 months, product price increases and the positive impact of the above mentioned segregated fund performance. The strong net sales and performance had a positive impact on average assets under management and management fees earned.

During the fourth quarter earnings from this product line decreased, while full year earnings increased relative to 2014. The following table provides a breakdown of the components of this year over year change in net income.

(millions of dollars)	**Fourth quarter**	**Year**
Components of increase (decrease)		
2014 loss from update of policy liability assumptions	**$ 2**	**$ 2**
2015 loss from update of policy liability assumptions	**(4)**	**(4)**
Increase in inforce profit margins	**5**	**21**
Lower new business strain	**2**	**3**
Worsened annuitant mortality experience	**(3)**	**(2)**
Worsened investment experience	**(4)**	**(3)**
Total	**$ (2)**	**$ 17**

Higher net income on in-force business in 2015 was primarily due to the growth in segregated fund management fees and growth in segregated fund guarantee fees related GMWB products (as described above).

Product Line Results - Employee Benefits

	Fourth quarter		**Year**	
(millions of dollars)	**2015**	2014	**2015**	2014
Selected financial information				
Annualized premium sales	**$ 12**	$ 9	**$ 44**	$ 42
Net premium revenue	**82**	80	**325**	319
Net (loss) income after tax	**$ (2)**	$ 2	**$ 6**	$ 9

For the quarter and full year, annualized premium sales in this product line increased by 36% and 5% respectively in 2015 relative to 2014. The 2015 level of sales is a strong achievement particularly given the weak economic conditions in Canada. The economic weakness also contributed to this product line's slow in-force premium revenue growth. The decrease in net income in 2015 was primarily due to the 2014 favourable update of group life policy liability assumptions which did not recur in 2015.

Product Line Results - Individual Insurance

	Fourth quarter		**Year**	
(millions of dollars)	**2015**	2014	**2015**	2014
Selected financial information				
Annualized premium sales	**$ 11**	$ 14	**$ 51**	$ 59
Net premium revenue	**92**	91	**366**	362
Net income (loss) after tax				
Net income (loss) after tax shareholders' portion	**$ 2**	$ (1)	**$ 6**	$ 25
Net (loss) income after tax policyholders' portion	**(1)**	8	**(8)**	2
Net income (loss) after tax	**$ 1**	$ 7	**$ (2)**	$ 27

For the fourth quarter and full year, annualized premium sales in this product line decreased by 18% and 13% respectively compared to 2014. This product line's fourth quarter and full year sales result is attributable primarily to decreased sales of universal life policies. The decrease in universal life sales primarily related to the investment fund component within these products as opposed to insurance annualized premium sales. This decline in sales was partly offset by increased sales of participating products. Empire Life's recently launched EstateMax participating product contributed to this increase in participating product sales. EstateMax is distributed through professional financial advisors aimed at providing simple estate planning solutions to Canadian baby boomers. Empire Life believes that the market response has been favourable based on sales achieved and applications received in 2015. In recent years (beginning in 2011), Empire Life has been shifting its product mix toward shorter term products such as term life, while increasing prices on long-term products, due to the low long-term interest rate environment.

During the fourth quarter and full year earnings from this product line decreased relative to 2014. The following table provides a breakdown of the components of this year over year change in net income.

(millions of dollars)	Fourth quarter	Year
Components of decrease		
2014 gain from update of policy liability assumptions	**$ (5)**	**$ (5)**
2015 loss from update of policy liability assumptions	**(15)**	**(15)**
2014 favourable legal settlement	**—**	**(6)**
Improved (worsened) mortality, surrender, lapse and other experience	**5**	**(23)**
2014 Quebec premium tax increase	**5**	**5**
Improved investment experience	**4**	**15**
Total	**$ (6)**	**$ (29)**

The 2015 loss from update of policy liability assumptions is comprised of the following:

Components of income decrease from update of policy liability assumptions	**Year**
Lapse	$ (56)
Net re-investment assumptions	39
Mortality	8
Other	(6)
Total 2015 loss from update of policy liability assumptions	$ (15)

The refinements to lapse rate assumptions for 2015 are primarily related to an update of Empire Life's Term-to-100 and Universal Life level cost of insurance ultimate lapse rate assumptions to reflect the Canadian Institute of Actuaries ("CIA") Research Committee's research papers on Lapse Experience Under Term-to-100 Insurance Policies and Lapse Experience under Universal Life Level Cost of Insurance Policies released September 2015.

The update in investment return assumptions for 2015 was primarily related to a refinement of the projected amount of equities backing individual life liabilities. In addition, there were several refinements to the Canadian Asset Liability Method ("CALM") model for future reinvestment assumptions.

During the second quarter of 2014 a favourable settlement on a lawsuit resulted in a $6 million gain after tax for Empire Life.

For the fourth quarter, mortality, surrender and lapse experience was favourable compared to the fourth quarter of 2014. For the full year, mortality, surrender and lapse experience was unfavourable compared to favourable results in 2014.

During the fourth quarter of 2014, the province of Quebec increased premium tax rates on both in-force policies and new policies sold. Some in-force policies allow for an adjustment to prices or charges to cover the cost of the additional tax. However, some in-force policies are fully guaranteed and cannot be adjusted, resulting in a strengthening of reserves of $5 million after tax in 2014.

There was a gain from investment experience in the fourth quarter of both 2015 and 2014, and the gain improved in 2015 compared to 2014. In the fourth quarter of 2015 the gain was primarily from the increase in interest rate spreads on provincial and corporate bonds.

There was a gain from investment experience for the full year for 2015 compared to a loss for the comparable period in 2014. While 30 year Canadian federal bond yields decreased in 2015, there was an increase in interest rate spreads on provincial and corporate bonds during 2015 which had a favourable impact on 2015 net income more than offsetting the federal rate decline (as shown in the table below). For full year 2014 the loss was primarily from unfavourable interest rate movements in 2014 (as demonstrated using 30 year bond yields in the following table).

	Fourth quarter		Year	
	2015	2014	**2015**	2014
Interest rate movement				
30 year Canada federal government bond yield				
End of period	**2.16 %**	2.36 %	**2.16 %**	2.36 %
Beginning of period	**2.20 %**	2.67 %	**2.36 %**	3.24 %
Change during period	**(0.04)%**	(0.31)%	**(0.20)%**	(0.88)%
30 year Province of Ontario spread				
End of period	**1.05 %**	0.95 %	**1.05 %**	0.95 %
Beginning of period	**1.00 %**	0.90 %	**0.95 %**	0.90 %
Change during period	**0.05 %**	0.05 %	**0.10 %**	0.05 %
30 year A rated corporate spread				
End of period	**1.92 %**	1.52 %	**1.92 %**	1.52 %
Beginning of period	**1.85 %**	1.40 %	**1.52 %**	1.39 %
Change during period	**0.07 %**	0.12 %	**0.40 %**	0.13 %

Interest rate movements impact both bond asset fair value and insurance contract liabilities. In 2015 the increase in interest rates (including spreads described above) caused lower bond prices which resulted in a bond asset fair value loss. However these losses were more than offset by decreased insurance contract liabilities resulting from these increases in market interest rates. While the impact of bond asset market value changes on net income is largely reduced due to a corresponding change in insurance contract liabilities, net income is impacted as it is not possible to perfectly match future liability cash flows with future asset cash flows.

Results - Capital and Surplus

During the fourth quarter, capital and surplus net income decreased by $2 million primarily due to lower net income from the sale of investments. On a full year basis net income increased $10 million due to a $5 million increase in gains from the sale of AFS investments during 2015, $4 million lower interest expense, due to the redemption of $200 million 6.73% of subordinate debentures on May 20, 2014 and a $2 million experience gain on the Empire Life hedging program (discussed in the Risk Management section later in this report). This was offset by lower investment income of $1 million.

Capital Resources

	Dec. 31 2015	Sept. 30 2015	June 30 2015	Mar. 31 2015	Dec. 31 2014
MCCSR Ratio	**201%**	202%	202%	190%	197%

Empire Life continues to maintain a strong balance sheet and capital position. The 2013 Debentures are rated by DBRS Limited ("DBRS") and A.M. Best Company, Inc. ("A.M. Best"). On December 17, 2015, DBRS confirmed its ratings of Empire Life including its issuer rating of "A" (sixth highest of 20 categories), its subordinated debt rating of "A (low)" (seventh highest of 20 categories) and its financial strength rating of "A" (sixth highest of 22 categories). On February 16, 2016, DBRS assigned a rating on Empire Life's $130 million Canadian public offering of Non-Cumulative Rate Reset Preferred Shares of Pfd-2 (fifth highest of 18 categories). All ratings have a stable trend.

On May 19, 2015, A.M. Best confirmed its ratings of Empire Life including its issuer rating of "a" (sixth highest of 21 categories), its subordinated debt rating of "bbb+" (eighth highest of 21 categories) and its financial strength rating of "A (Excellent)" (third highest of 16 categories). On February 16, 2016, A.M. Best assigned a rating on Empire Life's $130 million Canadian public offering of Non-Cumulative Rate Reset Preferred Shares of "bbb" (ninth highest of 21 categories). All ratings have a stable trend.

Empire Life's risk-based regulatory capital ratio, as measured by Minimum Continuing Capital and Surplus Requirements ("MCCSR"), of 201% as at December 31, 2015 continued to be above the requirements set by the Office of the Superintendent of Financial Institutions ("OSFI") as well as Empire Life's minimum internal targets.

The MCCSR ratio was stable, decreasing 1 point from the previous quarter and increasing by 4 points for the full year. The change was due to increases in available regulatory capital offset by increases in required regulatory capital for the quarter and for the full year, as shown in the table below.

(millions of dollars)	**Dec. 31 2015**	Sept. 30 2015	June 30 2015	Mar. 31 2015	Dec. 31 2014
Available regulatory capital					
Tier 1	**$ 918**	$ 935	$ 929	$ 883	$ 872
Tier 2	**504**	476	464	466	452
Total	**$ 1,422**	$ 1,411	$ 1,393	$ 1,349	$ 1,324
Required regulatory capital	**$ 708**	$ 699	$ 691	$ 709	$ 671

The decrease in Tier 1 available regulatory capital from the previous quarter was primarily due to an increase in negative reserves which decrease Tier 1 (but increase Tier 2 as described below). The increase in Tier 1 available regulatory capital for the full year was primarily due to net income. This was partly offset by an increase in negative reserves which decrease Tier 1 (but increase Tier 2 as described below).

Tier 2 available regulatory capital increased from the previous quarter and for the full year primarily due to an increase in negative reserves which increase Tier 2 (but decrease Tier 1 as described above).

Regulatory capital requirements increased from the previous quarter and for the full year. The increase for the quarter was primarily due to increased requirements related to asset default, segregated fund guarantees and interest rate risk. The increase for the full year was primarily due to increased requirements related to segregated fund guarantees.

On August 5, 2015 Empire Life filed a final long form non-offering prospectus with the securities regulatory authority in the province of Ontario. The purpose of filing the non-offering prospectus was to qualify Empire Life to raise regulatory capital in the form of preferred shares and subordinated debt, as well as other debt securities.

On January 28, 2016 Empire Life announced a $130 million Canadian public offering of Non-Cumulative Rate Reset Preferred Shares. Empire Life intends to use the net proceeds from the offering for regulatory capital and general corporate purposes. The offering closed on February 16, 2016 and commenced trading on the Toronto Stock Exchange under the ticker symbol EML.PR.A. Empire Life has granted the underwriters an option to purchase up to $19.5 million of additional preferred shares exercisable at any time up to a period of 30 days from the date of closing. Holders of the preferred shares will be entitled to receive fixed non-cumulative quarterly dividends yielding 5.75% annually, as and when declared by the Board of Directors of Empire Life, for the initial period ending on and including April 17, 2021. Thereafter, the dividend rate will be reset every five years. On a pro forma basis, after giving effect to the preferred share issue (but assuming no exercise of the over-allotment option), Empire Life estimates that, as at December 31, 2015, its MCCSR would have increased by 17 points from 201% to 218%.

Industry dynamics and management's strategy

Empire Life's operations are organized by product line with each line of business having responsibility for product development, marketing, distribution and customer service within their particular markets. This structure recognizes that there are distinct marketplace dynamics in each of the three major product lines. Management believes this structure enables each line of business to develop strategies to achieve the enterprise-wide objectives of business growth and expense management while recognizing the unique business environment in which each operates. The lines of business are supported by corporate units that provide product pricing, administrative and technology services to the lines of business, manage invested assets, and oversee enterprise risk management policies.

Based on general fund and segregated fund assets, Empire Life is among the ten largest life insurance companies in Canada. Empire Life has approximately six per cent or less market share in all three of its product lines. To be priced competitively in the marketplace while simultaneously providing acceptable long-term financial contribution to shareholders, Empire Life, as a mid-sized company, must find a way to continue to be cost competitive with the larger companies that have some natural economy of scale advantages. In order to improve its unit expenses, management's enterprise-wide strategic focus has been on achieving profitable growth in its selected markets and on expense management. Empire Life has focused exclusively on the Canadian marketplace and within it, on particular market segments where management feels there are opportunities to build solid, long-term relationships with independent distribution partners by offering competitive products and more personal service. By focusing on particular market segments and by being seen by these independent advisors as a viable alternative to broadly focused competitors, management believes these solid relationships will enable profitable growth.

The Wealth Management product line at Empire Life is comprised of segregated fund products, guaranteed interest products and mutual funds. These products compete against products offered by a variety of financial institutions. A key element of any competitive strategy in this market is providing a competitive rate of return to clients. The value oriented equity investment strategy used by Empire Life has focused on developing long-term performance in the fund marketplace. Management is expecting to grow market share through this long-term performance along with broadened distribution reach and the addition of new funds and fund products such as the new segregated funds family called Empire Life Guaranteed Investment Funds launched in the fourth quarter of 2014. Empire Life achieved strong growth in assets under management from its segregated fund business in 2015. However, Empire Life has taken several steps to limit GMWB risk exposure. The above mentioned fourth quarter 2014 product launch by Empire included a new version of its GMWB product. The new version commands a higher price and reduces the amount of risk Empire Life is taking on, while still offering a competitive guaranteed income solution to customers. Empire Life will continue to monitor the competitive landscape for this product.

Within the broader employee benefits marketplace in Canada, Empire Life continues to focus on the small group market comprised of employers with fewer than 200 employees. This niche strategy coupled with an ongoing focus on balancing growth and profit has enabled Empire Life to be cost competitive within this market segment and is expected to enable this product line to grow its market share while generating acceptable returns.

Individual Insurance products are very long-term in nature and consequently can be subject to new business strain. New business strain occurs when the provision for adverse deviation included in the actuarial policy liabilities exceeds the profit margin in the product pricing. Unless a company opts for increased levels of reinsurance, current price levels in the Canadian marketplace create new business strain that has a negative impact on short-term earnings. Low long-term interest rates continue to have an unfavourable impact on this product line. In the past few years industry prices for longer term life insurance products have increased. Empire Life has also increased prices for these products and has focused its growth efforts on shorter term products, such as 10 year renewable term life insurance. Mortality trends continue to be favourable for life insurance products. Rather than give up the future earnings that would emerge if the trend in mortality improvement witnessed in recent decades continues, Empire Life continues to utilize lower than average levels of reinsurance with the resultant negative impact on short-term earnings. Because of the reasonable long-term returns of this product line, management continues to focus on steady growth, technology development and process improvement in order to continue to have a cost structure that allows us to compete while generating an acceptable long-term financial contribution. Empire Life has been reviewing its Individual Insurance products to improve profitability, reduce interest rate risk, reduce required regulatory capital, develop web based products and processes, and improve the customer and advisor experience.

Risk management

Empire Life is a financial institution offering Wealth Management, Employee Benefits and Individual Insurance products. Empire Life is exposed to a number of risks as a result of its business activities. The goal of Empire Life's risk management process is to ensure that the operations that expose it to risk are consistent with Empire Life's strategy, business objectives and risk philosophy while maintaining an appropriate risk/reward balance and enhancing stakeholder value. When making decisions about risk taking and risk management, Empire Life considers:

- The need to meet the expectations of its customers, shareholders and creditors and to protect the commitments that have been made to them;
- The need to be adequately compensated for the capital deployed to support business activities and strategic objectives;
- The need to protect its brand; and
- The need to maintain its targeted financial strength rating.

Empire Life's risk management framework is structured based on a number of guiding principles:

- Due to the long term nature of the majority of its commitments, Empire Life accepts capital market risk provided it is managed within specific risk tolerances and limits. Empire Life takes a low risk, value oriented approach to managing its investments - it accepts credit and alternative asset risk provided it is rewarded through appropriately enhanced returns;
- Empire Life manages liquidity across the business to provide a high level of confidence that all obligations (to customers, creditors and shareholders) will be met when they fall due;
- Empire Life accepts insurance risks provided they are properly priced and managed in order to deliver value to its customers and shareholders;
- Empire Life is forward-looking in its business planning and takes a prudent approach to capital management. It strives to have a high level of confidence that capital is sufficient to support planned activities into the future;
- Management is active in industry committees and, through a network of oversight functions, monitors the landscape so that Empire Life is appropriately positioned to manage regulatory, tax, accounting and actuarial changes;

- Empire Life accepts that operational risks are a part of doing business and knows that risk management is a key part of decision-making. It protects its business and customers by engaging in cost effective risk mitigation; and
- Empire Life expects ethical conduct by all of its employees and it acts with integrity at all times.

The Board of Directors of Empire Life oversees and monitors Empire Life’s risk management framework, processes and practices and reviews and approves Empire Life’s Enterprise Risk Management Policy and overall risk appetite. Senior management shares responsibility and accountability for risk management across the organization. This enables a cross-functional perspective on risk management, enhanced by the frequency of contact across the management team. Empire Life has an Asset Management Committee with responsibility for overseeing the management of corporate policies established by both the Investment Committee and Risk and Capital Committee of the Board. More information related to governance can be found under the Corporate Governance over Risk Management section of Empire Life’s 2015 annual report. Risk management policy development is centralized under the leadership of the Chief Risk Officer and applies to all business units. The Chief Risk Officer is a member of the Asset Management Committee and has Board reporting responsibility with respect to risk and capital management. All risk management policies and procedures are regularly reviewed for relevance and changes in the risk environment. Accountability, application, day-to-day management and procedural elements are the responsibility of area management, supported by business unit compliance officers and the risk management department. There is senior management representation and oversight on various interdisciplinary risk control committees. Empire Life formally establishes and documents its values and risk tolerances through several company-wide policies including a Code of Ethics, Corporate Disclosure principles, enterprise risk management, capital management and whistle blower policies. Empire Life’s strategic risk management policies (including those related to product design and pricing, investment policies and capital management) are also approved by its Board, or a Board subcommittee.

Caution related to sensitivities

In the sections that follow, Empire Life provides sensitivities and risk exposure measures for certain risks. These include sensitivities due to specific changes in market prices and interest rates, based on market prices, interest rates, assets, liabilities and business mix in place as at the calculation dates. The sensitivities are calculated independently for each risk factor, assuming that all other risk variables remain constant. Actual results can differ materially from these estimates for a variety of reasons, including the interaction among these factors when more than one factor changes; changes in actuarial and investment return and future investment activity assumptions; actual experience differing from the assumptions; changes in business mix, effective tax rates and other market factors; and the general limitations of Empire Life’s internal models used for purposes of these calculations. Changes due to new sales or maturities, asset purchases/ sales, or other management actions could also result in material changes to these reported sensitivities. For these reasons, the sensitivities should only be viewed as directional estimates of the underlying sensitivities for the respective factors based on the assumptions outlined, and should not be viewed as predictors for Empire Life’s future net income, OCI, and capital sensitivities. Changes in risk variables in excess of the ranges illustrated may result in other than proportionate impacts.

Market risk

Empire Life's MCCSR ratio, among other things, is sensitive to stock market volatility, due primarily to liability and capital requirements related to segregated fund guarantees. As of December 31, 2015 Empire Life had $7.4 billion of segregated fund assets and liabilities. Of this amount, approximately $7.1 billion have guarantees. The following table provides a percentage breakdown by type of guarantee:

	2015	2014
Percentage of segregated fund liabilities with:		
75% maturity guarantee and a 75% death benefit guarantee	**0.4%**	—%
75% maturity guarantee and a 100% death benefit guarantee	**51.5%**	53.2%
100% maturity and death benefit guarantees (with a minimum of 15 years between deposit and maturity date)	**5.9%**	5.4%
100% maturity and death benefit guarantees (guaranteed minimum withdrawal benefit)	**42.2%**	41.4%

All Empire Life segregated fund guarantees are policy based (not deposit-based), thereby generally lowering Empire Life's stock market sensitivity relative to products with deposit-based guarantees. Policy-based guarantees consider all of the deposits in the customer's policy (whether the fund value is below or above the guaranteed amount) to arrive at an overall net guarantee payment, whereas deposit-based guarantees consider only the deposits where the fund value is below the guaranteed amount and ignores all the deposits in the customer's policy where the fund value is above the guaranteed amount. Therefore, generally policy based guarantees pay less than deposit based guarantees. For segregated fund guarantee insurance contract liabilities the level of sensitivity is highly dependent on the level of the stock market at the time of performing the estimate. If period end stock markets are high relative to market levels at the time that segregated fund policies were issued, the sensitivity is reduced. If period end stock markets are low relative to market levels at the time that segregated fund policies were issued, the sensitivity is increased. The segregated fund regulatory capital and liability framework includes the use of "zero floors" (i.e. negative amounts are not permitted so zero is used instead as described below) and other regulatory constraints, and this often makes the sensitivity impacts non-linear. In the first table below, Empire Life discloses the sensitivity of net income to changes in segregated fund guarantee insurance contract liabilities. There is a net loss resulting from a 20% decrease at December 31, 2015, but otherwise the amounts shown in the table are nil. These liabilities (present value of future benefits and expenses minus the present value of future fee revenue) are calculated using stochastic modeling techniques based on a range of future economic scenarios. The liabilities are the greater of: (i) the average of the amounts determined in the worst 20% of the scenarios; and (ii) zero. For the nil amounts shown in this table, the liability for Empire Life was negative. Therefore, the alternative level of zero is applied in these tests (zero floor) resulting in a net income impact of nil. Based on stock market levels at December 31 for 2015 and 2014, the sensitivity of shareholders' net income (attributable to the owners of E-L Financial) to changes in segregated fund guarantee insurance contract liabilities resulting from stock market increases and decreases is as follows:

(millions of dollars)	**10% increase**	**10% decrease**	**20% increase**	**20% decrease**
Sensitivity to segregated fund guarantees:				
2015 Net income attributable to E-L Financial	**$ nil**	**$ nil**	**$ nil**	**$(10)**
2014 Net income attributable to E-L Financial	$ nil	$ nil	$ nil	$ nil

The impact of stock market changes is not linear. Based on stock market levels at December 31, 2015 the sensitivity of net income attributable to E-L Financial to changes in segregated fund guarantee insurance contract liabilities resulting from a 20% decrease in stock markets is a net loss of $10 million as illustrated in the table above. At a 30% decrease in stock markets the net loss attributable to E-L Financial at December 31, 2015 would be $108 million. At December 31, 2015 a 20% and 30% decrease in stock markets would result in an increase in net income attributable to E-L Financial by $35 million to a net gain of $25 million and by $57 million to a net loss of $51 million respectively from gains on equity hedging instruments. Based on stock market levels at December 31, 2014 the sensitivity of shareholders' net income to changes in segregated fund guarantee insurance contract liabilities resulting from a 20% decrease in stock markets is nil as illustrated in the table above. At December 31, 2014, a decrease in stock markets of 20.2% or more would result in a net loss greater than nil. At December 31, 2014 a 30% decrease in stock markets would result in a net loss attributable to E-L Financial of $61 million. At December 31, 2014 a 20.2% and 30% decrease in stock markets would result in an increase in net income attributable to E-L Financial by $7 million to $7 million and by $14 million to a net loss of $47 million respectively from gains on equity hedging instruments.

Empire Life has equity market risk related to its segregated fund products and from equity assets backing life insurance liabilities. Empire Life had been considering implementing a partial economic hedging program for some time. In the fourth quarter of 2014, Empire Life strengthened its stochastic model, which impacted its base capital position as well as its capital position under sensitivity tests. This encouraged Empire Life to begin implementation of the hedging program in November 2014. Therefore, during the fourth quarter of 2014, Empire initiated a semi-static hedging program, and expanded this program during the first half of 2015. The objective of the hedging program is to partially protect Empire Life from possible future MCCSR ratio declines that might result from adverse stock market price changes. The hedging program presently employs put options and short positions on key equity indices. Empire Life aims to protect 10% to 20% of overall income and MCCSR equity risk exposure through the semi-static hedging program.

There is income statement volatility from this hedging program. Based on current equity market levels, Empire Life has required capital for MCCSR purposes related to segregated fund guarantees, but does not have policy liabilities related to these guarantees on its balance sheet. Therefore a by-product of hedging MCCSR exposure is income statement volatility, as the gains or losses from hedging instruments are not offset by changes in policy liabilities related to segregated fund guarantees on the income statement. During the full year of 2015 Empire Life experienced a gain of $2 million after tax on its hedging program. During 2016 and subsequent years, Empire Life expects to expand its hedging program and expects an increase in income statement volatility as a result.

Based on stock market levels on the dates indicated below the sensitivity of Empire Life's MCCSR ratio to stock market increases and decreases for all Empire Life stock market exposures, including segregated fund guarantees, is as follows (excluding the effect of Empire Life's equity risk hedging program):

Excluding equity risk hedge	**10% increase**	**10% decrease**	**20% increase**	**20% decrease**
Sensitivity to stock markets:				
December 31, 2015 MCCSR Ratio	**0.7%**	**-13.9%**	**1.2%**	**-31.6%**
December 31, 2014 MCCSR Ratio	9.0%	-11.6%	15.3%	-25.5%

The December 31, 2015 and 2014 amounts in the following table include the effect of Empire Life's equity risk hedging program (described below).

Including equity risk hedge	**10% increase**	**10% decrease**	**20% increase**	**20% decrease**
Sensitivity to stock markets:				
December 31, 2015 MCCSR Ratio	**-1.8%**	**-10.6%**	**-3.0%**	**-24.8%**
December 31, 2014 MCCSR Ratio	8.8%	-11.2%	14.9%	-24.4%

As of December 2014, the equity hedging program was only partially implemented. It provided $4 million of relief in the 10% stock market decrease scenario and $9 million of relief in the 20% stock market decrease scenario. As at December 31, 2015, it provided $15 million of relief in the 10% stock market decrease scenario and $35 million of relief in the 20% stock market decrease scenario. The full program provides roughly 2.5 times the December 2014 level of protection.

Based on stock market levels as at December 31, 2015 and 2014, the sensitivity of shareholders' net income (attributable to the owners of E-L Financial) (excluding changes in segregated fund guarantee insurance contract liabilities) resulting from stock market increases and decreases is as follows (excluding the effect of Empire Life's equity risk hedging program):

(millions of dollars)	10% increase	10% decrease	20% increase	20% decrease
Excluding equity risk hedge:				
December 31, 2015 Shareholders' net income*	**$ 22**	**$ (22)**	**$ 44**	**$ (44)**
December 31, 2014 Shareholders' net income*	$ 14	$ (14)	$ 27	$ (27)

* Includes the estimated impact on fee revenue net of trailer commissions after tax for a three month period.

The December 31, 2015 and 2014 amounts in the following table include the effect of Empire Life's equity risk hedging program (described above):

(millions of dollars)	10% increase	10% decrease	20% increase	20% decrease
Including equity risk hedge:				
December 31, 2015 Shareholders' net income*	**$ 12**	**$ (7)**	**$ 27**	**$ (9)**
December 31, 2014 Shareholders' net income*	$ 11	$ (10)	$ 23	$ (19)

* Includes the estimated impact on fee revenue net of trailer commissions after tax for a three month period.

Empire Life also has a reinsurance agreement to cede a portion of Empire Life's segregated fund death benefit exposure. All Empire Life segregated fund policyholders with death benefit guarantees of at least $2 million are included in this agreement. Empire Life does not reinsure any other insurer's segregated fund products.

The amount at risk related to segregated fund maturity guarantees and segregated fund death benefit guarantees and the resulting actuarial liabilities and MCCSR required capital for Empire Life segregated funds is as follows:

Segregated Funds	**Withdrawal Benefit > Fund Value**		**Maturity Guarantee > Fund Value**		**Death Benefit > Fund Value**		**Actuarial**	**MCCSR**
(millions of dollars)	**Fund Value**	**Amount at Risk**	**Fund Value**	**Amount at Risk**	**Fund Value**	**Amount at Risk**	**Liabilities**	**Required Capital**
December 31, 2015	**$ 2,343**	**$ 593**	**$ 124**	**$ 4**	**$ 1,415**	**$ 17**	**$ nil**	**$ 130**
December 31, 2014	$ 2,053	$ 384	$ 49	$ 2	$ 360	$ 7	$ nil	$ 102

The first six columns of the above table show all segregated fund policies where the future withdrawal benefit, future maturity guarantee, or future death benefit guarantee, is greater than the fund value. The amount at risk represents the excess of the future withdrawal benefit, future maturity guarantee or future death benefit guarantee amount over the fund value for these policies. The withdrawal benefit amounts in the above table relate to GMWB products. The GMWB withdrawal benefit amount at risk represents the amount that could be paid by Empire Life to GMWB policyholders if the net return on each GMWB policyholder's assets is zero for the remainder of each GMWB policyholder's life, based on life expectancy. As at December 31, 2015, the aggregate amount at risk for these three categories of risk (reported in the above table) was $614 million, an increase from the aggregate amount at risk of $393 million as at December 31, 2014.

For these three categories of risk, the amount at risk is not currently payable. Payment is contingent on future outcomes including fund performance, deaths, deposits, withdrawals and maturity dates.

The level of actuarial liabilities and required regulatory capital in the above table is calculated based on the probability that Empire Life will ultimately have to make payment to the segregated fund policyholders for any fund value deficiency that may exist on future payments to GMWB policyholders, or upon future maturity of the segregated fund policies, or upon future death of the segregated fund policyholders. The amounts at risk in December 2015 increased from the December 2014 levels for GMWB withdrawal benefit exposure, fund value guarantee exposure and death benefit guarantee exposure due primarily to the recent decrease in many global stock markets. The quarterly update of segregated fund policy data on our stochastic model resulted in an increase in required regulatory capital.

In addition, Empire Life's MCCSR ratio is sensitive to changes in market interest rates. The impact of an immediate 50 basis point decrease in interest rates, and a 50 basis point decrease in assumed initial reinvestment rate ("IRR") for nonparticipating insurance business and segregated fund guarantees, is shown in the table below. This assumes no change in the ultimate reinvestment rate ("URR"). The first column below excludes the impact of market value changes in AFS bonds. The AFS bonds provide a natural economic offset to the interest rate risk arising from our product liabilities. The second column below shows the impact if the AFS bonds were sold to realize the gains from a 50 basis point decrease in interest rates.

	Before the sale of AFS assets 50bps decrease	**After the sale of AFS assets 50bps decrease**
Sensitivity to market interest rates:		
December 31, 2015 MCCSR Ratio	**-17%**	**-13%**
December 31, 2014 MCCSR Ratio	-24%	-21%

Operational risk

Operational risk relates to the uncertainty arising from larger than expected losses or damages as a result of inadequate or failed internal processes, people and systems, or from external events. Operational risk is naturally present in all of Empire Life's business activities and encompasses a broad range of risks, including legal disputes, regulatory compliance failures, technology failures, business interruption, information security and privacy breaches, human resources management failures, processing errors, modeling errors, theft and fraud, and damage to physical assets. The following is a further description of key operational risks and their associated risk management strategies.

(1) Legal and regulatory risk
Empire Life is governed by the Insurance Companies Act ("ICA") and supervised by OSFI and is also subject to various requirements imposed by legislation and regulation in each of the provinces and territories of Canada applicable to insurance companies and companies providing other financial services. Material changes in the regulatory framework could have an adverse effect on Empire Life. Failure to comply with regulatory requirements or public expectations could adversely impact Empire Life's reputation and ability to conduct business. Empire Life is subject to litigation from time to time, in the normal course of business, and currently has a number of outstanding lawsuits. There can be no assurance that the present or any future litigation will not have a material adverse effect on Empire Life.

Empire Life's corporate compliance department, headed by the Chief Compliance Officer, oversees the regulatory compliance framework. This framework promotes risk-based management of compliance and regulatory risk and includes company-wide policies, operating guidelines, programs to promote awareness of laws and regulations impacting Empire Life, ongoing monitoring of emerging legal issues and regulatory changes and employee education programs that include anti-money laundering and anti-terrorist financing, privacy and information security risk management as well as reporting breaches and Empire Life's code of ethics. The framework is supported by a network of business unit compliance officers as well as the corporate legal services department. The Chief Compliance Officer reports regularly to the Audit Committee of the Board on the state of compliance, key compliance risks and emerging regulatory trends. General Counsel reports regularly to the Audit Committee of the Board on litigation activity.

(2) Model risk

Empire Life uses models to support many business functions including investment analysis, product development and pricing, valuation of policy liabilities, planning, asset/liability management, capital management, project management and risk management. The risk of inappropriate use or interpretation of Empire Life's models or their output, or the use of deficient models, data or assumptions could result in financial losses or inappropriate decision making. Empire Life has developed management and mitigation processes related to model use and oversight of models to limit financial, operational and strategic impacts from an error or misinterpretation of model results. Senior management has overall responsibility and accountability for models in use to support activities within their business area.

(3) Human resources risk

Competition for qualified employees, including executives, is intense both in the financial services industry and non-financial industries. If Empire Life is unable to retain and attract qualified employees and executives, the results of its operations and financial condition, including its competitive position, could be adversely affected. To mitigate this risk, Empire Life has a number of human resources policies, processes and practices in place. Management reports regularly to the Human Resources Committee of the Board on succession planning and employee development programs as well as compensation practices and programs, all of which are designed to attract, motivate and retain high-performing and high-potential employees.

(4) Third party risk

Empire Life obtains many different types of services from a number of third party services providers and has outsourced certain business functions or processes to third parties. Should these third parties fail to deliver services in compliance with contractual or other service arrangements, Empire Life's business may be adversely impacted. To mitigate this risk, Empire Life has established a company-wide outsourcing policy that provides guidance when considering, entering into or managing existing outsourcing arrangements commensurate with the risks associated with the service provider and the nature of the arrangement. Annually, management reports to the Conduct Review Committee of the Board on outsourcing activities including details on those arrangements deemed to be most material to Empire Life.

(5) Technology, information security and business continuity risk

Empire Life relies on technology in virtually all aspects of its business and operations including the creation and support of new products and services, and the nature of life insurance business necessitates a substantial investment in technology. Operational integrity, data integrity and security of information and systems infrastructure are all relied upon for normal business operations. Disruptions due to system failure, information security breaches, privacy breaches, cyber-attacks, human errors, natural disasters, criminal activity, fraud or the loss of certain software licensing agreements could have a material adverse impact on Empire Life.

Empire Life has an enterprise wide business continuity and disaster recovery program overseen by the Business Continuity Planning Team and the Chief Technology Officer. The program includes policies, plans and procedures designed so that, to the extent practically possible, key business functions can continue and normal operations can resume effectively and efficiently should a major disruption occur. Each business unit is accountable for preparing and maintaining detailed business continuity plans and processes. Empire Life establishes and regularly tests business continuity and disaster recovery plans and maintains off-site backup facilities and failover capability designed to minimize downtime and accelerate system recovery.

Information security breaches, including various forms of cyber-attack, could occur and may result in inappropriate disclosure or use of personal or confidential information. To mitigate this risk, Empire Life has an information security program overseen by the Chief Technology Officer. This program consists of a number of standards, procedures and guidelines focused on protecting information and computer systems. An incident management process is in place for monitoring and managing security events.

Privacy breaches could occur and may result in unauthorized disclosure or use of private and confidential information. To manage this risk, Empire Life has a privacy program overseen by the Chief Privacy Officer.

The program includes policies and standards, ongoing monitoring of emerging privacy legislation and a network of business unit privacy officers. Processes have been established to provide guidance to employees on the handling of personal information and the reporting of privacy incidents and issues to appropriate management for response and resolution.

Business risk

Business risk relates to the uncertainty in future earnings and capital related to the potential inability to implement appropriate business plans and strategies, make decisions, allocate resources, manage distribution or adapt to changes in business environment, such as the competitive landscape, regulatory and tax changes or changes in accounting and actuarial standards. Empire Life regularly reviews and adapts its business strategies and plans in consideration of changes in the external business environment, economic, political and regulatory environment. Empire Life's financial performance is dependent upon its ability to implement and execute business strategies and plans for growth.

Empire Life's business strategies and plans are designed to align with risk appetite, capital position and financial performance objectives. Empire Life periodically reassesses risk appetite taking into consideration the economic, regulatory and competitive environments in which it operates. The current environment requires Empire Life to adapt rapidly to new opportunities and challenges and to refine its strategies accordingly. If Empire Life fails to revise its strategies on a timely basis or adapt to the changing environment, it may not be able to achieve its growth objectives.

Empire Life's business strategies and plans are dependent on the successful execution of organizational and strategic initiatives designed to support the growth of its business. The ability to effectively manage these changes and prioritize initiatives directly affects Empire Life's ability to execute these strategies. Identifying and implementing the right set of initiatives is critical to achieving Empire Life's business plan targets. Failure to implement these initiatives could also lead to cost structure challenges.

Successful execution of Empire Life's business strategies and plans depends on a number of factors including its ability to (i) generate sufficient earnings to maintain an adequate level of capital; (ii) generate sustained investment performance; (iii) meet regulatory requirements; (iv) manage risk exposures effectively; (v) attract and retain customers and distributors;(vi) have the right set of products; and (vii) reduce operating expenses while maintaining the ability to hire, retain and motivate key personnel. Empire Life's business and strategic plans are reviewed and discussed by its senior management team and are subject to approval by the Board of Directors, which also receives regular updates on implementation progress against key business plan objectives. The Board and its subcommittees receive regular updates on key risks.

In addition to the discussion of risks included in this MD&A, a comprehensive discussion of the material risks that impact Empire Life is included in Empire Life's Annual Information Form available at www.sedar.com. Additional disclosures of Empire Life's sensitivity to risks are included in Notes 22 and 23 to the 2015 consolidated financial statements.

Outlook

In 2015 Canada's economy experienced weak growth. 2015 headlines in Canada were filled with economic concerns about commodity prices, over-valued housing markets, stock market declines, low interest rates, weak Canadian dollar and high consumer debt levels. Global concerns in 2015 primarily focused on slowing growth in China, low energy prices, stock market volatility, low interest rates and weak currencies. The U.S. economy was one of the few bright spots with its improvements in many key areas including job market, consumer confidence, increase in interest rates, and strong currency. Canadian long-term interest rates increased in 2015 due to an increase in interest rate spreads on provincial and corporate bonds, bringing some relief after the significant decrease in interest rates that occurred in 2014. Interest rates have now been lower than typical levels for 5 years. 2015 Global stock markets remained volatile, and most significant markets declined in 2015. While the Canadian resource heavy stock market saw significant declines in 2015, the U.S. stock market was down only slightly for the year. The weakening Canadian dollar resulted in strong performance for assets denominated in U.S. dollars which contributed to the performance of many of Empire Life's segregated funds. Stock market conditions mainly impact in-force profit margin results and new business growth for the segregated fund and mutual fund portions of Empire Life's Wealth Management product line. Looking forward, consumers continue to be cautious about stock market exposure and Empire Life is well positioned with segregated fund, mutual fund and fixed interest annuity product offerings to satisfy demand for lower risk investments.

While Canada fared well during the 2008 financial crisis compared to many other countries, Canada's economy grew slowly in 2015 and there continues to be uncertainty resulting in mixed economic indicators. Western Canada has major economic concerns due to the large sustained drop in world oil prices. There are emerging credit concerns with Canadian oil company bonds. Lower gas prices and a weaker Canadian dollar are expected to improve growth in Ontario and Quebec. The federal government has plans to stimulate the economy through infrastructure spending across Canada. As a result businesses across Canada remain cautious and this could cause pressure in the near term on growth prospects for the Employee Benefits product line. Until oil prices recover, Western Canada is expected to remain weak which could result in weak sales in Western Canada for all of Empire Life's product lines.

A key issue for the Individual Insurance product line since 2011 has been the low long-term interest rate environment that followed the financial crisis. This has impacted the entire industry resulting in price increases for individual insurance products by Empire Life and many of our competitors. While market long-term interest rates recovered somewhat in 2015, there was significant volatility which has continued so far in 2016. Empire Life has also decreased its emphasis on long-term products in favour of shorter term products, such as 10 year renewable term life insurance. Long-term interest rates, product mix and product pricing are expected to continue to be issues for Empire Life's Individual Insurance product line in 2016.

Regulatory change related to segregated fund guarantees continues to evolve. OSFI continues to review the overall approach for determining capital requirements for segregated fund guarantee risks.

Longer term accounting standard changes are expected by 2019 or later regarding IFRS for Insurance Contracts. In a parallel process, capital adequacy standards are also becoming more aligned with international frameworks. Both of these changes aim at consistent measurement. For Insurance Contracts accounting the goal is global consistency under IFRS as opposed to the differing approaches in each country that exist today. For capital adequacy standards the goal is consistent treatment of risk within insurance companies from a capital adequacy perspective regardless of the type of business. These two items could have a material impact on Empire Life's future net income and capital ratios, however, much remains unknown.

In 2011 OSFI implemented substantial regulatory changes for Canadian banks related to Basel III capital standards. These new banking regulations provide a transition plan for banks to move towards more restrictive capital requirements, including tighter restrictions on bank issued financial instruments. New financial instruments issued by banks must comply with these new regulations in order to be included in the banks' capital ratios. Empire Life is not aware of any plans by OSFI to make similar changes for life insurance companies.

The Canadian Securities Administrators ("CSA") is increasing disclosure requirements for mutual fund companies, including point of sale requirements (effective mid-2014) and customer relationship model initiatives (staggered implementation with full effectiveness mid-2016). Mutual fund fees continue to be an area of interest for Canadian securities regulators. The CSA has commissioned independent third party research that will assess the impact of commissions and embedded (trailer) fees on mutual fund flows. This research will support CSA policy decisions concerning Canada's current mutual fund fee structure. Empire Life continues to watch these developments as they may also impact the insurance industry at some future date.

Regulatory change is also occurring for MGAs. Life insurance companies, including Empire Life, commonly contract with MGAs as a key component of the distribution chain for insurance and wealth management products. In 2013 the Canadian Life and Health Insurance Association ("CLHIA") has developed a new Insurer-MGA Relationship guideline (effective January 1, 2015). The Guideline describes desired outcomes and related practices in five general areas, stating that insurers should: perform due diligence prior to entering into a contract with an MGA, clearly set out roles and responsibilities in the contract, commit to a culture of treating customers fairly, monitor the performance of the MGA and retain ultimate responsibility.

Government pension reform including the Federal Pooled Registration Pension Plan program and the proposed Ontario Registered Pension Plan are expected to reduce future demand for private sector retirement savings products, having an adverse impact on banks, mutual fund companies, life insurance companies and advisors.

Changes to tax rules that deal with the exemption status of certain life insurance policies will come into effect on January 1, 2017. The exemption test aims to distinguish between (and tax differently) policies that are

designed as protection versus those that are primarily investments. The new rules represent a change to the tax regime that has existed over the past 30 years. These changes represent a significant change to the policy-holder tax regime, will require all life insurance companies to review and potentially re-price and redesign their product offerings and will impact policies issued after December 31, 2016.

Duncan N.R. Jackman

Chairman, President and Chief Executive Officer

March 2, 2016

MANAGEMENT REPORT

The accompanying consolidated financial statements of E-L Financial Corporation Limited and its subsidiaries and all information in the Annual Report are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements necessarily include amounts that are based on judgments, which are applied consistently and are considered appropriate in the circumstances.

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Financial and operating data elsewhere in the Annual Report are consistent with the information contained in the consolidated financial statements.

The Company and its subsidiaries maintain systems of internal control over financial reporting which are designed to provide reasonable assurance that assets are safeguarded, expenditures are made in accordance with authorizations of management and directors, transactions are properly recorded and that financial records are reliable for preparing the consolidated financial statements in accordance with Canadian generally accepted accounting principles. Under the supervision of management, an evaluation of the effectiveness of the Company's internal control over financial reporting was carried out as at December 31, 2015. Based on that evaluation, management concluded that the Company's internal control over financial reporting was effective as at December 31, 2015.

The Board of Directors carries out its responsibility for the consolidated financial statements in this Annual Report principally through its Audit Committee and the Audit Committees of its subsidiaries. These Audit Committees meet periodically with management and with the internal and external auditors to discuss the scope and results of audit examinations with respect to internal controls and financial reporting of the Company and its subsidiaries. The Audit Committee of the insurance subsidiary also meets periodically with the Appointed Actuary.

The Appointed Actuary is appointed by the Board of Directors of the insurance subsidiary to conduct an annual valuation of policy liabilities, in accordance with accepted actuarial practices, and to report on whether the valuations are appropriate and whether their results are fairly presented in the subsidiary's financial statements. The Appointed Actuary uses the work of the external auditors in verifying data used for valuation purposes.

PricewaterhouseCoopers LLP has been appointed external auditors. It is their responsibility to report to the shareholders regarding the fairness of presentation of the Company's consolidated financial position and results of operations as shown in the annual consolidated financial statements. In carrying out their audit, the external auditors also consider the work of the actuaries and their report on policy liabilities. The external auditors have full and free access to, and meet periodically with, the Audit Committees to discuss their audits. The Auditors' Report outlines the scope of their examination and their opinion.

Duncan N.R. Jackman	Scott Ewert
Chairman, President and Chief Executive Officer	Vice-President and Chief Financial Officer

March 2, 2016

Independent Auditor's Report

To the Shareholders of
E-L Financial Corporation Limited

We have audited the accompanying consolidated financial statements of E-L Financial Corporation Limited and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of E-L Financial Corporation Limited and its subsidiaries as at December 31, 2015 and December 31, 2014 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 2, 2016

E-L Financial Corporation Limited and subsidiary companies
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars)

		December 31 2015		December 31 2014
Assets				
Cash and cash equivalents (Note 8)	**$**	**306,546**	$	316,811
Investments - corporate (Note 4)		**4,145,707**		3,790,503
Investments - insurance (Note 5)		**6,659,265**		6,430,296
Investments in associates (Note 6)		**328,389**		301,228
Premiums receivable		**25,099**		25,213
Other assets (Note 9)		**134,364**		100,059
Segregated fund assets (Note 10)		**7,367,823**		6,948,475
Total assets	**$**	**18,967,193**	$	17,912,585
Liabilities				
Reinsurance liabilities (Note 14)		**530,826**		490,575
Insurance contract liabilities (Note 14)		**4,858,233**		4,769,707
Investment contract liabilities		**11,241**		11,626
Deferred tax liabilities (Note 18)		**242,349**		189,204
Other liabilities (Note 11)		**161,881**		149,253
Subordinated debt (Note 12)		**299,112**		298,763
Segregated fund liabilities (Note 10)		**7,367,823**		6,948,475
Total liabilities	**$**	**13,471,465**	$	12,857,603
Equity				
Capital stock (Note 15)	**$**	**372,388**	$	372,388
Retained earnings		**4,243,683**		3,721,910
Accumulated other comprehensive income ("AOCI")		**60,453**		71,930
Total E-L Financial shareholders' equity		**4,676,524**		4,166,228
Non-controlling interests in subsidiaries ("NCI")		**766,367**		828,714
Participating policyholders' interests ("PAR")		**52,837**		60,040
Total equity	**$**	**5,495,728**	$	5,054,982
Total liabilities and equity	**$**	**18,967,193**	$	17,912,585

Approved by the Board

Duncan N.R. Jackman, Director

James F. Billett, Director

The accompanying notes are an integral part of these consolidated financial statements.

E-L Financial Corporation Limited and subsidiary companies
CONSOLIDATED STATEMENTS OF INCOME

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

	2015	2014
Revenue		
Gross premiums	**$ 947,037**	$ 971,552
Premiums ceded to reinsurers	**(111,821)**	(104,059)
Net premiums	**835,216**	867,493
Investment and other income (Note 7)	**585,118**	527,750
Share of income of associates (Note 6)	**24,829**	25,519
Fair value change in fair value through profit or loss investments	**486,047**	942,271
Realized gain on available for sale investments (Notes 4 and 5)	**58,554**	28,204
	1,989,764	2,391,237
Expenses		
Gross claims and benefits	**838,531**	1,288,341
Claims and benefits ceded to reinsurers	**(44,737)**	125,067
Net claims and benefits	**793,794**	1,413,408
Change in investment contracts provision	**426**	2,282
Commissions	**188,408**	193,141
Operating (Note 17)	**175,321**	172,049
Interest expense	**8,959**	14,180
Premium taxes	**14,226**	14,259
	1,181,134	1,809,319
Income before income taxes	**808,630**	581,918
Income tax expense (Note 18)	**123,543**	91,066
Net income	**685,087**	490,852
Less: Participating policyholders' (loss) income	**(6,119)**	8,670
Non-controlling interests in net income	**156,597**	87,652
	150,478	96,322
E-L Financial shareholders' net income	**$ 534,609**	$ 394,530
Earnings per share attributable to E-L Financial common shareholders (Note 19)		
Basic	**$ 132.18**	$ 96.51
Diluted	**$ 121.74**	$ 90.06

The accompanying notes are an integral part of these consolidated financial statements.

E-L Financial Corporation Limited and subsidiary companies
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands of Canadian dollars)

	2015	2014
Net income	**$ 685,087**	$ 490,852
Other comprehensive (loss) ("OCL") income ("OCI"), net of taxes (Note 20)		
Items that may be reclassified subsequently to net income:		
Net unrealized fair value (decrease) increase on available for sale investments ("AFS")	**(10,390)**	36,226
Net gain on amortization of derivatives designated as cash flow hedges reclassified to net income	**—**	233
Share of (OCL) OCI of associates	**(1,551)**	2,763
	(11,941)	39,222
Items that will not be reclassified to net income:		
Net remeasurement of defined benefit plans	**(3,137)**	3,182
Share of employee future benefits of associates	**34**	(1,963)
	(3,103)	1,219
Total (OCL) OCI	**(15,044)**	40,441
Comprehensive income	**670,043**	531,293
Less: Participating policyholders' comprehensive (loss) income	**(7,203)**	9,218
Non-controlling interests in comprehensive income	**154,114**	94,043
	146,911	103,261
E-L Financial shareholders' comprehensive income	**$ 523,132**	$ 428,032

The accompanying notes are an integral part of these consolidated financial statements.

E-L Financial Corporation Limited and subsidiary companies
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in thousands of Canadian dollars)

	E-L Financial shareholders' equity						
	Capital stock	**Retained earnings**	**Total AOCI**	**Total**	**NCI**	**PAR**	**Total equity**
At January 1, 2015	**$ 372,388**	**$ 3,721,910**	**$ 71,930**	**$ 4,166,228**	**$ 828,714**	**$ 60,040**	**$ 5,054,982**
Net income (loss)	**—**	**534,609**	**—**	**534,609**	**156,597**	**(6,119)**	**685,087**
OCL	**—**	**—**	**(11,477)**	**(11,477)**	**(2,483)**	**(1,084)**	**(15,044)**
Comprehensive income (loss)	**—**	**534,609**	**(11,477)**	**523,132**	**154,114**	**(7,203)**	**670,043**
Dividends paid (Note 15)	**—**	**(17,560)**	**—**	**(17,560)**	**(11,032)**	**—**	**(28,592)**
Acquisition of subsidiary shares	**—**	**4,724**	**—**	**4,724**	**(205,429)**	**—**	**(200,705)**
	—	**(12,836)**	**—**	**(12,836)**	**(216,461)**	**—**	**(229,297)**
At December 31, 2015	**$ 372,388**	**$ 4,243,683**	**$ 60,453**	**$ 4,676,524**	**$ 766,367**	**$ 52,837**	**$ 5,495,728**

	E-L Financial shareholders' equity						
	Capital stock	Retained earnings	Total AOCI	Total	NCI	PAR	Total equity
At January 1, 2014	$ 372,388	$ 3,342,064	$ 38,428	$ 3,752,880	$ 759,177	$ 50,822	$ 4,562,879
Net income	—	394,530	—	394,530	87,652	8,670	490,852
OCI	—	—	33,502	33,502	6,391	548	40,441
Comprehensive income	—	394,530	33,502	428,032	94,043	9,218	531,293
Dividends paid (Note 15)	—	(17,560)	—	(17,560)	(16,248)	—	(33,808)
Acquisition of subsidiary shares	—	2,876	—	2,876	(8,258)	—	(5,382)
	—	(14,684)	—	(14,684)	(24,506)	—	(39,190)
At December 31, 2014	$ 372,388	$ 3,721,910	$ 71,930	$ 4,166,228	$ 828,714	$ 60,040	$ 5,054,982

The accompanying notes are an integral part of these consolidated financial statements.

E-L Financial Corporation Limited and subsidiary companies
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars)

	2015	2014
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net income	**$ 685,087**	$ 490,852
Items not affecting cash resources:		
Change in insurance and investment contract liabilities	**125,898**	746,454
Realized gain on available for sale of investments	**(58,554)**	(28,204)
Fair value change in fair value through profit or loss investments	**(486,047)**	(942,271)
Deferred taxes	**53,884**	33,962
Share of income of associates, net of dividends received (Note 6)	**(19,166)**	(11,422)
Amortization related to investments	**(73,515)**	(71,714)
Other items	**(30,141)**	(13,100)
	197,446	204,557
Net change in other assets and liabilities	**5,469**	(18,074)
	202,915	186,483
Financing		
Cash dividends to shareholders	**(17,560)**	(17,560)
Cash dividends by subsidiaries to non-controlling interests	**(11,032)**	(16,248)
Purchase of subsidiary shares (Note 26)	**(199,949)**	—
Debt redemption	**—**	(200,000)
Interest paid on subordinated debt	**(8,610)**	(15,340)
	(237,151)	(249,148)
Investing		
Purchases of investments	**(2,620,692)**	(2,194,451)
Proceeds from sale or maturity of investments	**2,468,367**	2,335,586
Net sales (purchases) of short-term investments	**186,522**	(86,604)
Net (purchase) sales of other assets	**(10,226)**	5,196
	23,971	59,727
Decrease in cash and cash equivalents	**(10,265)**	(2,938)
Cash and cash equivalents, beginning of the year	**316,811**	319,749
Cash and cash equivalents, end of the year (Note 8)	**$ 306,546**	$ 316,811

The accompanying notes are an integral part of these consolidated financial statements.

1. Business operations

E-L Financial Corporation Limited (the “Company”) is an investment and insurance holding company, publicly traded on the Toronto Stock Exchange and incorporated under the laws of Ontario.

The head office, principal address and registered office of the Company is located at 165 University Avenue, Toronto, Ontario, M5H 3B8.

The consolidated financial statements were approved by the Company’s Board of Directors on March 2, 2016.

2. Significant accounting policies

(a) Basis of preparation

The Company’s consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (“Canadian GAAP”) as set out in Part I of the Handbook of The Chartered Professional Accountants of Canada which represent International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board.

These consolidated financial statements have been prepared on a fair value measurement basis, with the exception of certain assets and liabilities. Insurance contract liabilities and reinsurance assets/liabilities are measured on a discounted basis in accordance with accepted actuarial practice. Investment contract liabilities, mortgages, policy contract loans and loans on policies are carried at amortized cost. Certain other assets and liabilities are measured on a historical cost basis, as explained throughout this note.

All figures included in the consolidated financial statements are presented in thousands of Canadian dollars, rounded to the nearest thousand, except per share amounts and where otherwise stated.

(b) Critical accounting estimates and judgments

The preparation of consolidated financial statements requires management to make judgements and estimates and form assumptions that affect the reported amounts of assets and liabilities as at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the year. On an ongoing basis, management evaluates its judgments, estimates and critical assumptions in relation to assets, liabilities, revenues and expenses. Actual results could differ from these estimates and changes in estimates are recorded in the accounting period in which they are determined.

The Company considers the following items to be particularly susceptible to changes in estimates and judgments:

Insurance-related liabilities

Liabilities for insurance contracts are determined using the Canadian Asset Liability Method ("CALM"), which incorporates best-estimate assumptions for mortality, morbidity, policy lapses, surrenders, future investment yields, policy dividends, administration costs and margins for adverse deviation. These assumptions are reviewed at least annually and are updated to reflect actual experience and market conditions. Changes in the assumptions and margins for adverse deviation can have a significant impact on the valuation of insurance related liabilities.

Additional information is included in Notes 2(l), 14, 22 and 23.

Pension and other employee future benefits

Pension and other employee post-employment benefits expense is calculated by independent actuaries using assumptions determined by management. The assumptions made effect the pension and other employee future benefits expense included in net income. If actual experience differs from the assumptions used, the resulting experience gain or loss is recorded in Other Comprehensive Income ("OCI").

Additional information regarding pension and other employee future benefits is included in Notes 2(k) and 13.

Provision for impaired investments

The Company maintains a prudent policy in setting the provision for impaired investments. When there is no longer reasonable assurance of full collection of loan principal and loan interest related to a mortgage or policy contract loan, management establishes a specific provision for loan impairment and charges the corresponding reduction in carrying value to income in the period the impairment is identified. In determining the estimated realizable value of the investment, management considers a number of events and conditions. These include the value of the security underlying the loan, geographic location, industry classification of the borrower, an assessment of the financial stability of the borrower, repayment history and an assessment of the impact of current economic conditions. Changes in these circumstances may cause subsequent changes in the estimated realizable amount of the investment and changes in the specific provision for impairment.

Available for sale securities are subject to a regular review for losses that are significant or prolonged. Objective evidence of impairment exists if there has been a significant or prolonged decline in the fair value of the investment below its cost or if there is a significant adverse change in the technological, market, economic or legal environment in which the issuer operates or the issuer is experiencing financial difficulties.

Investments in associates recognize an impairment loss if the investment in associates' recoverable amount is determined to be lower than the investment’s carrying amount at the reporting date. Recoverable amount is equal to the higher of the investment’s fair value less costs of disposal and value in use. Impairment losses are recognized in the consolidated statements of income. Previously recognized impairment losses are reversed if the investment’s recoverable amount subsequently increases and there is a significant indication that the circumstances that led to the initial recognition of the impairment loss have improved or recovered completely.

Additional information regarding impairment of financial instruments is included in Notes 2(f)iv, 4, 5, 6 and 22.

Consolidation

There could be judgment involved in assessing control or significant influence of certain of the Company's interests in other entities. The Company has applied judgment to assess which party has power or influence over the relevant activities of these entities. When assessing decision making power, the Company has considered voting rights, contractual agreements, relative share holdings, and other facts and circumstances. The initial assessment of control or influence is reassessed when there are changes in facts and circumstances.

Additional information regarding the principles of consolidation is included in Note 2(c).

Fair value estimates

In measuring the fair value of financial instruments, management exercises judgment in the selection of fair value inputs and in determining their significance to the fair value estimate. Judgment is also required in the classification of fair value measurements within the levels of the fair value hierarchy, in particularly those items categorized within Level 3 of the hierarchy.

Additional information regarding the fair value of financial instruments is included in Notes 2(f)i and 4.

(c) Principles of consolidation

i) Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

The Company applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Company. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Company recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the income statement. Inter-company transactions, balances and unrealized gains or losses on transactions between group companies are eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform with the Company's accounting policies.

ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

iii) Investments in associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the income or loss of the investee after the date of acquisition.

The Company's share of post-acquisition income or loss is recognized in the statement of income, and its share of OCI is recognized in OCI.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. The Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount as share of income (loss) of associates in the income statement.

Income and losses resulting from transactions between the Company and its associate are recognized in the Company's financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Company.

(d) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. Internal reports about these segments are regularly reviewed by the Company's Chief Executive Officer and by the Board of Directors to assess their performance and to allocate capital and resources.

(e) Product classification

Products issued by Empire Life that transfer significant insurance risk have been classified as insurance contracts. Otherwise, products issued by Empire Life are classified as either investment contracts or service contracts, as appropriate. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can however be reclassified as insurance contracts after inception if insurance risk becomes significant.

(f) Financial instruments

i) Fair value of financial instruments

Fair value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. When a financial instrument is initially recognized, its fair value is generally the value of the consideration paid or received. Subsequent to initial recognition, the fair value of a financial asset or liability quoted in an active market is generally the closing price. The investments in private companies that are not listed on a stock exchange are measured using the adjusted net asset method. This method estimates the fair values of the underlying assets and liabilities of the private companies and considers adjustments for characteristics such as a minority marketability discount and control block premiums. For financial instruments such as cash equivalents and short-term investments that have a short duration, the carrying value of these instruments is considered to approximate fair value.

Fair value measurements used in these consolidated financial statements have been classified by using a fair value hierarchy based upon the transparency of the inputs used in making the measurements. The three levels of the hierarchy are:

Level 1 - Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market. The types of financial instruments classified as level 1 generally include cash and exchange traded common and preferred shares.

Level 2 - Fair value is based on quoted prices for similar assets or liabilities in active markets, valuation that is based on significant observable inputs, or inputs that are derived principally from or corroborated with observable market data through correlation or other means. The types of financial instruments classified as level 2 generally include government bonds, certain corporate and private bonds, and short-term investments.

Level 3 - Fair value is based on valuation techniques that require one or more significant inputs that are not based on observable market inputs. These unobservable inputs reflect our expectations about the assumptions market participants would use in pricing the asset or liability.

ii) Cash and cash equivalents and investments

Cash and cash equivalents and short-term investments are short term, highly liquid investments that are subject to insignificant changes in value and are readily convertible into known amounts of cash. Cash equivalents comprise financial assets with maturities of three months or less from the date of acquisition and short-term investments comprise financial assets with maturities of greater than three months and less than one year when acquired.

The Company's financial assets are designated as fair value through profit or loss ("FVTPL"), available for sale ("AFS") or loans and receivables based on management's intentions or characteristics of the instrument. All transactions are recorded on a trade date basis. Transaction costs are expensed for FVTPL instruments and capitalized for all others when the transaction costs are directly attributable to the acquisition of the financial asset.

FVTPL instruments are carried at fair value in the consolidated statements of financial position with changes in the fair value recorded in the consolidated statements of income in the period in which they occur.

AFS common and preferred share instruments, short-term investments, bonds and debentures are carried at fair value in the consolidated statements of financial position. Changes in the fair value of AFS instruments are recorded in OCI in the consolidated statements of comprehensive income until realized, or required to be written down due to impairment, at which time, these gains and losses will be reclassified to the consolidated statements of income. Loans and receivables include mortgage loans, loans on policies and policy contract loans. Loans and receivables are recorded at amortized cost, using the effective interest method, net of provisions for impairment losses, if any.

The Company designates the majority of its Investments - corporate as FVTPL. Empire Life classifies most financial assets supporting insurance contract liabilities and investment contract liabilities as FVTPL. Most financial assets supporting capital and surplus are classified as AFS.

iii) Derivative financial instruments

Empire Life uses derivative financial instruments to manage exposure to foreign currency, equity and other market risks associated with certain assets and liabilities. Derivative financial assets are designated as FVTPL which are recorded at fair value on the acquisition date and subsequently revalued at their fair value as at each reporting date. Derivative financial instruments with a positive fair value are recorded as assets while derivative financial instruments with a negative fair value are recorded as liabilities. Changes in fair value are recorded in fair value change in FVTPL assets, in the consolidated statements of income.

iv) Impairment

All investments other than FVTPL instruments are assessed for impairment at each reporting date. Impairment is recognized in the consolidated statements of income, when there is objective evidence that a loss event has occurred which has impaired the estimated future cash flows of an asset.

An AFS debt security would be identified as impaired when there is objective evidence suggesting that timely collection of the contractual principal or interest is no longer reasonably assured. This may result from a breach of contract by the issuer, such as a default or delinquency in interest or principal payments, or evidence that the issuer is in significant financial difficulty. Impairment is recognized through the consolidated statements of income. Impairment losses previously recorded through the consolidated statements of income are to be reversed through net income if the fair value subsequently increases and the increase can be objectively related to an event occurring after the impairment loss was recognized.

For AFS equity investments objective evidence of impairment exists if there has been a significant or prolonged decline in the fair value of the investment below its cost or if there is a significant adverse change in the technological, market, economic or legal environment in which the issuer operates or the issuer is experiencing financial difficulties.

The accounting for an impairment that is recognized in the consolidated statements of income is the same as described for AFS debt securities above with the exception that impairment losses previously recognized in the consolidated statements of income cannot be subsequently reversed through net income (loss). Any subsequent increase in value is recorded in OCI in the consolidated statements of comprehensive income.

Mortgages and loans are individually evaluated for impairment in establishing the allowance for impairment. Objective evidence of impairment exists if there is no longer reasonable assurance of full collection of loan principal or loan interest related to a mortgage or policy contract loan. Events and conditions considered in determining if there is objective evidence of impairment include the value of the security underlying the loan, an assessment of the financial stability of the borrower, repayment history and an assessment of the impact of current economic conditions. If objective evidence of impairment is found, allowances for credit losses are established to adjust the carrying value of these assets to their net recoverable amount and the impairment loss is recorded in the consolidated statements of income to reduce the carrying value of the financial asset to its present value of estimated future cash flows. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized, the impairment loss is reversed and the reversal is recognized in the consolidated statements of income.

v) Derecognition

A financial asset is derecognized, when the contractual rights to cash flows expire or the Company has transferred its economic rights to the asset and substantially all risks and rewards. In instances where substantially all risks and rewards have not been transferred or retained, the assets are derecognized if the asset is not controlled through rights to sell or pledge the asset.

vi) Other

Insurance receivables have been classified as loans or receivables and are carried at amortized cost. Trade accounts receivables are presented as other assets. Accounts payable and other liabilities and insurance payables are carried at amortized cost. For these financial instruments, carrying value approximates fair value due to their short-term nature.

(g) Reinsurance

Empire Life enters into reinsurance agreements with reinsurers in order to limit its exposure to significant losses. Empire Life has a Reinsurance Risk Management policy which requires that such arrangements be placed with well-established, highly rated reinsurers. Reinsurance is measured consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of each reinsurance treaty. Amounts due to or from reinsurers with respect to premiums received or claims paid are included in reinsurance recoverable and reinsurance liabilities in the consolidated statements of financial position. Premiums for reinsurance ceded are presented as premiums ceded to reinsurers in the consolidated statements of income. Reinsurance recoveries on claims incurred are recorded as claims and benefits ceded to reinsurers in the consolidated statements of income. The reinsurers' share of insurance contract liabilities is recorded as other assets or other liabilities in the consolidated statement of financial position at the same time as the underlying insurance contract liability to which it relates.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that not all amounts due under the terms of the contract will be received. If a reinsurance asset is determined to be impaired, it would be written down to its recoverable amount and the impairment loss would be recorded in the consolidated statements of income.

Gains or losses on buying reinsurance are recognized in the consolidated statements of income immediately at the date of purchase and are not amortized.

(h) Property and equipment

Property and equipment is comprised of office properties (including land, building and leasehold improvements) and furniture and equipment. All classes of assets are carried at cost less accumulated amortization, except for land, which is not subject to amortization, and any impairment losses. Amortization is calculated to reduce the cost of property and equipment to their residual values over their estimated useful lives. Property and equipment is included in other assets in the consolidated statements of financial position.

(i) Intangible assets

Intangible assets include computer software, related licenses and software development costs, which are carried at cost less accumulated amortization and any impairment losses. Amortization of intangible assets is calculated using the straight-line method to allocate the costs over their estimated useful lives, which are generally between three and seven years. Amortization is included in operating expenses in the consolidated statements of income. For intangible assets under development, amortization begins when the asset is available for use. The Company does not have intangible assets with indefinite useful lives.

Intangible assets is included in other assets in the consolidated statements of financial position.

(j) Income taxes

Income tax comprises both current and deferred tax. Income tax is recognized in the consolidated statement of income except to the extent that it relates to items recognized directly in OCI or directly in equity, in which case the income tax is also recognized directly in OCI or equity, respectively.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute these amounts are those that are enacted or substantively enacted at the end of each reporting period.

Deferred income tax assets and liabilities are recorded for the expected future income tax consequences of events that have been reflected in the consolidated financial statements or income tax returns. Deferred income taxes are provided for using the liability method. Under the liability method, deferred income taxes are recognized for all significant temporary differences between the tax and consolidated financial statement bases for assets and liabilities and for certain carry-forward items.

Deferred income tax assets are recognized only to the extent that, in the opinion of management, it is probable that the deferred income tax assets will be realized. Deferred income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates, on the date of the enactment or substantive enactment.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity.

(k) Employee benefits

The Company provides employee pension benefits through either a defined benefit or a defined contribution pension plan. The Company discontinued new enrollments in the defined benefit component effective October 1, 2011 and introduced a defined contribution component effective January 1, 2012 for new enrollments and for any existing employees who chose to transfer from the defined benefit component. The Company also provides other post-employment benefits.

The defined benefit plan defines an amount of pension benefit that an employee will receive on retirement, dependent on factors such as age, years of service and compensation. The liability recognized in the balance sheet in respect of the defined benefit component is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using current interest rates of high-quality corporate bonds.

Defined benefit expense includes the net interest on the net defined benefit liability (asset) calculated using a discount rate based on market yields on high quality bonds as of prior-year end. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to OCI in the period in which they arise, and remain in accumulated other comprehensive income ("AOCI"). Past-service costs are recognized immediately in net income.

The defined contribution component of the Plan is a component under which the Company pays fixed contributions. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay employees the benefits relating to employee service in the current and prior periods. The contributions are recognized as employee benefit expense when they are due.

The Company also provides other post-employment benefits to their retirees. The entitlement to these benefits is conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to OCI in the period in which they arise and remain in accumulated OCI. These obligations are valued annually by independent qualified actuaries and are not funded.

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without realistic possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(l) Insurance and investment contracts

Insurance contracts are those contracts that transfer significant insurance risk at the inception of the contract. Insurance risk is transferred when Empire Life agrees to compensate a policyholder if a specified uncertain future event (other than a change in a financial variable) adversely affects the policyholder and the insurance contract has commercial substance. Any contracts not meeting the definition of an insurance contract under IFRS are classified as investment contracts or service contracts, as appropriate. Products issued by Empire Life that transfer significant insurance risk have been classified as insurance contracts in accordance with IFRS 4 *Insurance Contracts*. Otherwise, products issued by Empire Life are classified as either investment contracts in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* or service contracts in accordance with IAS 18 *Revenue*. Empire Life defines significant insurance risk as the possibility of paying at least 2% more than the benefits payable if the insured event did not occur. When referring to multiple contract types, Empire Life uses the terminology policy liabilities.

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

Empire Life classifies its insurance and investment contracts into three main categories: short-term insurance contracts, long-term insurance contracts and investment contracts.

Empire Life's insurance contract liabilities are determined using accepted actuarial practices according to standards established by the Canadian Institute of Actuaries ("CIA") and the requirements of OSFI. Empire Life uses the CALM for valuation of insurance contracts, which satisfies the IFRS 4 Insurance Contracts requirements for eligibility for use under IFRS.

Short-term insurance contracts include both annuity products and group benefits.

The annuity products classified as short-term insurance contracts are guaranteed investment options that provide for a fixed rate of return over a fixed period. Contracts include certain guarantees that are initiated upon death of the annuitant. The liabilities are determined using CALM.

The group benefits classified as short-term insurance contracts include short-term disability, health and dental benefits. Benefits are typically paid within one year of being incurred. Liabilities for unpaid claims are estimated using statistical analysis and Empire Life's experience for claims incurred but not reported.

Long-term insurance contracts include insurance products, annuity products and group benefits. In all cases, liabilities represent an estimate of the amount that, together with estimated future premiums and investment income, will be sufficient to pay future benefits, dividends, expenses and taxes on policies in force.

The insurance products so classified are life insurance and critical illness that provide for benefit payments related to death, survival or the occurrence of a critical illness. Terms extend over a long duration. The annuity products classified as long-term insurance contracts include both annuities that provide for income payments for the life of the annuitant and guarantees associated with Empire Life's segregated fund products. The group benefits classified as long-term insurance contracts are life benefits which are payable upon death of the insured and disability benefits that provide for income replacement in case of disability.

The determination of long-term insurance contract liabilities requires best estimate assumptions that cover the remaining life of the policies for mortality, morbidity, investment returns, persistency, expenses, inflation and taxes. Due to the long-term risks and measurement uncertainties inherent in the life insurance business, a margin for adverse deviation from best estimates is included in each assumption. These margins allow for possible deterioration in future experience and provide for greater confidence that insurance contract liabilities are adequate to pay future benefits. The resulting provisions for adverse deviation have the effect of increasing insurance contract liabilities and decreasing the income that otherwise would have been recognized at policy inception. Assumptions are reviewed and updated at least annually and the impact of changes in those assumptions is reflected in gross claims and benefits in the consolidated statement of operation income in the year of the change.

Annually, the Appointed Actuary determines whether insurance contract liabilities (for both short-term and long-term categories) are sufficient to cover the obligations and deferred acquisition costs that relate to policies in force as at the date of the consolidated statement of financial position. A number of valuation methods are applied, including CALM, discounted cash flows and stochastic modeling. Aggregation levels and the level of prudence applied in assessing liability adequacy are consistent with requirements of the CIA. Any adjustment is recorded as a gross change in insurance contract liabilities and/or a change in insurance contract liabilities ceded in the consolidated statement of income.

Investment contracts include annuity products that do not involve the transfer of significant risk, either at inception or during the life of the contract. For Empire Life, products so classified are limited to term certain annuities that provide for income payments for a specified period of time.

Investment contract liabilities are recognized when contracts are entered into and deposits are received. These liabilities are initially recognized at fair value, and subsequently they are carried at amortized cost based on expected future cash flows using the effective interest rate method. The expected future cash flows are re-estimated at each reporting date and the carrying amount of the financial liability is recalculated as the present value of estimated future cash flows using the financial liability's original effective interest rate. Any adjustment is immediately recognized in the consolidated statement of income. Deposits and withdrawals are recorded in gross claims and benefits on the consolidated statement of financial position.

ii) Premiums

Gross premiums for all types of insurance contracts are recognized as revenue when due and collection is reasonably assured. When premiums are recognized, actuarial liabilities are computed, with the result that benefits and expenses are matched with such revenue. Annuity premiums are comprised solely of new deposits on general fund products with a guaranteed rate of return and exclude deposits on segregated fund and investment contract products.

iii) Benefits and claims paid

Benefits are recorded as an expense when they are incurred. Annuity payments are expensed when due for payment. Health insurance claims are accounted for when there is sufficient evidence of their existence and a reasonable assessment can be made of the monetary amount involved. Benefits and claims paid include the direct costs of settlement. Reinsurance recoveries are accounted for in the same period as the related claim.

iv) Deferred acquisition costs

Distribution costs of segregated funds having a deferred sales charge are deferred and amortized over the term of the related deposits or the applicable period of such sales charge, as appropriate. These deferred costs form part of insurance contract liabilities on the consolidated statement of financial position. The costs deferred in the period and amortization of deferred costs form part of the change in insurance contract liabilities on the consolidated statement of income.

(m) Segregated funds

Certain insurance contracts allow the policyholder to invest in segregated investment funds managed by Empire Life for the benefit of these policyholders. Although the underlying assets are registered in Empire Life's name and the policyholder has no direct access to the specific assets, the contractual arrangements are such that the segregated fund policyholder bears the risk and rewards of the fund's investment performance. The assets of these funds are carried at their period-end fair values. Empire Life records a segregated fund policy liability equal to the fair value of the assets and any guarantees are recorded as an insurance contract liability. Empire Life's consolidated statements of income includes fee income earned for management of the segregated funds under investment and other income, as well as expenses related to the acquisition, investment management, administration and death benefit and maturity benefit and withdrawal guarantees of these funds. See Note 10 for details on segregated fund assets and changes in segregated fund assets.

Empire Life provides minimum guarantees on certain segregated fund contracts. These include minimum death, maturity and withdrawal benefit guarantees which are accounted for as insurance contracts. The actuarial liabilities associated with these minimum guarantees are recorded within insurance contract liabilities. Sensitivity of Empire Life's liability for segregated fund guarantees to market fluctuations is disclosed in Note 22.

(n) Participating policyholders' interest

Certain life, disability and annuity policies issued by Empire Life are defined as participating policies by contractual provisions, and are eligible for periodic dividends. Empire Life maintains an account in respect of participating policies ("participating account"), separate from those maintained in respect of other policies, in the form and manner determined by the Office of the Superintendent of Financial Institutions under section 456-464 of the *Insurance Companies Act*. The participating account includes all policies issued by Empire Life that entitle its policyholders to participate in the profits of the participating account. The distribution of dividends is made from the earnings attributed to the performance of the participating business. Most policies are credited with dividends annually, while a few older plans receive dividends every five years as per contractual provisions. Empire Life has discretion over the amount and timing of the distribution of these earnings to policyholders. Participating policyholder dividends are recognized as policy dividends expense the consolidated statement of income.

At the end of the reporting period, all participating policy liabilities, both guaranteed and discretionary are held within insurance contract liabilities, policyholders' funds on deposit, and provision for profits to policyholders. All participating policy reinsurance ceded at the end of the reporting period is held within reinsurance recoverable or reinsurance liabilities. Net income (loss) attributable to participating policyholders is shown on the consolidated statements of income. Comprehensive income (loss) attributable to participating policyholders is shown on the consolidated statements of comprehensive income. The participating policyholders' portion of equity is reported separately in the Company's total equity section of the consolidated statements of financial position.

(o) Revenue recognition

For Empire Life, gross premiums for all types of insurance contracts are recognized as revenue when due and collection is reasonably assured. When premiums are recognized, actuarial liabilities are computed, with the result that benefits and expenses are matched with such revenue. Annuity premiums are comprised solely of new deposits on general fund products with a guaranteed rate of return and exclude deposits on segregated fund and investment contract products.

Other income includes fund management fees, policy administration and surrender charges, and is recognized on an accrual basis. Fee income earned for investment management and administration of the segregated and mutual funds, included in investment and other income, is generally calculated and recorded as revenue daily based on the funds' closing net asset values.

Interest income is recognized using the effective interest rate method. Fees that are an integral part of the effective yield of the financial asset are recognized as an adjustment to the effective interest rate of the instrument. Dividend income is recognized when the right to receive payment is established, which is usually the ex-dividend date. Interest income and dividend income are included in investment and other income in the consolidated statements of income for all financial assets.

(p) Foreign currency translation

The Company uses the Canadian dollar as both its functional and presentational currency.

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognized in the consolidated statements of income.

Translation differences on FVTPL non-monetary items are reported as part of the fair value gain or loss. Translation differences on AFS non-monetary financial assets are recognized in OCI in the consolidated statements of comprehensive income. On derecognition of an AFS non-monetary financial asset, the cumulative exchange gain or loss previously recognized in OCI is recognized in the consolidated statements of income.

(q) Earnings per share (“EPS”)

Basic EPS is determined as net income (loss) attributed to common shareholders of the Company less dividends on First Preferred shares, divided by the weighted average number of adjusted common shares outstanding for the period. “Adjusted Common Shares” is determined based on the total common shares and Series A Preference shares less the Company’s proportionate interest in its own common shares held indirectly through investments in associates.

Diluted EPS is determined as net income (loss) attributed to common shareholders of the Company less dividends on First Preferred shares, divided by the weighted average number of diluted adjusted common shares outstanding for the period. Diluted adjusted common shares reflect the potential dilutive effect of converting the First Preference shares into common shares.

(r) Comprehensive income

Comprehensive income consists of net income and OCI. OCI includes items that may be reclassified subsequently to net income: unrealized gains or losses on AFS financial assets, net of amounts reclassified to net income (loss), the amortization of the loss on derivative investments designated as cash flow hedges and the Company’s share of OCI of its associates. OCI also includes items that will not be reclassified to net income: remeasurements of post-employment benefit liabilities. All OCI amounts are net of taxes.

(s) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. If the outflow of economic benefits is not probable, a contingent liability is disclosed unless the possibility of an outflow of economic benefits is remote. Any change in estimate of a provision is recorded in the consolidated statements of income. Provisions are not recognized for future operating losses. Provisions are measured at the present value of the expected expenditures to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

(t) Leases

The Company leases certain property and equipment. The Company does not have substantially all of the risks and rewards of ownership and these leases are therefore classified as operating leases. Payments made under operating leases are expensed on a straight-line basis over the term of the lease.

(u) Subordinated debt

Subordinated debt is recorded at amortized cost using the effective interest rate method. Interest on subordinated debt is reported as interest expense in the consolidated statements of income.

(v) Accounting changes

New accounting pronouncements adopted in 2015

Amendment to IAS 19 Employee Benefits ("IAS 19")
The IASB amended IAS 19 to permit employee contributions that are independent of the number of years of service to be recognized as a reduction of service cost in the period in which the service is rendered, instead of allocating the contributions to periods of service. Retrospective adoption of the amendment on January 1, 2015 did not have a significant impact on the consolidated financial statements.

IFRS Annual Improvements
The IASB periodically issues improvements to clarify the requirements of IFRS and eliminate inconsistencies within and between standards. Adoption of the 2010-2012 and 2011-2013 improvements on January 1, 2015 in accordance with their respective transition provisions did not have a significant impact on the consolidated financial statements.

New accounting pronouncements issued but not yet effective

IFRS Annual Improvements 2012-2014
In September 2014 the IASB issued a limited number of amendments to clarify the requirements of four IFRS standards. The amendments are effective for annual periods beginning on or after January 1, 2016, with retrospective application. The company is currently evaluating the impact of IFRS Annual Improvements 2012-2014 on its consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers
In May 2014 the IASB published IFRS 15 which introduces a single model for recognizing revenue from contracts with customers. IFRS 15 excludes insurance contracts from its scope and is primarily applicable to the Company's non-insurance revenue. The standard is effective for annual periods beginning on or after January 1, 2018, with retrospective application. The Company is evaluating the impact of IFRS 15 on its consolidated financial statements.

IFRS 9 Financial Instruments
In July 2014 the IASB published the complete version of IFRS 9 which is effective for annual periods beginning on or after January 1, 2018, with retrospective application. The new standard includes requirements on the classification and measurement of financial assets and liabilities, an expected credit loss model that replaces the existing incurred loss impairment model and new hedge accounting guidance. The Company is evaluating the impact of IFRS 9 on its consolidated financial statements as well as the implementation options for insurers proposed in the December 2015 Exposure Draft Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Proposed amendments to *IFRS 4).*

IFRS 16 Leases
In January 2016, the IASB published IFRS 16 which is effective January 1, 2019. The new standard requires the capitalization of all leases by recognizing the present value of the lease payments and showing them as lease assets, and recognizing a financial liability representing an obligation to make future lease payments. The Company is evaluating the impact of IFRS 16 on its consolidated financial statements.

(all dollar figures expressed in thousands of dollars, except per share amounts)

3. Operating segments

In managing its investments, the Company distinguishes between E-L Corporate and its investment in Empire Life. The Company's E-L Corporate segment includes United, the Company's closed-end investment subsidiary, investments in associates and investments - corporate. Empire Life underwrites life and health insurance policies and provides segregated funds, mutual funds and annuity products.

The following is an analysis of significant items of profit and loss by operating segment, operating segment assets and operating segment liabilities, reconciled to the Company's consolidated financial statements. The accounting policies applied by the operating segments are the same as those for the Company as a whole.

Year ended December 31, 2015	E-L Corporate	Empire Life	Total
Revenues			
Net premiums	$ —	$ 835,216	$ 835,216
Investment and other income	109,090	476,028	585,118
Share of income of associates	24,829	—	24,829
Fair value change in fair value through profit or loss investments	529,491	(43,444)	486,047
Realized gain on available for sale investments	39,426	19,128	58,554
	702,836	1,286,928	1,989,764
Expenses			
Net claims and benefits	—	793,794	793,794
Change in investment contracts provision	—	426	426
Commissions	—	188,408	188,408
Operating expenses	24,156	151,165	175,321
Interest expense	—	8,959	8,959
Premium taxes	—	14,226	14,226
	24,156	1,156,978	1,181,134
Income before income taxes	678,680	129,950	808,630
Income tax expense	96,051	27,492	123,543
Non-controlling interests in subsidiaries and participating policyholders' interest	135,424	15,054	150,478
Segment shareholders' net income	$ 447,205	$ 87,404	$ 534,609

Year ended December 31, 2015	E-L Corporate	Empire Life	Total
Segment assets (1)	$ 4,603,649	$ 14,363,544	$ 18,967,193
Segment liabilities	$ 259,838	$ 13,211,627	$ 13,471,465

(1) Segment assets for E-L Corporate include investments in associate assets of $328,389.

(all dollar figures expressed in thousands of dollars, except per share amounts)

Year ended December 31, 2014	E-L Corporate	Empire Life	Total
Revenues			
Net premiums	$ —	$ 867,493	$ 867,493
Investment and other income	94,353	433,397	527,750
Share of income of associates	25,519	—	25,519
Fair value change in fair value through profit or loss investments	329,766	612,505	942,271
Realized gain on available for sale investments	15,583	12,621	28,204
	465,221	1,926,016	2,391,237
Expenses			
Net claims and benefits	—	1,413,408	1,413,408
Change in investment contracts provision	—	2,282	2,282
Commissions	—	193,141	193,141
Operating expenses	20,980	151,069	172,049
Interest expense	—	14,180	14,180
Premium taxes	—	14,259	14,259
	20,980	1,788,339	1,809,319
Income before income taxes	444,241	137,677	581,918
Income tax expense	60,765	30,301	91,066
Non-controlling interests in subsidiaries and participating policyholders' interest	68,404	27,918	96,322
Segment shareholders' net income	$ 315,072	$ 79,458	$ 394,530

Year ended December 31, 2014	E-L Corporate	Empire Life	Total
Segment assets [1]	$ 4,184,044	$ 13,728,541	$ 17,912,585
Segment liabilities	$ 191,341	$ 12,666,262	$ 12,857,603

[1] Segment assets for E-L Corporate include investments in associate assets of $301,228.

(all dollar figures expressed in thousands of dollars, except per share amounts)

4. Investments – corporate

Invested assets

Investments – corporate includes the investments held at the corporate level of E-L Financial. The following table provides a comparison of carrying values by class of asset:

Carrying value	As at December 31, 2015			As at December 31, 2014		
Asset category	Fair value through profit or loss	Available for sale	Total carrying value	Fair value through profit or loss	Available for sale	Total carrying value
Short-term investments						
Canadian federal government	$ —	$ —	$ —	$ 39,748	$ —	$ 39,748
Canadian provincial governments	—	—	—	31,736	—	31,736
Canadian corporate	18,231	—	18,231	140,029	—	140,029
Total short-term investments	18,231	—	18,231	211,513	—	211,513
Preferred shares - Canadian	1,058	—	1,058	1,058	—	1,058
Common shares and units						
Canadian	583,795	—	583,795	627,085	—	627,085
U.S.	1,942,083	46,569	1,988,652	1,562,825	77,633	1,640,458
Europe	887,905	71,063	958,968	735,622	61,559	797,181
Other	584,893	10,110	595,003	496,368	16,840	513,208
Total common shares and units	3,998,676	127,742	4,126,418	3,421,900	156,032	3,577,932
Total	$ 4,017,965	$ 127,742	$ 4,145,707	$ 3,634,471	$ 156,032	$ 3,790,503

The Company's investment in common shares and units includes shares of public and private companies and units in pooled funds.

Investments – measured at fair value

The table below provides a comparison of the fair values by class of asset:

Fair value				As at December 31, 2015
Asset category	Quoted Prices (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
Short-term investments				
Canadian corporate	$ —	$ 18,231	$ —	$ 18,231
Preferred shares - Canadian	—	—	1,058	1,058
Common shares and units				
Canadian	5,178	50,194	528,423	583,795
U.S.	1,754,731	101,268	132,653	1,988,652
Europe	843,102	49,536	66,330	958,968
Other	335,203	229,888	29,912	595,003
Total common shares and units	2,938,214	430,886	757,318	4,126,418
Total	$ 2,938,214	$ 449,117	$ 758,376	$ 4,145,707

(all dollar figures expressed in thousands of dollars, except per share amounts)

Fair value				As at December 31, 2014
Asset category	Quoted Prices (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
Short-term investments				
Canadian federal government	$ —	$ 39,748	$ —	$ 39,748
Canadian provincial governments	—	31,736	—	31,736
Canadian corporate	—	140,029	—	140,029
Total short-term investments	—	211,513	—	211,513
Preferred shares - Canadian	—	—	1,058	1,058
Common shares and units				
Canadian	5,384	47,357	574,344	627,085
U.S.	1,442,059	85,118	113,281	1,640,458
Europe	698,089	40,204	58,888	797,181
Other	285,022	202,349	25,837	513,208
Total common shares and units	2,430,554	375,028	772,350	3,577,932
Total	$ 2,430,554	$ 586,541	$ 773,408	$ 3,790,503

The classification of a financial instrument into a level is based on the lowest level of input that is significant to the determination of the fair value. Transfers between fair value hierarchy levels are considered effective from the beginning of the reporting period in which the transfer is identified. During 2015 and 2014 there were no transfers of financial instruments between Level 1, Level 2 or Level 3.

Included in Level 2 are the Company's investments in pooled funds which at December 31, 2015 had a carrying value of $430,886 (December 31, 2014 - $375,028). The Company invests in pooled funds whose objectives range from achieving medium to long-term capital growth and whose investment strategies do not include the use of leverage. The funds are managed by unrelated asset managers and apply various investment strategies to accomplish their respective investment objectives. The Company's investments are susceptible to market price risk arising from the underlying investments in the funds. The Company holds redeemable units in each of its investee funds that entitle the holder to a proportional share in the respective funds' net assets. The Company has the right to redeem its investments in pooled funds within a 30 to 90 day period depending on the fund.

Included in Level 3 are investments in common and preferred shares in private companies. The Company utilizes the adjusted net asset method to derive the fair value of investments in private companies by reference to the fair value of its assets and liabilities, along with assessing a minority marketability discount and control block premium, if any. The adjustments are unobservable inputs for fair value measurement. The adjusted net asset method has been determined most appropriate for an investment whose value is mainly derived from the holding of assets. The assets and liabilities of the private companies primarily include listed investments and deferred tax liabilities. The Company identified a range of possible values which market participants could apply to the private companies. This analysis resulted in a range of plus or minus 10% of the fair value of the underlying net assets with a best estimate adjustment of zero. Taking this into account, the Company applied no minority marketability discount or premium to the fair value estimate of the private companies. If the minority marketability discount was 10% or a premium of 10%, with all other variables remaining constant, net assets would have decreased or increased by approximately $65,789 (2014 - $67,093).

The fair value change in FVTPL investments for Level 3 investments was $(15,032) (2014 - $10,360) for the year. There were no sales, purchases, issues or settlements of Level 3 investments during 2015 and 2014.

Impairment

Based on the impairment review as at December 31, 2015, an impairment loss on AFS investments of $nil (2014 - $523) has been recorded in net income. Impairment was assessed on these investments due to a number of factors, including the severity of the unrealized loss compared to the cost and the amount of time the investment had an unrealized loss.

For analysis of the Company's risks arising from financial instruments, refer to Note 22 – Investment risk management.

(all dollar figures expressed in thousands of dollars, except per share amounts)

5. Investments – insurance

Empire Life invested assets

The following table provide a comparison of carrying values by class of asset:

Carrying Value	As at December 31, 2015			As at December 31, 2014		
Asset category	Fair value through profit or loss	Available for sale	Total carrying value	Fair value through profit or loss	Available for sale	Total carrying value
Short-term investments						
Canadian federal government	$ 4,781	$ 4,996	$ 9,777	$ 3,310	$ 4,961	$ 8,271
Canadian provincial governments	5,994	—	5,994	1,782	—	1,782
Canadian corporate	17,881	—	17,881	16,839	—	16,839
Total short-term investments	28,656	4,996	33,652	21,931	4,961	26,892
Bonds						
Bonds issued or guaranteed by:						
Canadian federal government	76,053	214,285	290,338	72,626	165,921	238,547
Canadian provincial and municipal governments	2,575,792	392,143	2,967,935	2,479,365	284,502	2,763,867
Total government bonds issued or guaranteed	2,651,845	606,428	3,258,273	2,551,991	450,423	3,002,414
Canadian corporate bonds by industry sector:						
Financial services	475,027	386,044	861,071	545,554	437,673	983,227
Infrastructure	279,858	22,193	302,051	241,371	20,079	261,450
Utilities	274,431	33,070	307,501	246,080	30,881	276,961
Communications	1,484	24,444	25,928	1,608	28,007	29,615
Energy	40,999	53,352	94,351	52,759	60,643	113,402
Consumer staples	95,887	76,326	172,213	78,546	68,319	146,865
Industrials	61,790	15,650	77,440	47,240	1,564	48,804
Health care	70,821	13,001	83,822	70,683	14,050	84,733
Materials	10,789	—	10,789	10,615	—	10,615
Total Canadian corporate bonds	1,311,086	624,080	1,935,166	1,294,456	661,216	1,955,672
Total bonds	3,962,931	1,230,508	5,193,439	3,846,447	1,111,639	4,958,086
Total preferred shares - Canadian	189,645	5,035	194,680	186,856	9,323	196,179
Derivative assets	14,649	—	14,649	3,375	—	3,375
Common shares						
Canadian						
Common	505,534	61,831	567,365	526,613	61,481	588,094
Real estate limited partnership units	60,396	—	60,396	47,512	—	47,512
U.S.	154,482	—	154,482	139,988	—	139,988
Other	19,535	—	19,535	13,921	—	13,921
Total common shares	739,947	61,831	801,778	728,034	61,481	789,515
Loans and receivables:						
Mortgages	—	—	289,221	—	—	323,117
Loans on policies	—	—	46,925	—	—	46,434
Policy contract loans	—	—	84,921	—	—	86,698
Total	$ 4,935,828	$ 1,302,370	$ 6,659,265	$ 4,786,643	$ 1,187,404	$ 6,430,296

(all dollar figures expressed in thousands of dollars, except per share amounts)

Empire Life investments – measured at fair value

The table below provides a comparison of the fair values by class of asset:

Fair value	As at December 31, 2015			As at December 31, 2014		
Asset category	Quoted Prices (Level 1)	Significant other observable inputs (Level 2)	Total fair value	Quoted Prices (Level 1)	Significant other observable inputs (Level 2)	Total fair value
Short-term investments	—	33,652	33,652	—	26,892	26,892
Bonds	—	5,193,439	5,193,439	—	4,958,086	4,958,086
Preferred shares	194,680	—	194,680	196,179	—	196,179
Common shares	741,382	60,396	801,778	742,003	47,512	789,515
Derivative assets	14,482	167	14,649	2,791	584	3,375
Loans and receivables:						
Mortgages	—	300,186	300,186	—	338,160	338,160
Loans on policies	—	46,925	46,925	—	46,434	46,434
Policy contract loans	—	84,921	84,921	—	86,698	86,698
Total	$ 950,544	$ 5,719,686	$ 6,670,230	$ 940,973	$ 5,504,366	$ 6,445,339

The fair value of these financial instruments is the same as the carrying value, except for mortgages.

The fair value of mortgages has been calculated by discounting cash flows of each mortgage at a discount rate appropriate to its remaining term to maturity. The discount rates are determined based on regular competitive rate surveys.

The fair values of loans on policies and policy contract loans approximates their carrying values, due to the life insurance contracts that secure them.

The classification of a financial instrument into a level is based on the lowest level of input that is significant to the determination of the fair value. There were no transfers between Level 1 and Level 2 and no Level 3 investments during the year ended December 31, 2015 or during the year ended December 31, 2014.

Impairment

AFS investments

Based on the impairment review as at December 31, 2015, a year to date impairment loss on AFS investments of $2,379 before tax (2014 - $221) has been recorded in net income. Impairment was assessed on these investments due to a number of factors, including the severity of the unrealized loss compared to the cost and the amount of time the investment had an unrealized loss.

Loans and receivables

Assets classified as mortgages and policy contract loans have been reviewed for possible impairment. As a result of this review, mortgages with a recorded value of $5,963 (2014 - $6,303) have been reduced by an allowance for impairment of $2,600 (2014 - $2,295) and policy contract loans with a recorded value of $813 (2014 - $813) have been reduced by an allowance for impairment of $525 (2014 - $541).

(all dollar figures expressed in thousands of dollars, except per share amounts)

Empire Life derivative financial instruments

The values of derivative instruments are set out in the following table. The use of derivatives is measured in terms of notional principal amounts, which serve as the basis for calculating payments and are generally not actual amounts that are exchanged.

	As at December 31, 2015			As at December 31, 2014		
	Notional Principal	Fair Value Assets	Fair Value Liabilities	Notional Principal	Fair Value Assets	Fair Value Liabilities
Exchange-traded						
Equity index futures	$ 94,312	$ 977	$ 340	$ 51,773	$ 869	$ 1,201
Equity options	299,876	13,505	—	119,990	1,922	—
Over-the-counter						
Foreign currency forwards	175,368	167	36	151,731	584	137
Total	$ 569,556	$ 14,649	$ 376	$ 323,494	$ 3,375	$ 1,338

All contracts mature in less than one year. Fair value asset amounts and fair value liability amounts are reported on the consolidated statements of financial position as investments - insurance. Fair value liability amounts are reported on the consolidated statement of financial position as part of other liabilities. Fair value of exchange traded derivatives is determined based on Level 1 inputs. Foreign currency forward contracts are valued based primarily on the contract notional amount, the difference between the contract rate and the forward market rate for the same currency, interest rates and credit spreads. Contracts for which counterparty credit spreads are observable and reliable, or for which the credit-related inputs are determined not to be significant to fair value, are classified as Level 2.

For analysis of the risks arising from financial instruments, refer to Note 22 – Investment risk management.

6. Investments in associates

The Company has the following investments in associates, all of which are held within the E-L Corporate segment:

Algoma Central Corporation ("Algoma") is incorporated in Canada and is listed on the Toronto Stock Exchange under the symbol "ALC". Algoma owns and operates the largest Canadian flag fleet of dry and liquid bulk carriers operating on the Great Lakes - St. Lawrence Waterway.

Economic Investment Trust Limited ("Economic") is a closed-end investment corporation incorporated in Canada and is listed on the Toronto Stock Exchange under the symbol "EVT". Economic is an investment vehicle for long-term growth through investments in common equities.

	2015			2014		
	Ownership	Carrying value	Fair value	Ownership	Carrying value	Fair value
Algoma	36.3%	$ 197,003	$ 197,973	34.7%	$ 182,695	$ 221,475
Economic	24.0%	131,386	133,482	24.0%	118,533	120,998
Total		$ 328,389	$ 331,455		$ 301,228	$ 342,473

(all dollar figures expressed in thousands of dollars, except per share amounts)

The following table details the movement during the year:

	2015	2014
Balance, beginning of the year	$ 301,228	$ 288,884
Purchase of additional shares	9,741	—
	310,969	288,884
Income recorded in the statements of income and comprehensive income:		
Share of income	24,829	25,519
Share of other comprehensive (loss) income	(1,749)	920
	23,080	26,439
Dividends received during the year	(5,660)	(14,095)
Balance, end of the year	$ 328,389	$ 301,228

The Company's associates are measured using the equity method. As at December 31, 2015, the fair value of the investments in associates was $331,455 (2014 - $342,473). Fair value is based on the close price for each investment multiplied by the corresponding number of common shares held.

Impairment

The Company has a significant investment in Economic which it regards as an associate and accounts for using the equity method. Economic has historically traded at significant discounts to its net asset values. The Company is required to test the values of its associates for impairment by comparing their carrying values to their recoverable amount which is the higher of their fair value less costs of disposal and their values in use. In performing its impairment assessments, the Company regards the fair value less costs of disposal as the most objective evidence of the net recoverable amounts of Economic, since the Company cannot unilaterally control the timing of realization of any benefit related to the difference between the traded price of Economic and their net asset values.

Based on an impairment review of all of the investments in associates as at December 31, 2015 and December 31, 2014, there was no impairment or impairment reversal on Economic recorded in net income. The recoverable amount for Economic is the investment's fair value less costs of disposal based on the fair value calculation noted above.

Summarized below are the assets, liabilities, revenue, net income and comprehensive income of the Company's associates.

	Algoma		Economic	
	2015	2014	2015	2014
Cash and cash equivalents	$ 210,562	$ 256,896	$ 23,141	$ 8,786
Other current assets	154,693	84,854	789,247	736,033
Non-current assets	623,550	632,305	—	—
	988,805	974,055	812,388	744,819
Current liabilities	61,787	66,733	2,032	504
Non-current liabilities	308,408	300,223	65,470	56,821
	370,195	366,956	67,502	57,325
Net assets	$ 618,610	$ 607,099	$ 744,886	$ 687,494

(all dollar figures expressed in thousands of dollars, except per share amounts)

	Algoma		Economic	
	2015	2014	2015	2014
Revenue	$ 413,493	$ 473,446	$ 78,229	$ 36,815
Net income	$ 25,771	$ 52,765	$ 65,029	$ 30,255
Other comprehensive (loss) income	(5,580)	3,145	—	—
Total comprehensive income	$ 20,191	$ 55,910	$ 65,029	$ 30,255

At December 31, 2015 Algoma has commitments of $442,446 (2014 - $137,972) (Economic - $nil) relating to the construction of seven new vessels, the purchase of ocean-going self-unloaders and its employee future benefit payments.

The Company received the following dividends during the year from the associates:

	Algoma		Economic		Total	
	2015	2014	2015	2014	2015	2014
Dividends received	$ 3,826	$ 3,781	$ 1,834	$ 10,314	$ 5,660	$ 14,095

7. Investment and other income

Investment and other income is comprised of the following:

	2015	2014
Interest income on:		
Available for sale	$ 41,000	$ 41,868
Fair value through profit or loss investments	161,226	154,667
Loans and receivables	22,449	23,470
Fee income	216,818	187,516
Dividend income	138,872	115,548
Other	4,753	4,681
Total	$ 585,118	$ 527,750

	2015	2014
Interest income received	$ 154,507	$ 152,024
Dividend income received	131,767	107,543
Total	$ 286,274	$ 259,567

8. Cash and cash equivalents

Cash and cash equivalents are short term, highly liquid instruments that are subject to insignificant changes in value and are readily convertible into known amounts of cash. Cash equivalents comprise financial assets with maturities of three months or less from the date of acquisition. Cash and cash equivalents are measured at fair value under Level 1 or Level 2 of the fair value hierarchy. Components of cash and cash equivalents for purposes of the consolidated statements of cash flows are as follows:

	2015	2014
Cash	$ 62,127	$ 65,745
Cash equivalents	244,419	251,066
Total	$ 306,546	$ 316,811

The following table presents the cash and cash equivalents classified by the fair value hierarchy:

Cash and cash equivalents	Level 1	Level 2	Level 3	Total fair value
December 31, 2015	$ 62,127	$ 244,419	$ —	$ 306,546
December 31, 2014	$ 65,745	$ 251,066	$ —	$ 316,811

(all dollar figures expressed in thousands of dollars, except per share amounts)

9. Other assets

Other assets are comprised of the following:

	2015	2014
Accrued investment income	$ 29,064	$ 28,127
Income taxes receivable	3,415	1,659
Property and equipment	29,359	27,531
Intangible assets	9,225	4,832
Due from reinsurance companies	22,810	16,530
Other	40,491	21,380
Total	$ 134,364	$ 100,059

The amount of other assets that the Company expects to receive within the next 12 months is $95,780 (2014 - $67,696).

10. Segregated funds

a) The following table identifies segregated fund assets by category of asset:

	2015	2014
Cash and cash equivalents	$ 301,764	$ 162,646
Short-term investments	151,203	152,395
Bonds	1,528,873	1,567,578
Common and preferred shares	5,362,003	5,067,181
Net other assets	59,085	24,977
	7,402,928	6,974,777
Less segregated funds held within general fund investments	(35,105)	(26,302)
Total	$ 7,367,823	$ 6,948,475

b) The following table presents the investments of the segregated funds measured on a recurring basis at fair value classified by the fair value hierarchy:

2015	Level 1	Level 2	Fair value
Cash and cash equivalents	$ 42,827	$ 258,937	$ 301,764
Short-term investments	—	151,203	151,203
Bonds	—	1,528,873	1,528,873
Common and preferred shares	5,362,003	—	5,362,003
Total	$ 5,404,830	$ 1,939,013	$ 7,343,843

2014	Level 1	Level 2	Fair value
Cash and cash equivalents	$ 26,829	$ 135,817	$ 162,646
Short-term investments	—	152,395	152,395
Bonds	—	1,567,578	1,567,578
Common and preferred shares	5,067,181	—	5,067,181
Total	$ 5,094,010	$ 1,855,790	$ 6,949,800

There were no transfers between Level 1 and Level 2 and there were no Level 3 investments during the year ended December 31, 2015 or during the year ended December 31, 2014.

(all dollar figures expressed in thousands of dollars, except per share amounts)

c) The following table presents the change in segregated funds:

	2015	2014
Segregated fund assets - beginning of the year	$ 6,948,475	$ 5,954,508
Additions to segregated funds:		
Amount received from policyholders	1,521,736	1,650,775
Interest	63,259	57,360
Dividends	130,732	123,868
Other income	32,306	29,743
Net realized gains on sale of investments	412,110	481,448
Net unrealized increase in fair value of investments	—	34,206
	2,160,143	2,377,400
Deductions from segregated funds:		
Amounts withdrawn or transferred by policyholders	1,245,387	1,242,284
Net unrealized decrease in fair value of investments	262,012	—
Management fees and other operating costs	224,593	203,259
	1,731,992	1,445,543
Net change in segregated funds held within general fund investments	(8,803)	62,110
Segregated fund assets - end of the year	$ 7,367,823	$ 6,948,475

d) Empire Life's exposure to segregated fund guarantee risk

Segregated fund products issued by Empire Life contain death and maturity guarantees. Market price fluctuations impact Empire Life's estimated liability for those guarantees. The impact of market price fluctuations in segregated funds on shareholders' net income is disclosed in the investment risk management Note 22.

11. Other liabilities

Other liabilities are comprised of the following:

	2015	2014
Accounts payable	$ 28,426	$ 30,537
Employee benefit liabilities (Note 15)	23,595	18,239
Income and other taxes payable	7,841	7,804
Dividends payable	4,390	4,390
Insurance payables:		
Due to reinsurance companies	11,707	10,804
Claims due and accrued	38,159	27,771
Payable to agents	11,297	11,936
Premiums paid in advance	2,267	2,456
Other	34,199	35,316
Total	$ 161,881	$ 149,253

Of the above total, $23,595 (2014 - $18,239) is expected to be settled more than one year after the statement of financial position date.

12. Subordinated debt

On May 31, 2013, Empire Life issued $300,000 principal amount of unsecured subordinated debentures with a maturity date of May 31, 2023. The interest rate from May 31, 2013 until May 31, 2018 is 2.87%, and the rate from May 31, 2018 until May 31, 2023 will be equal to the 3-month Canadian Deposit Offering Rate plus 1.05%. Interest is payable semi-annually at May 31 and November 30 until May 31, 2018, quarterly thereafter with the first such payment on August 31, 2018. Empire Life may call for redemption of the debentures on or after May 31, 2018 subject to the approval of the Office of the Superintendent of Financial Institutions. The holders have no right of redemption.

On May 20, 2009, Empire Life issued $200,000 principal amount of unsecured subordinated debentures with a maturity date of May 20, 2019. The interest rate from May 20, 2009 until May 20, 2014 is 6.73%, and the rate from May 20, 2014 until May 20, 2019 is equal to the 3-month Canadian Deposit Offering Rate plus 5.75%. Interest is payable semi-annually at May 20 and November 20 until May 20, 2014, quarterly thereafter with the first such payment on August 20, 2014. Empire Life redeemed these debentures on May 20, 2014 at par.

The debentures are subordinated in right of payment to all policy contract liabilities of Empire Life and all other senior indebtedness of Empire Life.

The fair value of the debentures is $305,244 as of December 31, 2015 (2014 - $305,199), and is within level 2 of the fair value hierarchy. The fair value is provided by a third party bond pricing service.

13. Employee benefit plans

Empire Life sponsors pension and other post-employment benefit plans for eligible employees. The Empire Life Insurance Company Staff Pension Plan (“the Plan”) consists of a defined benefit component and a defined contribution component. Empire Life discontinued enrollments in the defined benefit component effective October 1, 2011. Empire Life has supplemental arrangements that provide defined pension benefits in excess of statutory limits. In addition to pension benefits, Empire Life also provides for post-employment health and dental care coverage and other future benefits to qualifying employees and retirees.

The defined benefit component of the Plan is a final average salary pension plan, which provides benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members’ age, length of service and their salary in the final years leading up to retirement. Pensions generally do not receive inflationary increases once in payment. In the past, however, Empire Life has provided ad-hoc pension increases on its defined benefit staff pension plan. Increases take place at the discretion of Empire Life’s Board of Directors. The pension benefit payments are from trustee-administered funds.

Empire Life’s staff pension benefit plan is governed by the Pension Benefits Act of the Province of Ontario, as amended, which requires that the plan sponsor fund the defined benefits determined under the plan. Empire Life’s supplemental employee retirement benefit plan is governed by provisions of the plan, which requires that the plan sponsor fund the defined benefits determined under the plan. The amount of funds contributed to these defined benefit pension plans by Empire Life is determined by an actuarial valuation of the Plans.

Under the defined contribution component, contributions are made in accordance with the provisions of the Plan documents.

A pension committee, composed of selected senior members of Empire Life's management and Empire Life, oversees the Pension Plan of the Company. The Pension Committee reports quarterly to the Human Resources Committee of Empire Life's Board of Directors. The Audit Committee of the Board of Directors approves the audited annual financial statements of the Pension Plan.

(all dollar figures expressed in thousands of dollars, except per share amounts)

The other post-employment benefit plan provides for health, dental care, and other future defined benefits to qualifying employees and retirees. It is unfunded and Empire Life meets the benefit payment obligation as it falls due.

In the absence of an active market for post-employment benefit obligations, the actuarially determined values provide a reasonable approximation of their fair value. Plan assets are carried at fair value.

The following tables present financial information for Empire Life's defined benefit plans.

	Pension Benefit Plans		Other Post-Employment Benefits Plans	
	2015	2014	2015	2014
Present value of obligations	$ (219,249)	$ (202,231)	$ (9,759)	$ (10,619)
Fair value of plan assets	205,413	194,611	—	—
Post-employment benefit liability	$ (13,836)	$ (7,620)	$ (9,759)	$ (10,619)

The post-employment benefit liability, net of the cumulative impact of the asset ceiling, is included in the consolidated statement of financial position in other liabilities.

The movement in the present value of the Plans' defined benefit obligations over the year is as follows:

	Pension Benefit Plans		Other Post-Employment Benefits Plans	
Present Value of Defined Benefit Obligation	2015	2014	2015	2014
Opening defined benefit obligation	$ 202,231	$ 185,725	$ 10,619	$ 10,101
Current service cost	7,191	6,252	29	47
Past service cost	—	236	—	—
Interest expense	8,431	8,702	403	472
Decrease in net income before tax	15,622	15,190	432	519
Remeasurements				
Gain from changes in demographic assumptions	—	(2,523)	(2,149)	(504)
(Gain) loss from changes in financial assumptions	(6,259)	21,743	(178)	1,009
Actuarial loss (gain) from member experience	13,433	(11,052)	1,385	(186)
Decrease (increase) in OCI before tax	7,174	8,168	(942)	319
Employee contributions	1,913	2,006	—	—
Benefits paid	(7,691)	(8,858)	(350)	(320)
Closing defined benefit obligation	$ 219,249	$ 202,231	$ 9,759	$ 10,619

The movement in the fair value of the Plan's assets over the year is as follows:

	Pension Benefit Plans	
Fair Value of Defined Benefit Assets	2015	2014
Fair value at beginning of year	$ 194,611	$ 176,990
Interest income	7,702	8,453
Administrative expense	(699)	(649)
Increase in net income before tax	7,003	7,804
Remeasurements		
Return on plan assets, excluding amounts included in interest income	2,047	12,651
Employer contributions	7,530	4,018
Employee contributions	1,913	2,006
Benefits paid	(7,691)	(8,858)
Fair value of Plan assets at end of year	$ 205,413	$ 194,611

(all dollar figures expressed in thousands of dollars, except per share amounts)

The actual return on Plan assets net of administrative expense, for the year ended December 31, 2015 was a gain of $9,050 (2014 - $20,455).

The following table summarizes income, expense and remeasurement activity for Empire Life's defined benefit plans for the years ended:

	Pension Benefit Plans		Other Post-Employment Benefits Plans	
	2015	2014	2015	2014
Operating expense				
Current service cost	$ 7,191	$ 6,252	$ 29	$ 47
Past service cost	—	236	—	—
Interest expense	8,431	8,702	403	472
Interest income on plan assets	(7,702)	(8,453)	—	—
Administrative expense	699	649	—	—
Decrease in net income before tax	$ 8,619	$ 7,386	$ 432	$ 519
Remeasurements				
Return on plan assets, excluding amounts included in interest income	$ (2,047)	$ (12,651)	$ —	$ —
Gain from changes in demographic assumptions	—	(2,523)	(2,149)	(504)
(Gain) loss from changes in financial assumptions	(6,259)	21,743	(178)	1,009
Actuarial loss (gain) from member experience	13,433	(11,052)	1,385	(186)
Decrease (increase) in OCI before tax	$ 5,127	$ (4,483)	$ (942)	$ 319

Defined benefit plan expense is recognized in operating expenses. Remeasurements in the defined benefit plan are included in OCI. Operating expenses also include $849 (2014 - $679) of employer contribution related to the defined contribution component of the Plan.

Expected contributions (including both employer and employee amounts) to Empire Life’s defined benefit pension plans for the year ending December 31, 2016 are approximately $5,330 (2015 - $5,458).

(all dollar figures expressed in thousands of dollars, except per share amounts)

The Plan invests primarily in Empire Life segregated and mutual funds. The fair value of the underlying assets of the funds and other investments are included in the following table:

	Pension Assets			
	2015		2014	
Equity				
Canadian				
Consumer discretionary	$ 3,622	2%	$ 4,103	2%
Consumer staples	6,456	3%	8,710	4%
Energy	7,160	3%	13,488	7%
Financials	19,326	9%	23,656	12%
Industrials	7,866	4%	9,425	5%
Information technology	6,020	3%	7,426	4%
Materials	1,083	1%	698	—%
Telecom services	5,213	3%	3,265	2%
Utilities	1,433	1%	2,272	1%
Total Canadian	58,179	29%	73,043	37%
Foreign	57,798	28%	40,009	21%
Total Equity	115,977	57%	113,052	58%
Debt				
Government of Canada	10,590	5%	6,626	3%
Provincial governments	15,839	8%	14,871	8%
Municipal governments	1,196	1%	1,966	1%
Canadian corporations	33,584	16%	34,017	17%
Total Debt	61,209	30%	57,480	29%
Cash, cash equivalent, accruals	5,873	3%	5,564	3%
Mutual Funds	10,906	5%	9,543	5%
Other	11,448	5%	8,972	5%
Total fair value of assets	$ 205,413	100%	$ 194,611	100%

All equities are classified as level 1 and all debt is classified as level 2 in the fair value hierarchy.

The following weighted average assumptions were used in actuarial calculations:

	Pension Benefit Plans		Other Post-Employment Benefits Plans	
	2015	2014	2015	2014
Defined benefit obligation as at December 31:				
Discount rate - defined benefit obligation	4.2%	4.0%	4.0%	3.9%
Discount rate - net interest	4.0%	4.8%	3.9%	4.8%
Inflation assumption	2.0%	2.0%	n/a	n/a
Rate of compensation increase	3.5%	3.5%	n/a	n/a
Future pension increases	3.0%	3.0%	n/a	n/a
Assumed health care cost trend rates at December 31:				
Initial health care cost trend rate	n/a	n/a	7.5%	7.8%
Cost trend rate declines to	n/a	n/a	4.5%	4.5%
Year ultimate health care cost trend rate is reached	n/a	n/a	2026	2026

(all dollar figures expressed in thousands of dollars, except per share amounts)

Assumptions (in number of years) relating to future mortality to determine the defined benefit obligation and the net benefit cost for the defined benefit pension plans are as follows:

	2015	2014
Males aged 65 at measurement date	21.57	21.49
Females aged 65 at measurement date	24.02	23.96
Males aged 40 at measurement date	22.93	22.88
Females aged 40 at measurement date	25.22	25.18

The following table provides the sensitivity of the defined benefit pension and other post-employment benefit obligations to changes in significant actuarial assumptions. For each sensitivity test, the impact of a reasonably possible change in a single factor is shown with other assumptions left unchanged. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the Post-employment benefit liability recognized within the consolidated statement of financial position.

		Impact on Pension Benefits		Impact on Other Post-Employment Benefits	
As at December 31, 2015	Change in assumption	Increase	Decrease	Increase	Decrease
Discount rate	1%	$ (26,482)	$ 35,969	$ (977)	$ 1,181
Rate of compensation increase	1%	11,066	(9,609)	n/a	n/a
Health care cost increase	1%	n/a	n/a	1,119	(943)
Claim rate	10%	n/a	n/a	901	(902)
Life expectancy	1 year	$ 4,833	$ (4,949)	$ 417	$ (410)

		Impact on Pension Benefits		Impact on Other Post-Employment Benefits	
As at December 31, 2014	Change in assumption	Increase	Decrease	Increase	Decrease
Discount rate	1%	$ (23,923)	$ 32,994	$ (1,349)	$ 1,655
Rate of compensation increase	1%	10,170	(8,817)	n/a	n/a
Health care cost increase	1%	n/a	n/a	1,518	(1,266)
Claim rate	10%	n/a	n/a	1,007	(1,007)
Life expectancy	1 year	$ 4,467	$ (4,571)	$ 508	$ (495)

The weighted average duration, in number of years, of the defined benefit obligations:

	2015	2014
Staff pension plan	14	14
Supplemental employee retirement plan	14	12
Other post-employment benefits	12	15

Risks

Through its defined benefit pension plan and the other post-employment benefit plan, Empire Life is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility

The Plan obligations are calculated using a discount rate set with reference to corporate bond yields; if Plan assets underperform this yield, this will create a deficit. The pension plan holds a significant proportion of equities, which are expected to outperform corporate bonds in the long-term while producing volatility and risk in the short-term.

(all dollar figures expressed in thousands of dollars, except per share amounts)

The following tables summarize the potential impact on OCI of a change in global equity markets regarding assets in Empire Life's pension plan. Empire Life uses a 10% increase or decrease in equity markets as a reasonably possible change in equity markets. Empire Life has also disclosed the impact of a 20% increase or decrease in its equity market sensitivity.

Shareholders' OCI	10% Increase	10% Decrease	20% Increase	20% Decrease
2015	$ 8,980	$ (8,980)	$ 17,959	$ (17,959)
2014	$ 7,177	$ (7,177)	$ 14,353	$ (14,353)

The following tables summarize the potential impact on OCI as a result of change in interest rates on assets in Empire Life's pension plan.

	50 bps increase	50 bps decrease	100 bps increase	100 bps decrease
Shareholders' OCI				
2015	$ (1,309)	$ 1,438	$ (2,487)	$ 3,007
2014	$ (1,118)	$ 1,246	$ (2,107)	$ 2,619

Changes in bond yields

A decrease in corporate bond yields will increase Plan obligations, although this will be partially offset by an increase in the value of the Plans' bond holdings.

Life expectancy

The majority of the Plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the Plans' liabilities.

In case of the funded plans, the Pension Committee ensures that the investment positions are managed in accordance with the investment philosophy outlined in the investment policy approved by the Human Resources Committee of the Board. The fundamental philosophy is to achieve acceptably high investment return over the long term without jeopardizing the level of security of the members' benefits and without introducing too much volatility into the Company's future expense. The Company's objective is to match assets to the pension obligations by investing in equities as well as fixed interest securities. Empire Life actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Plan has not changed the processes used to manage its risks from previous periods. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. The Plan invests primarily in Canadian bonds and equities through its' ownership of units in Empire Life segregated and mutual funds. Empire Life believes that equities offer the best returns over the long term with an acceptable level of risk.

The last triennial valuation was completed in August 2014, as at December 31, 2013. The next triennial valuation is due to be completed as at December 31, 2016.

(all dollar figures expressed in thousands of dollars, except per share amounts)

14. Insurance contract liabilities and reinsurance liabilities

Empire Life's insurance contract liabilities are comprised of:

	2015	2014
Insurance contract liabilities	$ 4,798,683	$ 4,713,462
Policyholder funds on deposit	32,599	31,332
Provision for profits to policyholders	26,951	24,913
	$ 4,858,233	$ 4,769,707

The change in insurance contract liabilities on a gross and net basis is as follows:

	2015			2014		
	Gross insurance contract liabilities	Reinsurance assets/ (liabilities)	Net	Gross insurance contract liabilities	Reinsurance assets/ (liabilities)	Net
Balance, beginning of year	$ 4,713,462	$ (490,575)	$ 5,204,037	$ 4,175,238	$ (284,627)	$ 4,459,865
Changes in methods and assumptions						
- improvements in mortality/morbidity experience	(45,126)	(36,149)	(8,977)	(141,617)	(113,471)	(28,146)
- lapse assumption updates	67,282	(8,364)	75,646	77,408	(40,400)	117,808
- update of investment return assumptions	(37,843)	10,160	(48,003)	(88,465)	4,607	(93,072)
- model enhancements	—	—	—	(5,882)	(257)	(5,625)
- other changes	8,599	1,250	7,349	(16,331)	(18,442)	2,111
Normal changes						
- new business	77,241	10,535	66,706	125,003	(1,731)	126,734
- in-force business	15,068	(17,683)	32,751	588,108	(36,254)	624,362
Balance, end of year	$ 4,798,683	$ (530,826)	$ 5,329,509	$ 4,713,462	$ (490,575)	$ 5,204,037

Changes in methods and assumptions summarized in the above tables are further explained as follows:

The updates for mortality/morbidity experience for 2015 are primarily related to favourable mortality experience for individual life business.

The updates for mortality/morbidity experience for 2014 are primarily related to favourable mortality experience for individual life business. In addition, there were refinements to the mortality study to reflect mortality experience for higher face amount policies and renewable term business.

The refinements to lapse rate assumptions for 2015 are primarily related to an update of Empire Life's Term-to-100 ("T100") and Universal Life Level Cost of Insurance ("UL LCOI") ultimate lapse rate assumptions to reflect the CIA Research Committee's research papers on Lapse Experience Under T100 Insurance Policies and Lapse Experience under UL LCOI Policies released September 2015 which was partially offset by an update to lapse rate margins to reflect more credible company and industry experience.

The refinements to lapse rate assumptions for 2014 are primarily related to emerging lapse rate experience for Empire Life's universal life ART 85 and VitaLink products as well as regular updates for Empire Life's other individual life insurance products.

The update in investment return assumptions for 2015 was primarily related to a refinement of the projected of equities backing individual life liabilities. In addition, there were several refinements to the CALM model for future reinvestment assumptions.

The update in investment return assumptions for 2014 was primarily due revised Canadian actuarial standards of practice effective October 15, 2014. In addition, there were several refinements to the CALM model for future reinvestment assumptions.

There were no model enhancements for 2015.

(all dollar figures expressed in thousands of dollars, except per share amounts)

The model enhancements for 2014 are related to refinements to the valuation models for group waiver of premium business.

Other changes for 2015 relate to lower expense unit costs that were offset by refinements to target fund value mix for universal life policies and other minor changes to assumptions and methodologies.

Other changes for 2014 relate to lower expense unit costs resulting from refinements to expense studies that were offset by refinements for modelling unearned reinsurance premiums and other minor changes to assumptions and methodologies.

The normal change for new business liabilities is primarily related to new deposits for annuity business, which are offset by negative reserves calculated for new sales of individual life business.

The increase in the normal change in in-force policy liabilities in 2015 primarily results from the maturing of inforce liabilities. Smaller changes in the in-force policy liabilities resulted from decreases in interest rates and experience gains and losses related to mortality and lapses.

The change for in-force business in 2014 is primarily attributable to the fair value change in liabilities due to a decrease in interest rates.

Empire Life expects to pay $4,710,118 (2014 - $4,563,763) of insurance contract liabilities and $529,604 (2014 - $492,065) of reinsurance liabilities more than one year after the consolidated statements of financial position date. The balance is expected to be settled within one year.

For additional analysis of the Company's insurance risk please see Note 23 - Insurance risk management.

15. Capital stock

	Authorized	Issued and outstanding	2015	2014
Preferred shares				
Series A Preference shares [1]	402,733	258	$ 1	$ 1
First Preference shares, Series 1 [2a]	unlimited	4,000,000	100,000	100,000
First Preference shares, Series 2 [2b]	unlimited	4,000,000	100,000	100,000
First Preference shares, Series 3 [2c]	unlimited	4,000,000	100,000	100,000
Common shares	unlimited	4,019,409	72,387	72,387
Total			$ 372,388	$ 372,388

1. The Series A Preference shares are convertible, at the shareholder's option, in perpetuity into common shares on a share for share basis and are entitled, when and if declared, to a non-cumulative dividend of $0.50 per share per annum. The Series A Preference shares and common shares are each entitled to one vote per share.

2. The First Preference shares of each series rank pari passu with every other series of First Preference shares and in priority to the common shares and the Series A Preference shares of the Company with respect to the payment of dividends and the distribution of assets on the dissolution, liquidation or winding up of the Company. As of December 31, 2015 there were three series of First Preference shares outstanding; the First Preference shares, Series 1, the First Preference shares, Series 2 and the First Preference shares, Series 3. The First Preference shares are non-voting unless there has been a specified default in the payment of dividends or to approve of modifications attending to the series of shares.

(a) The First Preference shares, Series 1 are entitled, if and when declared, to fixed non-cumulative preferential cash dividends at a rate equal to $1.325 per share per annum. On and after October 17, 2013, the Company may redeem for cash the First Preference shares, Series 1 in whole or in part, at the Company's option at $25.00 if redeemed thereafter, in each case together with all declared and unpaid dividends.

(all dollar figures expressed in thousands of dollars, except per share amounts)

On and after October 17, 2009, the Company may convert all or any part of the outstanding First Preference shares, Series 1 into that number of common shares determined by dividing by the then applicable redemption price, together with all declared and unpaid dividends to the date of conversion, by the greater of $1.00 and 95% of the weighted average trading price of the common shares on the Toronto Stock Exchange for the 20 consecutive trading days ending on the fourth day prior to the conversion date.

(b) The First Preference shares, Series 2 are entitled, if and when declared, to fixed non-cumulative preferential cash dividends at a rate equal to $1.1875 per share per annum. On and after October 17, 2015, the Company may redeem for cash the First Preference shares, Series 2 in whole or in part, at the Company's option at $25.00 if redeemed thereafter, in each case together with all declared and unpaid dividends.

On and after October 17, 2011, the Company may convert all or any part of the outstanding First Preference shares, Series 2 into that number of common shares determined by dividing by the then applicable redemption price, together with all declared and unpaid dividends to the date of conversion, by the greater of $1.00 and 95% of the weighted average trading price of the common shares on the Toronto Stock Exchange for the 20 consecutive trading days ending on the fourth day prior to the conversion date.

(c) The First Preference shares, Series 3, are entitled, if and when declared, to fixed non-cumulative preferential cash dividends at a rate equal to $1.375 per share per annum. First Preference shares, Series 3 will not be redeemable prior to April 17, 2017. On and after April 17, 2017, the Company may redeem for cash the First Preference shares, Series 3 in whole or in part, at the Company's option for: $26.00 per share if redeemed on or after April 17, 2017 and prior to April 17, 2018; $25.75 per share if redeemed on or after April 17, 2018 and prior to April 17, 2019; $25.50 per share if redeemed on or after April 17, 2019 and prior to April 17, 2020; $25.25 per share if redeemed on or after April 17, 2020 and prior to April 17, 2021; and $25.00 per share if redeemed on or after April 17, 2021, in each case together with all declared and unpaid dividends to but excluding the date of redemption.

On and after April 17, 2017, the Company may convert all or any part of the outstanding First Preference shares, Series 3 into that number of common shares determined by dividing by the then applicable redemption price, together with all declared and unpaid dividends to the date of conversion, by the greater of $1.00 and 95% of the weighted average trading price of the common shares on the Toronto Stock Exchange for the 20 consecutive trading days ending on the fourth day prior to the conversion date.

Dividends paid during the year are as follows:

	2015	2014
First Preference shares, Series 1, $1.325 per share	$ 5,300	$ 5,300
First Preference shares, Series 2, $1.1875 per share	4,750	4,750
First Preference shares, Series 3, $1.375 per share	5,500	5,500
Common shares, $0.50 per share	2,010	2,010
Total	$ 17,560	$ 17,560

When calculated on the basis of the Adjusted Common Shares, the total common dividend is $1,963 (2014 - $1,963).

(all dollar figures expressed in thousands of dollars, except per share amounts)

The following dividends were declared by the Board of Directors at their meeting on March 2, 2016, with a record and payable date of April 1, 2016 and April 15, 2016, respectively:

- First Preference shares, Series 1, $0.33125 per share;
- First Preference shares, Series 2, $0.296875 per share;
- First Preference shares, Series 3, $0.34375 per share;
- Series A Preference shares, $0.125 per share; and
- Common shares, $1.25 per share.

16. Reinsurance

In the normal course of business, Empire Life cedes reinsurance to other insurers in order to limit exposure to significant losses. Reinsurance does not relieve the insurance subsidiary of its primary liability as the originating insurer. Reinsurance agreements typically renew annually and the terms and conditions are reviewed by senior management and reported to the insurance subsidiary's Board. Reinsurance agreements are negotiated with reinsurance companies that have an independent credit rating of "A-" or better and that Empire Life considers credit-worthy. Based on ongoing monitoring, the insurance subsidiary assesses the credit risk associated with the reinsurance recoverable to be insignificant.

Most of Empire Life's individual life reinsurance (with the exception of its renewable term products) is on an excess basis (with a $500 retention limit), meaning Empire Life retains 100% of the risk up to $500 in face amount. With Empire Life's renewable term products, however, all amounts over $100 are reinsured at an 80% level, meaning that Empire Life retains only 20% of the risk on coverage over $100, to a maximum retention of $500. In addition Empire Life also retains a maximum of $100 on individual accidental death policies. Retention amounts are lower for group business but are in addition to those noted for individual business. A portion of Empire Life's segregated fund death benefit exposure is reinsured. All Empire Life segregated fund policyholders with death benefit guarantees of at least $2 million are included in this agreement.

As a result of this reinsurance strategy, Empire Life utilizes lower than average levels of reinsurance, compared to Canadian competitors, and absorbs the resultant negative impact on short-term earnings due to additional sales strain. Empire Life does not have any assumed reinsurance business.

17. Operating expenses

Operating expenses include the following:

	2015	2014
Salary and benefits expense	$ 87,353	$ 88,893
Rent, leasing and maintenance	11,290	10,473
Professional services	20,213	15,527
Amortization of assets	5,584	6,260
Other	50,881	50,896
Total	$ 175,321	$ 172,049

(all dollar figures expressed in thousands of dollars, except per share amounts)

18. Income taxes

Income taxes are assessed on net income before income taxes. The effective tax rate varies from the combined statutory rate as follows:

	2015	2014
Income taxes at statutory rate	$ 214,430	$ 154,234
Variance as a result of:		
Tax-paid dividends	(13,056)	(11,056)
Non-taxable portion of gains	(78,537)	(49,161)
Net refundable dividend taxes	(218)	(34)
Other	924	(2,917)
Income tax expense	$ 123,543	$ 91,066

The current enacted corporate tax rates as they impact the Company in 2015 stand at 26.5% (2014 - 26.5%).

The Company's income tax expense includes provisions for current and deferred taxes as follows:

	2015	2014
Current	$ 69,660	$ 57,101
Deferred	53,883	33,965
Income tax expense	$ 123,543	$ 91,066

In certain instances the tax basis of assets and liabilities differs from the carrying amount. These differences which will give rise to deferred income taxes are reflected in the consolidated statements of financial position as follows:

	2015	2014
Deferred tax liabilities		
Investments	$ (246,836)	$ (195,492)
Insurance contract liabilities	(8,485)	(10,479)
Losses recoverable in future years	2,847	6,011
Post-employment benefit plans	6,339	4,875
Other	3,786	5,881
Total	$ (242,349)	$ (189,204)

Of the above total, $237,140 (2014 - $189,734) is expected to be paid more than one year after the reporting date.

Deferred tax expense included in net income represents movements on the following items:

	2015	2014
Investments	$ 51,344	$ 25,259
Insurance contract liabilities	(1,994)	(819)
Losses recoverable in future years	3,164	10,931
Post-employment benefit plans	(1,464)	28
Other	2,095	1,320
Net change	$ 53,145	$ 36,719
Net change reported in:		
Consolidated statements of income	$ 53,883	$ 33,965
Other comprehensive (loss) income	(738)	2,754
Net change	$ 53,145	$ 36,719

During 2015, the Company and its subsidiaries paid income tax installments and assessments totaling $61,235 (2014 - $90,966) and received income tax refunds totaling $3,826 (2014 - $5,120).

(all dollar figures expressed in thousands of dollars, except per share amounts)

19. Earnings per share ("EPS")

Earnings per share has been calculated by dividing net income (loss) attributed to equity shareholders of the Company for the year, less dividends on First Preference shares, by the amount equal to the total number of Adjusted Common Shares outstanding of 4,019,667 less 92,754 (2014 - 92,754), which is the Company's proportionate interest in its own common shares held indirectly through its associate, Economic.

The following is a reconciliation of the numerators and the denominators of the basic and diluted earnings per common share computations:

	2015	2014
Basic earnings per common share:		
Net income available to shareholders	$ 534,609	$ 394,530
Less: Dividends on First Preference shares	(15,550)	(15,550)
Net income after dividends on First Preference shares	$ 519,059	$ 378,980
Weighted average number of Adjusted Common Shares outstanding	3,926,913	3,926,913
Basic earnings per common share from net income	$ 132.18	$ 96.51
Diluted earnings per common share:		
Net income available to shareholders	$ 534,609	$ 394,530
Weighted average number of Adjusted Common Shares outstanding	3,926,913	3,926,913
Dilutive effect of the conversion of First Preference shares into common shares	464,612	454,011
Weighted average number of diluted Adjusted Common Shares outstanding	4,391,525	4,380,924
Diluted earnings per common share from net income	$ 121.74	$ 90.06

20. Other comprehensive (loss) income

The following table summarizes the changes in the components of (OCL) OCI, net of income taxes:

	2015	2014
Items that may be reclassified subsequently to net income:		
Net unrealized fair value (decrease) increase on available for sale investments		
Unrealized fair value increase on AFS investments	$ 37,734	$ 58,719
Less: Realized gain on AFS investments reclassified to net income	(48,124)	(22,493)
	(10,390)	36,226
Net gain on derivatives designated as cash flow hedges	—	233
Share of (OCL) OCI of associates	(1,551)	2,763
	(11,941)	39,222
Items that will not be reclassified to net income:		
Net remeasurement of defined benefit plans	(3,137)	3,182
Share of employee future benefits of associates	34	(1,963)
	(3,103)	1,219
(OCL) OCI, net of income taxes	$ (15,044)	$ 40,441

(OCL) OCI is presented net of income taxes.

(all dollar figures expressed in thousands of dollars, except per share amounts)

The following income tax amounts are included in each component of (OCL) OCI.

	2015	2014
Items that may be reclassified subsequently to net income:		
Net unrealized fair value (decrease) increase on available for sale investments		
Unrealized fair value increase on AFS investments	$ 6,628	$ 16,949
Less: Realized gain on AFS investments reclassified to net income	(10,430)	(5,711)
	(3,802)	11,238
Net gain on derivatives designated as cash flow hedges	—	111
Share of (OCL) OCI of associates	(237)	421
	(4,039)	11,770
Items that will not be reclassified to net income:		
Net remeasurement of defined benefit plans	(1,137)	1,147
Share of employee future benefits of associates	5	(301)
	(1,132)	846
Total income tax (recovery) expense in (OCL) OCI	$ (5,171)	$ 12,616

21. Commitments

The Company has entered into various operating leases as lessee for office space and certain computer and other equipment. Operating lease payments recognized as an expense in 2015 were $2,504 (2014 - $2,403). The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2015	2014
2015	$ —	$ 3,178
2016	3,374	2,828
2017	2,779	2,586
2018	2,501	2,308
2019	2,419	2,234
2020 (and thereafter)	814	732
Total commitments	$ 11,887	$ 13,866

In the normal course of business, investment commitments are outstanding which are not reflected in the consolidated financial statements. At December 31, 2015 there were $nil (2014 - $8,942) of outstanding cash calls to purchase units in a real estate limited partnership. On July 9, 2015, the 2014 commitment was settled with the purchase of additional units for $8,942.

In January 2016, Empire Life made a further $20 million commitment to purchase units in a real estate limited partnership. Draws on this commitment are payable on demand up to and including July 31, 2018.

22. Investment risk management

The objective of the Company's risk management process is to ensure that the operations of the Company encompassing risk are consistent with the Company's objectives and risk tolerance, while maintaining an appropriate risk/reward balance. The Company is exposed to financial risks arising from its investing activities. For investment risks, the Company is exposed to credit risk, liquidity risk and various market risks including interest rate risk, market price fluctuations and foreign currency risk.

The disclosures in Notes 4, 5 and 6 provide the breakdown of investments by type and by geographic region based on the underlying risk. The fair values of these investments are inherently volatile and frequently change in value as a result of factors beyond the Company's control, including general economic and capital market conditions.

(all dollar figures expressed in thousands of dollars, except per share amounts)

E-L Corporate

E-L Corporate owns investments in equities and fixed income securities directly and indirectly through pooled funds and other investment companies.

In addition to the investments in equities and fixed income securities, the E-L Corporate segment includes the net assets of United, a closed-end investment subsidiary and significant investments in Economic, also a closed-end investment company and Algoma, a shipping company, which are accounted for as investments in associates.

The Company maintains a strategy of long-term growth through investments in common equities. The externally managed portfolios of equities and fixed income securities have mandates in which the manager's performance is evaluated. Their performance is reviewed by management on a monthly basis, evaluating performance over a period of time relative to their mandate. On a quarterly basis, the Board of Directors reviews the E-L Corporate investment portfolio, including investment performance benchmarked against the relevant indices, exposure by geographic distribution, investment concentration and significant movements in the investment portfolios during the period.

Empire Life

The investments held by Empire Life consist of equity and fixed income securities, mortgages and loans. Declines in investment values could significantly reduce Empire Life's net income, shareholder's equity and the adequacy of their regulatory capital. Empire Life has investment policy guidelines in place that provide for prudent investment in equity markets within clearly defined limits. Investing activities are subject to the Insurance Companies Act (Canada) and to Investment Guidelines established by the Investment Committee of the individual company's Board of Directors. Empire Life's Investment Guidelines define objectives and eligible investments and impose constraints to limit concentration and other portfolio risks. Investment portfolio managers report quarterly to the Investment Committee on portfolio content, performance and outlook. Management monitors and reports to the Investment Committee each quarter regarding compliance with the investment guidelines.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes a financial loss to another party. The gross credit risk exposure for the Company related to its financial instruments is as follows:

	2015	2014
Cash and cash equivalents	$ 306,546	$ 316,811
Short-term investments	51,883	238,405
Bonds	5,193,439	4,958,086
Preferred shares	195,738	197,237
Derivative assets	14,649	3,375
Mortgages	289,221	323,117
Reinsurance	94,922	99,707
Loans on policies	46,925	46,434
Policy contract loans	84,921	86,698
Accrued investment income	29,064	28,127
Premiums receivables	25,099	25,213
Total	$ 6,332,407	$ 6,323,210

Mortgages, loans on policies, policy contract loans and commercial loans are fully or partially secured. The Company has made provisions in its consolidated statements of financial position for credit losses. Provisions have been made partly through reduction in the value of the assets and partly through a provision in insurance contract liabilities.

(all dollar figures expressed in thousands of dollars, except per share amounts)

Within the E-L Corporate segment, the Company has a securities lending agreement with its custodian, RBC Investor Services Trust (RBC IS), whereby RBC IS lends securities to borrowers for a fee, which is shared with the Company. RBC IS receives fixed income and equities as collateral from borrowers, of at least 105% of the value of the securities loaned. In the event that the loaned securities are not returned to the Company by the borrower, RBC IS is responsible to restore the securities or pay to the Company the market value of the loaned securities. If the collateral is not adequate to pay the market value to the Company, RBC IS indemnifies the Company for the difference. The Company has recourse to the Royal Bank of Canada should RBC IS fail to discharge is obligations to the Company. At December 31, 2015 the Company had loaned securities with a fair value of approximately $556,434 (2014 - $79,360) and received approximately $584,257 (December 31, 2014 - $83,329) in collateral.

There was no significant exposure to credit risk to other receivable balances because of their short-term nature.

Concentration of credit risk

The following table discloses the holdings of fixed income securities in the ten issuers, excluding the federal governments, to which the operating segments had the greatest exposure, as well as exposure to the largest single issuer of corporate bonds:

	E-L Corporate		Empire Life	
	2015	2014	2015	2014
Holdings of fixed income securities* in the ten issuers (excluding federal governments) to which the operating segments had the greatest exposure	$ 18,231	$ 100,606	$ 3,480,719	$ 3,242,685
Percentage of the segment's total cash and investments	0.4%	2.6%	50.8%	49.0%
Exposure to the largest single issuer of corporate bonds	$ nil	$ nil	$ 151,859	$ 131,066
Percentage of the segment's total cash and investments	0.0%	0.0%	2.2%	2.0%

* Fixed income securities include bonds and debentures, preferred shares and short term investments.

a) Investments in bonds and debentures

	2015		2014	
Empire Life	Fair value	% of Fair value	Fair value	% of Fair value
AAA	$ 308,435	6%	$ 269,223	5%
AA	524,546	10%	1,395,341	28%
A	3,628,158	70%	2,578,045	53%
BBB	731,738	14%	714,717	14%
BB	562	0%	760	0%
Total	$ 5,193,439	100%	$ 4,958,086	100%

Credit ratings are normally obtained from Standard & Poor's ("S&P") and Dominion Bond Rating Service ("DBRS"). In the event of a split rating, the lower rating is used. Issues not rated by a recognized rating agency (i.e. S&P, DBRS, or Moody's) are rated internally by Empire Life's Investment Department. The internal rating assessment is documented referencing suitable comparables rated by recognized rating agencies and/or methodologies used by recognized rating agencies.

b) Preferred shares

Empire Life's preferred share investments are all issued by Canadian companies with 4% (2014 – 10%) of these investments rated as P1 as at December 31, 2015 and the remaining 96% (2014 – 90%) rated as P2.

(all dollar figures expressed in thousands of dollars, except per share amounts)

c) Mortgages and policy contract loans

Empire Life's mortgages in the province of Ontario represent the largest concentration with $288,622 or 99% (2014 – $320,262 or 99%) of the total mortgage portfolio.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's liquidity risk management strategy is to ensure that there will be sufficient cash to meet all financial commitments and obligations as they become due.

E-L Corporate:

The majority of the Corporate Investment's obligations relate to its ability to pay annual dividend commitments of $17,560 (2014 - $17,560) and to meet ongoing operating expenses as they fall due. In most years, the Company is able to fund these obligations by its cash flow from net investment income earned on its investment portfolio. In addition to this, the Company maintains sufficient liquidity through holding short term investments, cash equivalents and high quality marketable investments that may easily be sold, if necessary to fund new investment opportunities and to meet any operating cash flow deficiencies.

Composition of E-L Corporate's liquidity:

	2015	2014
Cash and cash equivalents	$ 106,776	$ 77,709
Short-term investments	18,231	211,513
Total	$ 125,007	$ 289,222

Empire Life:

The majority of Empire Life's obligations relate to its policy liabilities the duration of which varies by line of business and expectations relating to key policyholder actions or events (i.e. cash withdrawal, mortality, morbidity). The remaining obligations of Empire Life relate to its subordinated debt (refer to Note 12 - subordinated debt) and ongoing operating expenses as they fall due, which are expected to settle in a very short period of time.

The actuarial and other policy liability amounts are based on the present value of the estimated cash flows. Due to the use of assumptions, actual cash flows will differ from these estimates.

(all dollar figures expressed in thousands of dollars, except per share amounts)

The expected maturity profile of Empire Life's significant undiscounted financial liabilities and contractual commitments as at December 31 are shown in the following tables:

2015	1 year or less	1 - 5 years	5 - 10 years	Over 10 years	Total
Insurance contract liabilities	$ 90,776	$ 191,264	$ 473,493	$ 17,495,346	$ 18,250,879
Investment contract liabilities	2,263	6,061	3,468	3,373	15,165
Subordinated debt	8,610	24,210	311,238	—	344,058
Other liabilities	168,734	6,050	23,174	—	197,958
Total liabilities	270,383	227,585	811,373	17,498,719	18,808,060
Operating lease commitments	2,662	6,476	—	—	9,138
Total	$ 273,045	$ 234,061	$ 811,373	$ 17,498,719	$ 18,817,198

2014	1 year or less	1 - 5 years	5 - 10 years	Over 10 years	Total
Insurance contract liabilities	$ 150,297	$ 186,989	$ 418,045	$ 15,967,863	$ 16,723,194
Investment contract liabilities	1,983	6,739	3,964	3,189	15,875
Subordinated debt	8,610	30,094	320,039	—	358,743
Other liabilities	164,583	6,461	17,560	—	188,604
Total liabilities	325,473	230,283	759,608	15,971,052	17,286,416
Operating lease commitments	2,466	7,322	679	—	10,467
Total	$ 327,939	$ 237,605	$ 760,287	$ 15,971,052	$ 17,296,883

The Asset-Liability Management Committee, which meets regularly, monitors the matched position of Empire Life's investments in relation to its liabilities within the various segments of its operations. The matching process is designed to require that assets supporting policy liabilities closely match, to the extent possible, the timing and amount of policy obligations, and to plan for the appropriate amount of liquidity in order to meet its financial obligations as they fall due. Empire Life maintains a portion of its investments in short term investments and cash equivalents to meet its short term funding requirements. As of December 31, 2015, 3.4% (2014 - 4.0%) of cash and investments were held in these shorter duration investments.

The following table provides bonds by contractual maturity (using the earliest contractual maturity date):

	2015		2014	
	Fair value	% of fair value	Fair value	% of fair value
1 year or less	$ 66,769	1%	$ 106,297	2%
1 - 5 years	560,124	11%	671,657	14%
5 - 10 years	571,599	11%	489,124	10%
Over 10 years	3,994,947	77%	3,691,008	74%
Total	$ 5,193,439	100%	$ 4,958,086	100%

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is directly influenced by the volatility and liquidity in the markets in which the related financial instruments are traded, expectations of future price and yield movements and the composition of the Company's investment portfolio. For the Company, the most significant market risks are interest rate risk, market price fluctuations and foreign currency risk.

a) 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. Changes in interest rates can result from many factors including general market volatility, or specific social, political or economic events. Changing interest rates have a direct impact on the fair value of the E-L Corporate and Empire Life's fixed income investments, which total $5.2 billion at December 31, 2015 (2014 - $5.0 billion) on a consolidated basis. Rising interest rates will lead to declines in the fair value of these investments and falling interest rates will lead to increases in the fair value of these investments.

(all dollar figures expressed in thousands of dollars, except per share amounts)

Empire Life

Empire Life has interest rate risk in its investments and in its products. Certain of Empire Life's product offerings contain guarantees and, if long-term interest rates fall below those guaranteed rates, Empire Life may be required to increase policy liabilities against losses, thereby adversely affecting its operating results. Interest rate changes can also cause compression of net spread between interest earned on investments and interest credited to customers; thereby adversely affecting Empire Life's operating results.

Rapid declines in interest rates may result in, among other things, increased asset calls, and mortgage prepayments and require reinvestment at significantly lower yields, which could adversely affect earnings. Additionally, during periods of declining interest rates, bond redemptions generally increase, resulting in the reinvestment of such funds at lower current rates. Rapid increases in interest rates may result in, among other things, increased surrenders. Fluctuations in interest rates may cause losses to Empire Life due to the need to reinvest or divest during periods of changing interest rates, which may force Empire Life to sell investment assets at a loss. In addition, an interest rate sensitivity mismatch between assets and the liabilities that they are designated to support could have an adverse effect on Empire Life's financial position and operating results.

The following tables summarize the estimated immediate financial impact on net income and OCI as a result of an immediate change in interest rates:

2015	50 bps increase	100 bps increase	50 bps increase	100 bps increase
Shareholders' net income	$ 8,571	$ (9,622)	$ 16,218	$ (20,443)
Shareholders' OCI	(29,435)	34,110	(54,194)	72,895

2014	50 bps increase	100 bps increase	50 bps increase	100 bps increase
Shareholders' net income	$ 6,421	$ (7,211)	$ 12,147	$ (15,323)
Shareholders' OCI	(16,668)	18,926	(31,075)	40,103

The impact of a change in future interest rate assumptions can be found in Note 23.

b) Market price fluctuations

The Company maintains a strategy of long-term growth through investments in common equities as management believe that over long periods of time, common equities, as an asset class, will outperform fixed income instruments or balanced funds. The Company regularly reviews its portfolio and, while expecting and tolerating the volatility associated with such investments, attempts to mitigate its exposure to this risk through diversification.

Empire Life manages market price risk exposure mainly through investment limits. The Investment Committee of Empire Life meets quarterly to review the composition and performance of managed assets.

E-L Corporate

The following table summarizes the potential impact on E-L Corporate of a change in global equity markets. E-L Corporate used a 10% and 20% increase or decrease in equity markets as such a change is considered to be a reasonably possible change in equity markets based on historic results and is a useful comparator as it is commonly used.

(all dollar figures expressed in thousands of dollars, except per share amounts)

The calculations below assume that all other variables are held constant and that all of E-L Corporate's equities move according to a one-to-one correlation with the equity markets.

	2015		2014	
	Effect on shareholders' net income	Effect on shareholders' OCI	Effect on shareholders' net income	Effect on shareholders' OCI
Corporate Investments:				
Investments - corporate				
10% fluctuation	$ 282,199	$ 11,081	$ 243,842	$ 13,536
20% fluctuation	$ 564,398	$ 22,162	$ 487,684	$ 27,072
Investments in associates				
10% fluctuation	$ 13,294	$ —	$ 12,187	$ —
20% fluctuation	$ 26,588	$ —	$ 24,374	$ —

Empire Life

Empire Life has risks related to global equity markets in its investments and in its products. The risk of fluctuation of the market value of Empire Life's segregated funds is generally assumed by the policyholders. Market value variations of such assets will result in variations in the income of Empire Life to the extent fees are determined in relation to the value of such funds. A significant and steady decline of the securities markets may result in net losses on such products which could adversely affect Empire Life. Additionally, certain of Empire Life's segregated fund products contain guarantees upon death, maturity, or withdrawal, where the guarantee may be triggered by the market performance of the underlying funds. If a significant market decline is experienced, the resulting increased cost of providing these guarantees could have an adverse effect on Empire Life's financial position, Minimum Continuing Capital and Surplus Requirements ("MCCSR") position, and results of operations. Empire Life has reinsured a portion of its segregated fund death benefit guarantee. During the fourth quarter of 2014, Empire Life initiated a semistatic hedging program. The objective of the hedging program is to partially protect Empire Life from possible future MCCSR ratio declines that might result from adverse stock market price changes.

Empire Life buys investment quality bonds to support, to a very large extent, the liabilities under the insurance and annuity policies of Empire Life. Cash flows arising from these investments are intended to match the liquidity requirements of Empire Life's policy liabilities, within the limits prescribed by Empire Life. However, if Empire Life does not achieve the expected returns underlying the pricing of its products, its operating results may be adversely affected.

The following table summarizes the potential impact on Empire Life of a change in global equity markets. Empire Life uses a 10% increase or decrease in equity markets as a reasonably possible change in equity markets. Empire Life has also disclosed the impact of a 20% increase or decrease in its equity market sensitivity. For insurance operations, the effect on shareholders' net income includes the impact on FVTPL equity investments, segregated fund management fees and the impact on policy liabilities (other than segregated fund guarantee policy liabilities). For segregated fund guarantee policy liabilities the level of sensitivity is highly dependent on the level of the stock market at the time of performing the estimate. If period end equity markets are high relative to market levels at the time that segregated fund policies were issued, the sensitivity is reduced. If period end equity markets are low relative to market levels at the time that segregated fund policies were issued, the sensitivity is increased.

(all dollar figures expressed in thousands of dollars, except per share amounts)

The amounts shown below for segregated fund guarantee policy liabilities represent the impact on shareholders' net income.

	2015		2014	
	Effect on shareholders' net income	Effect on shareholders' OCI	Effect on shareholders' net income	Effect on shareholders' OCI
Empire Life				
10% increase	$ 11,710	$ 2,124	$ 11,582	$ 1,681
10% decrease	$ (6,735)	$ (2,124)	$ (10,585)	$ (1,681)
20% increase	$ 26,828	$ 4,248	$ 23,595	$ 3,362
20% decrease	$ (8,886)	$ (4,248)	$ (19,479)	$ (3,362)
Segregated fund guarantees				
10% increase (decrease)	$ nil	$ nil	$ nil	$ nil
20% increase	$ nil	$ nil	$ nil	$ nil
20% decrease	$ (9,951)	$ nil	$ nil	$ nil

Concentration of common equity holdings

E-L Corporate's largest exposure to common equities relates to its investment in associates of $328,389 (2014 – $301,228) which represents 7% (2014 – 7%) of E-L Corporate's total assets.

Empire Life	2015	2014
Exposure to the ten largest common share holdings	$ 286,544	$ 279,662
As a percentage of the segment's total cash and investments	4.2%	4.2%
Exposure to the largest single issuer of common shares	$ 60,396	$ 47,512
As a percentage of the segment's total cash and investments	0.9%	0.7%

c) Foreign currency risk

Foreign currency risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in exchange rates and create an adverse effect on earnings and equity when measured in the Company's functional currency.

The Company's exposure to foreign currency is limited to its investments in common shares and units. The U.S. dollar represents the largest currency exposure. In addition, the Company has exposure to several currencies worldwide, reflecting the global diversity of its non-Canadian portion of its investments. These investments are managed by third party investment managers, with decisions regarding exposure to currency risk being part of the investment manager's strategy.

For E-L Corporate a 10% fluctuation in the U.S. dollar would have a $140,262 (2014 – $113,230) impact on shareholders' net income and a $6,757 (2014 – $10,696) impact on other comprehensive income. Empire Life has no exposure to U.S. dollars for the year ended December 31, 2015 and 2014.

23. Insurance risk management

The objective of the Company's risk management process is to ensure that the operations of the Company encompassing risk are consistent with the Company's objectives and risk tolerance, while maintaining an appropriate risk/reward balance. The Company is exposed to insurance risks through its insurance subsidiary.

The Company and Empire Life have created Risk Management Policies. Oversight and management of the policies falls under the authority of senior management, Risk Management Committees, where applicable, and the Board of Empire Life.

(all dollar figures expressed in thousands of dollars, except per share amounts)

Empire Life provides a broad range of life insurance, health insurance and wealth management products, employee benefit plans, and financial services that are concentrated by segment as follows:

(millions of dollars)	Wealth Management		Employee Benefits		Individual Insurance		Capital & Surplus		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Net premium income	$ 144	$ 186	$ 325	$ 319	$ 366	$ 362	$ —	$ —	$ 835	$ 867
Fee and other income	206	178	9	9	2	1	—	—	217	188
Total revenues	$ 350	$ 364	$ 334	$ 328	$ 368	$ 363	$ —	$ —	$ 1,052	$ 1,055

Insurance risk is the risk that actual experience related to claims, benefit payments, expenses, cost of embedded product options and cost of guarantees associated with insurance risks, does not emerge as expected. Empire Life is exposed to various insurance risks as a result of the business it writes, including: mortality, policyholder behaviour (termination or lapse), expenses, morbidity, longevity, product design and pricing risk, underwriting and claims risk and reinsurance risk.

Empire Life regularly evaluates its exposure to foreseeable risks through stress testing to changes including Dynamic Capital Adequacy Testing ("DCAT") analysis.

The principal risk Empire Life faces under insurance contracts is the risk that experience on claims, policy lapses and operating expenses will not emerge as expected. To the extent that emerging experience is more favourable than assumed in the valuation, income will emerge. If emerging experience is less favourable, losses will result. Therefore, the objective of Empire Life is to establish sufficient insurance liabilities to cover these obligations with reasonable certainty.

The computation of insurance liabilities and related reinsurance recoverable requires “best estimate” assumptions covering the remaining life of the policies. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market trends and other published information. These assumptions are made for mortality, morbidity, investment returns, lapse, expenses, inflation and taxes. Due to the long-term risks and measurement uncertainties inherent in the life insurance business, a margin for adverse deviations from best estimates is calculated separately for each variable and included in policy liabilities. These margins are intended to allow for possible deterioration in experience and to provide greater confidence that policy liabilities are adequate to pay future benefits. The effect of these margins is to increase policy liabilities over the best estimate assumptions.

The margins for adverse deviation used by Empire Life are within the target range established by the Canadian Institute of Actuaries ("CIA"). A correspondingly larger margin is included in the insurance contract liabilities if an assumption is susceptible to change or if there is more uncertainty about the best estimate assumption. Each margin is reviewed annually for continued appropriateness.

Policy liability assumptions are reviewed and updated at least annually by Empire Life's appointed Actuary, and the impact of changes in those assumptions is reflected in earnings in the year of the change. The methods for arriving at the most important of these assumptions are outlined below. Also included are measures of Empire Life’s estimated shareholders’ net income sensitivity to changes in best estimate assumptions in the non-participating insurance liabilities, based on a starting point and business mix as of December 31, 2015. For participating business it is assumed that changes will occur in policyholder dividend scales corresponding to changes in best estimate assumptions such that the net change in participating insurance contract liabilities is immaterial.

Mortality

Empire Life carries out annual internal studies of its own mortality experience. The valuation mortality assumptions are based on a combination of this experience and recent CIA industry experience. An increase in the rate of mortality will lead to a larger number of claims (and claims could occur sooner than anticipated), which for life insurance, will increase expenditures and reduce profits for the shareholders.

For non-participating insurance business, a 2% increase in the best estimate mortality assumption would increase policy liabilities thereby decreasing shareholders' net income by approximately $11,800 (2014 - $9,500).

For annuity business, lower mortality is financially adverse so a 2% decrease in the best estimate mortality assumption would increase policy liabilities thereby decreasing shareholders' net income by approximately $4,500 (2014 - $3,300).

Policyholder behaviour (termination or lapse)

Policy termination (lapse) and surrender assumptions are based on a combination of Empire Life's own internal termination studies (conducted annually) and recent CIA industry experience. Separate policy termination assumptions are used for permanent cash-value business, for renewable term insurance, term insurance to age 100 and for universal life insurance. In setting policy termination rates for renewable term insurance, it is assumed that an increase in lapses will occur at each renewal point, and that healthy policyholders are more likely to lapse at that time than those who have become uninsurable.

Acquisition costs may not be recovered fully if lapses in the early policy years exceed those in the actuarial assumptions. An increase in policy termination rates early in the life of the policy would tend to reduce profits for shareholders. An increase in policy termination rates later in the life of the policy would tend to increase profits for shareholders if the product is lapse supported (such as term insurance to age 100), but decrease shareholder profits for other types of policies.

For non-participating insurance and annuity business a 10% adverse change in the lapse assumption would result in an increase to policy liabilities thereby decreasing shareholders' net income by approximately $112,600 (2014 - $91,000). For products where fewer terminations would be financially adverse to Empire Life, the change is applied as a decrease to the lapse assumption. Alternatively, for products where more terminations would be financially adverse to Empire Life, the change is applied as an increase to the lapse assumption.

Expenses

Policy liabilities provide for the future expense of administering policies in force, renewal commissions, general expenses, and taxes. Expenses associated with policy acquisition and issue are specifically excluded. The future expense assumption is derived from internal cost studies and includes an assumption for inflation.

An increase in the level of expenses would result in an increase in expenditure thereby reducing profits for the shareholders.

For non-participating insurance business and annuity business combined, a 5% increase in the maintenance expense assumption would result in an increase to policy liabilities thereby reducing shareholders' net income by approximately $5,500 (2014 - $4,700).

Morbidity

Empire Life carries out annual internal studies of its own morbidity experience where morbidity refers to both the rates of accident or sickness and the rates of recovery from the accident or sickness. The valuation assumptions are based on a combination of internal experience and recent CIA industry experience.

For individual critical illness business the incidence rates (or rates of accident or sickness) are the key assumption related to morbidity. An increase in incidence rates would result in an increase in the number of claims which increases expenditures and reduces shareholders' profits. For group long-term disability business the termination rates (or rates of recovery) are the key assumption related to morbidity. A decrease in termination rates would result in disability claims persisting longer which increases expenditures.

For non-participating insurance business where the morbidity is a significant assumption, a 5% adverse change in the assumption would result in an increase to policy liabilities thereby reducing shareholders' net income by approximately $6,300 (2014 - $5,200).

Product design and pricing risk

Empire Life is subject to the risk of financial loss resulting from transacting insurance business where the costs and liabilities assumed in respect of a product exceed the expectations reflected in the pricing of the product. This risk may be due to an inadequate assessment of market needs, a poor estimate of the future experience of several factors, such as mortality, morbidity, lapse experience, future returns on investments, expenses and taxes, as well as the introduction of new products that could adversely impact the future behaviour of policyholders.

For certain types of contracts, all or part of this risk may be shared with or transferred to the policyholder through dividends and experience rating refunds, or through the fact that Empire Life can adjust the premiums or future benefits if experience turns out to be different than expected. For other types of contracts, Empire Life assumes the entire risk, and thus must carry out a full valuation of the commitments in this regard.

Empire Life manages product design and pricing risk through a variety of enterprise-wide programs and controls. The key programs and controls are described below. Empire Life has established policy liabilities in accordance with standards set forth by the CIA. Experience studies (both company-specific and industry level) are factored into ongoing valuation, renewal and new business processes so that policy liabilities , as well as product design and pricing, take into account emerging experience. Empire Life has established an active capital management process that includes a Capital Management Policy and capital management levels that exceed regulatory minimums. As prescribed by regulatory authorities, the Appointed Actuary conducts DCAT and reports annually to Empire Life's Audit Committee on Empire Life's financial condition, outlining the impact on capital levels should future experience be adverse. Empire Life has also developed a Product Design and Pricing Risk Management Policy for each of its major product lines. This policy, which is established by management and approved by Empire Life's Board of Directors, defines Empire Life's product design and pricing risk management philosophy. The policy sets out product design and pricing approval authorities, product concentration limits, and required product development and monitoring processes and controls.

Underwriting and claims risk

Empire Life is subject to the risk of financial loss resulting from the selection and underwriting of risks to be insured and from the adjudication and settlement of claims. Many of Empire Life's individual insurance and group disability products provide benefits over the policyholder's lifetime. Actual claims experience may differ from the mortality and morbidity assumptions used to calculate the related premiums. Catastrophic events such as earthquakes, acts of terrorism or an influenza pandemic in Canada could result in adverse claims experience.

In addition to the risk management controls described above under Product Design and Pricing Risk, Empire Life also manages underwriting and claims risk through its Underwriting and Liability Risk Management Policy for each of its major product lines. This policy is established by management and approved by Empire Life's Board of Directors. Together, these policies define Empire Life's underwriting and claims management philosophy. These policies also set out product line insurance risk tolerances, underwriting criteria, underwriting and liability concentration limits, claims approval requirements, underwriting and claims processes and controls, approval authorities and limits, and ongoing risk monitoring requirements. Empire Life uses reinsurance to mitigate excessive exposure to adverse mortality and morbidity experience. Management reviews and establishes retention limits for its various product lines in the underwriting and liability management policy and the Board approves changes to these retention limits.

Reinsurance risk

Empire Life is subject to the risk of financial loss due to improper reinsurance coverage or a default of a reinsurer. Amounts reinsured per life vary according to the type of protection and the product. Empire Life also maintains a catastrophe reinsurance program, which provides protection in the event that multiple insured lives perish in a common accident or catastrophic event. Although Empire Life relies on reinsurance to mitigate excessive exposure to adverse mortality and morbidity experience, reinsurance does not release it from its primary commitments to its policyholders and it is exposed to the credit risk associated with the amounts ceded to reinsurers. The availability and cost of reinsurance are subject to prevailing reinsurance market conditions, both in terms of price and availability, which can also affect earnings.

The Reinsurance Risk Management Policy establishes reinsurance objectives and limits, and requires ongoing evaluation of reinsurers for financial soundness. As reinsurance does not release a company from its primary commitments to its policyholders, an ongoing oversight process is critical. Empire Life's net exposure to claims, as a result of reinsurance coverage, is outlined in Note 16 - Reinsurance.

Empire Life does not have any material assumed reinsurance annual premium revenue and it does not reinsure Empire Life segregated fund guaranteed products or those issued by other insurance companies.

24. Guarantees and other contingencies

The Company's by-laws provide indemnification to its current and former directors, officers and employees to the extent permitted by law, against liabilities arising from their service to the Company. The broad general nature of these indemnifications does not permit a reasonable estimate of the maximum potential amount of any liability.

In connection with its operations, the Company is from time to time named as a defendant in actions for damages and costs allegedly sustained by plaintiffs. While it is not possible to estimate the outcome of the various proceedings at this time, the Company does not believe that it will incur any material loss or expense in connection with such actions.

The Company's subsidiary, Empire Life, operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material effect on the results and financial position of the subsidiary. In certain cases, the Company would have recourse against third parties with respect to the foregoing items and the Company also maintains insurance policies that may provide coverage against certain of these items.

The Company has agreed to indemnify the purchaser of The Dominion of Canada General Insurance Company for losses arising out of breaches of representations, warranties and covenants following closing of the sale on November 1, 2013. The indemnities survive for periods ranging from 21 months to 8 years, and in some limited cases with no term limitations. The Company has not recorded any liabilities with respect to these indemnities and while it is not possible to estimate the outcome of any such matters, the Company does not believe it will incur any material loss. The nature of the indemnifications does not permit a reasonable estimate of the maximum potential amount of any liability.

25. Related party transactions

The Company has investments in related parties which includes investments in associates of $328,389 (2014 - $301,228) and investments in other related parties within investments - corporate of $722,500 (2014 - $740,916). The ultimate controlling party of the Company and these related parties, is The Honourable Henry N.R. Jackman together with a trust created in 1969 by his father, Henry R. Jackman.

In addition the Company has an investment in a private company of $35,876 (2014 - $32,492) where one of the key management personnel is also a director of the Company.

(all dollar figures expressed in thousands of dollars, except per share amounts)

The Company received administrative service fees of $414 (2014 - $337) from related parties during the year.

Compensation of key management personnel

Key management personnel are comprised of the directors of the Company and their remuneration is as follows:

	2015	2014
Salaries and other short-term benefits	$ 1,202	$ 1,439
Post-employment benefits	112	179
Total	$ 1,314	$ 1,618

26. Subsidiaries

The principal subsidiaries are:

i) E-L Financial Services Limited (100.0% owned December 31, 2015 and 81.0% December 31, 2014), whose operating subsidiary is The Empire Life Insurance Company ("Empire" or "Empire Life") (99.2% owned December 31, 2015 and 80.5% December 31, 2014). Empire underwrites life and health insurance policies and provides segregated funds, and annuity products. Empire Life's (wholly-owned) mutual fund subsidiary, Empire Life Investments Inc. is a registered Investment Funds Manager.

ii) United Corporations Limited ("United") (51.5% owned) which is a closed-end investment company traded on the Toronto Stock Exchange under the symbol "UNC". United is an investment vehicle for long-term growth through investments in common equities. United has a reporting date of March 31, therefore, certain adjustments have been made for the purpose of inclusion in the Company's consolidated financial statements.

The following table summarizes the statements of financial position for the operating subsidiaries:

	Empire Life		United	
	2015	2014	2015	2014
NCI percentage	0.8%	19.5%	48.5%	48.5%
Cash and cash equivalents	$ 199,770	$ 239,102	$ 19,870	$ 17,005
Investments	6,659,265	6,430,296	1,590,388	1,321,516
Segregated funds	7,367,823	6,948,475	—	—
Other	136,686	110,668	5,410	3,940
Total assets	14,363,544	13,728,541	1,615,668	1,342,461
Insurance and investment contract liabilities	(4,809,924)	(4,725,088)	—	—
Reinsurance liabilities	(530,826)	(490,575)	—	—
Deferred tax	(7,910)	(8,243)	(70,724)	(47,041)
Subordinated debt	(299,112)	(298,763)	—	—
Segregated funds	(7,367,823)	(6,948,475)	—	—
Other	(196,032)	(195,118)	(2,590)	(749)
Total liabilities	(13,211,627)	(12,666,262)	(73,314)	(47,790)
Net assets	1,151,917	1,062,279	1,542,354	1,294,671
Less: Participating policyholders' interests	(52,837)	(60,040)	—	—
Preferred shareholders' interest	—	—	(7,747)	(7,747)
Net assets available to common shareholders	$ 1,099,080	$ 1,002,239	$ 1,534,607	$ 1,286,924
NCI - common shareholders	$ 8,045	$ 194,590	$ 750,575	$ 626,377
NCI - preferred shareholders	—	—	7,747	7,747
Total NCI	$ 8,045	$ 194,590	$ 758,322	$ 634,124

(all dollar figures expressed in thousands of dollars, except per share amounts)

On December 17, 2015, the Company acquired 19.0% of shares of E-L Financial Services Limited for a purchase price of $199,949. This increased the Company's interest in Empire Life to 99.2% (2014 - 80.5%). The following table summarizes the statements of income and comprehensive income:

	Empire Life		United	
For the year ended	2015	2014	2015	2014
Revenue	$ 1,286,928	$ 1,926,016	$ 324,743	$ 168,850
Net income	102,458	107,376	270,010	137,261
Other comprehensive income	(12,820)	32,789	—	—
Total comprehensive income	$ 89,638	$ 140,165	$ 270,010	$ 137,261
Total comprehensive income allocated to NCI	$ 18,884	$ 25,535	$ 131,063	$ 66,626
Dividends paid to NCI	$ —	$ 6,815	$ 11,032	$ 9,433

The following table summarizes the cash flows:

	Empire Life		United	
Summarized cash flows	2015	2014	2015	2014
Cash flows from operating activities	$ 148,566	$ 151,847	$ 12,930	$ 4,510
Cash flows from investing activities	$ (179,288)	$ 119,229	$ 12,262	$ 17,530
Cash flows from financing activities	$ (8,610)	$ (249,324)	$ (22,327)	$ (19,034)

Empire Life is registered under the *Insurance Companies Act*, Canada and is regulated by the Office of the Superintendent of Financial Institutions Canada (“OSFI”). Any dividends paid by Empire Life must comply with regulatory requirements.

Shareholders’ entitlement to $4,549 (2014 - $4,410) of shareholders’ equity is contingent upon future payment of dividends to participating Empire Life policyholders.

27. Capital management

The Company’s capital management process is designed to protect capital and build shareholder value over the long-term. Effective capital management includes maintaining sufficient liquidity to be able to pay dividends to the Company’s preferred shareholders, satisfy issuer credit ratings requirements, as well as providing flexibility to pursue strategic opportunities. Total capital on a consolidated basis at December 31, 2015, consisted of the Company's shareholders’ equity of $4,676,524 (2014 - $4,166,228), non-controlling interests in subsidiaries of $766,367 (2014 - $828,714) and participating policyholders’ interests of $52,837 (2014 - $60,040).

Empire Life manages its regulatory capital in order to meet the regulatory capital adequacy requirements of the Insurance Companies Act, Canada as established by OSFI. Under the guidelines established by OSFI, Empire Life’s regulatory capital consists of two tiers. Empire Life’s Tier 1 regulatory capital includes common shares, contributed surplus, retained earnings and participating policyholders’ equity. Tier 2 regulatory capital includes the accumulated unrealized gains on AFS equity securities, net of tax, subordinated debt, and negative reserves on insurance contract liabilities. OSFI’s supervisory target Tier 1 and total regulatory capital ratios for Canadian life insurance companies are 105% and 150% respectively. As at December 31, 2015 and December 31, 2014, Empire Life exceeded both of these requirements.

28. Preferred share offering

On January 28, 2016 Empire Life announced a $130 million Canadian public offering of Non-Cumulative Rate Reset Preferred Shares. The offering closed on February 16, 2016. Empire Life has granted the underwriters an option to purchase up to $19.5 million of additional preferred shares exercisable at any time up to a period of 30 days from the date of closing.

Holders of the preferred shares will be entitled to receive fixed non-cumulative quarterly dividends yielding 5.75% annually, as and when declared by the Board of Directors of Empire Life, for the initial period ending on and including April 17, 2021. Thereafter, the dividend rate will be reset every five years.

Glossary of Terms (Unaudited)

Accumulated Other Comprehensive Income ("AOCI")
A separate component of shareholders' and policyholders' equity which includes net unrealized gains and losses on available for sale securities, unamortized gains and losses on cash flow hedges, unrealized foreign currency translation gains and losses and the Company's share of AOCI from its associates. These items have been recognized in comprehensive income, but excluded from net income.

Active Market
An active market is a market in which the items traded are homogeneous, willing buyers and sellers can normally be found at any time and prices are available to the public.

Available For Sale ("AFS") Financial Assets
Non-derivative financial assets that are designated as available for sale or that are not classified as loans and receivables, held to maturity investments, or held for trading.

Canadian Asset Liability Method ("CALM")
The prescribed method for valuation of policy liabilities in Canada. CALM is a prospective basis of valuation which uses the full gross premium for the policy, the estimated expenses and obligations under the policy, current expected experience assumptions plus a margin for adverse deviations, and scenario testing to assess interest rate risk and market risks.

Canadian Institute of Actuaries ("CIA")
As the national organization of the Canadian actuarial profession, the CIA means to serve the public through the provision by the profession of actuarial services and advice of the highest quality. The CIA ensures that the actuarial services provided by its members meet accepted professional standards; and assists actuaries in Canada in the discharge of their professional responsibilities.

Chartered Professional Accountants of Canada ("CPA Canada")
Canada's not-for-profit association for Chartered Professional Accountants ("CPA") provides information and guidance to its members, students and capital markets. Working in collaboration with its provincial member organizations, CPA Canada supports the setting of accounting, auditing and assurance standards for business, not-for-profit organizations and government, and develops and delivers education programs.

Canadian Life and Health Insurance Association ("CLHIA")
The Canadian Life and Health Insurance Association (CLHIA) is an organization representing life insurance and health insurance providers in Canada. The Canadian life and health insurance industry provides a wide range of financial security products to more than 26 million Canadians and their dependents. The industry develops guidelines, voluntarily and proactively, to respond to emerging issues and to ensure consumer interests are protected.

Earnings on Surplus
This source of earnings represents the pre-tax earnings on the shareholders' capital and surplus funds.

Effective Interest Method
The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Expected Profit from In-Force Business
This source of earnings represents the profit Empire Life expects to generate on in-force business if experience is in line with the Empire Life's best estimate assumptions for mortality, morbidity, persistency, investment returns, expenses and taxes.

Experience Gains and Losses

This source of earnings for Empire Life represents gains or losses due to the difference between actual experience and the best estimate assumptions.

Fair Value Through Profit or Loss ("FVTPL")

Invested assets are classified as financial instruments at FVTPL if they are held for trading, or if they are designated by management under the fair value option.

Impact of New Business

Writing new business typically adds economic value to a life insurance company. At the point of sale, new business may have a positive or negative impact on earnings. A negative impact (new business strain) will result when the provision for adverse deviation included in the actuarial liabilities at the point of sale exceeds the expected profit margin in the product pricing. The impact of new business also includes any excess acquisition expenses not covered by product pricing at the point of issue.

International Financial Reporting Standards ("IFRS")

Refers to the international accounting standards that were adopted in Canada, effective January 1, 2011; these are now Canadian Generally Accepted Accounting Principles ("CGAAP").

Management Actions and Changes in Assumptions

This source of earnings component includes earnings generated by management actions during the year (e.g. acquisition or sale of a block of business, changes to product price, fees or asset mix, etc.) or the impact of changes in assumptions or methodology used for the calculation of actuarial liabilities for in-force business.

Minimum Continuing Capital and Surplus Requirements ("MCCSR")

The ratio of the available regulatory capital of a life insurance company to its required regulatory capital, each as calculated under the Office of the Superintendent of Financial Institutions' ("OSFI") published guidelines.

Other Comprehensive Income ("OCI")

Unrealized gains and losses, primarily on financial assets designated as AFS, are recorded as Other Comprehensive Income ("OCI") or Other Comprehensive Loss ("OCL"). When these assets are sold or written down the resulting gain or loss is reclassified from OCI to net income. Remeasurements of post-employment benefit liabilities are also recorded as OCI or OCL. These remeasurements will not be reclassified to net income and will remain in AOCI.

Office of the Superintendent of Financial Institutions Canada ("OSFI")

The primary regulator of federally chartered financial institutions and federally administered pension plans in Canada. OSFI's mission is to safeguard policyholders, depositors and pension plan members from undue loss.

Participating Policies

The participating account includes all policies issued by Empire Life that entitle its policyholders to participate in the profits of the participating account. Empire Life has discretion as to the amount and timing of dividend payments which take into consideration the continuing solvency of the participating account.

Return on Shareholders' Equity ("ROE")

A profitability measure that presents the net income available to common shareholders as a percentage of the average capital deployed to earn the income.

(all dollar figures expressed in thousands of dollars, except per share amounts)

Summary of Consolidated Results (unaudited)

	2015	2014	2013	2012 *	2011 *
Premium income	$ 835,216	$ 867,493	$ 821,544	$ 2,022,797	$ 1,972,790
Share of income (loss) from investments in associates	24,829	25,519	59,178	83,945	(27,298)
Fair value change in fair value through profit or loss investments	486,047	942,271	294,558	201,326	335,458
Realized gain on available for sale investments	58,554	28,204	10,339	68,081	59,249
Investment and other income	585,118	527,750	459,277	491,710	465,348
Excess of fair value of net assets acquired over purchase price	—	—	—	142,241	—
Total revenues	1,989,764	2,391,237	1,644,896	3,010,100	2,805,547
Policy benefits	793,794	1,413,408	422,196	1,711,065	2,125,855
Operating expenditures including commissions and premium taxes	387,340	395,911	358,839	753,532	718,609
Income taxes	123,543	91,066	114,515	56,190	(1,609)
	685,087	490,852	749,346	489,313	(37,308)
Policyholders' and non-controlling interest portion of income	150,478	96,322	152,793	9,709	7,415
Net income (loss) before undernoted items	534,609	394,530	596,553	479,604	(44,723)
Net income from discontinued operations, including gain on sale	—	—	311,126	—	—
Total net income	$ 534,609	$ 394,530	$ 907,679	$ 479,604	$ (44,723)
Net income (loss) per share - basic	$ 132.18	$ 96.51	$ 227.18	$ 118.41	$ (13.93)
Assets					
Cash and cash equivalents	$ 306,546	$ 316,811	$ 319,749	$ 393,998	$ 248,838
Investments in associates	328,389	301,228	288,884	230,994	419,784
Investments - corporate	4,145,707	3,790,503	3,381,417	2,026,644	872,889
Investments - insurance operations	6,659,265	6,430,296	5,803,051	8,222,486	7,859,822
Reinsurance recoverable	—	—	—	77,361	74,311
Premiums receivable	25,099	25,213	20,849	330,476	316,539
Other assets	134,364	100,059	117,034	358,330	392,082
	11,599,370	10,964,110	9,930,984	11,640,289	10,184,265
Segregated funds	7,367,823	6,948,475	5,954,508	5,014,392	4,415,318
	$18,967,193	$17,912,585	$15,885,492	$16,654,681	$14,599,583
Liabilities					
Insurance contract liabilities	$ 4,858,233	$ 4,769,707	$ 4,214,272	$ 6,849,328	$ 6,557,459
Other liabilities	1,245,409	1,139,421	1,153,833	865,543	691,597
Policyholders' and non-controlling interest	819,204	888,754	809,999	679,721	215,816
	6,922,846	6,797,882	6,178,104	8,394,592	7,464,872
Capital stock	372,388	372,388	372,388	372,388	272,388
Retained earnings	4,243,683	3,721,910	3,342,064	2,764,971	2,304,961
Accumulated other comprehensive income	60,453	71,930	38,428	108,338	142,044
	4,676,524	4,166,228	3,752,880	3,245,697	2,719,393
	11,599,370	10,964,110	9,930,984	11,640,289	10,184,265
Segregated funds	7,367,823	6,948,475	5,954,508	5,014,392	4,415,318
	$18,967,193	$17,912,585	$15,885,492	$16,654,681	$14,599,583

* including discontinued operations

(all dollar figures expressed in thousands of dollars, except per share amounts)

Summary of Empire Life (unaudited)

	2015	2014	2013	2012 (Restated)	2011
Premium income	$ 835,216	$ 867,493	$ 821,544	$ 813,532	$ 758,454
Fair value change in fair value through profit or loss investments	(85,677)	538,036	(349,037)	1,397	394,512
Realized gain on fair value through profit or loss investments	42,233	74,469	45,445	54,349	41,324
Realized gain (loss) on available for sale investments	19,128	12,621	(2,488)	28,405	25,846
Investment and other income	476,028	433,397	390,748	362,572	337,025
Total revenues	1,286,928	1,926,016	906,212	1,260,255	1,557,161
Policy benefits	794,220	1,415,690	422,196	827,107	1,199,741
Operating expenditures including commissions and premium taxes	358,758	368,549	340,695	342,157	324,136
Income and capital taxes	31,492	34,401	33,285	17,438	139
	102,458	107,376	110,036	73,553	33,145
Profits allocated to policyholders	(6,119)	8,670	(3,243)	(6,610)	838
Profits allocated to non-policyholders	21,173	19,248	23,060	16,319	6,577
Net contribution to E-L	$ 87,404	$ 79,458	$ 90,219	$ 63,844	$ 25,730

	2015	2014	2013	2012 (Restated)	2011
Premium income by line of business					
Wealth Management	$ 143,991	$ 186,106	$ 159,284	$ 175,772	$ 141,446
Employee Benefits	325,223	318,942	306,583	289,509	278,306
Individual Insurance	366,002	362,445	355,677	348,251	338,702
Total premiums	$ 835,216	$ 867,493	$ 821,544	$ 813,532	$ 758,454
Assets including segregated funds	$ 14,363,544	$13,728,541	$12,080,410	$10,915,798	$ 10,014,822

(all dollar figures expressed in thousands of dollars, except per share amounts)

Summary of Financial Progress Since the Company's Inception

(Unaudited)

Year ending December	Total Assets	Net Premiums	Total Revenues	Net Common Shareholders' Equity	Net Income (Loss)	Net Income (Loss) Per Share
1969	$ 161,787	$ 41,256	$ 49,966	$ 21,447	$ 2,032	$ 0.58
1970	178,204	48,024	57,637	24,656	2,607	0.75
1971	192,863	52,386	62,985	27,007	2,504	0.72
1972	212,319	57,570	69,404	30,824	4,352	1.25
1973	234,926	67,732	81,221	34,707	4,278	1.22
1974	257,732	76,487	92,117	37,155	2,118	0.60
1975	282,000	88,314	105,793	39,741	2,990	0.85
1976	323,131	111,484	131,560	45,824	6,375	1.82
1977	376,428	134,419	158,446	55,047	9,970	2.86
1978	450,606	150,607	179,995	70,323	7,252	2.08
1979	487,206	147,330	181,869	82,604	13,084	3.26
1980	536,926	164,708	204,357	97,422	11,300	2.81
1981	585,110	195,967	242,631	92,162	(1,860)	(0.46)
1982	630,645	218,042	273,265	100,691	8,662	2.15
1983	706,425	219,067	281,979	129,134	28,464	7.08
1984	777,270	230,445	300,345	150,766	26,954	6.71
1985	1,118,141	356,232	441,180	140,111	(9,671)	(2.41)
1986	1,400,171	435,795	537,969	154,593	18,436	4.59
1987	1,545,769	480,742	602,617	187,455	21,846	5.44
1988	1,666,086	477,787	610,928	222,944	36,097	8.98
1989	1,832,250	547,353	696,924	256,575	40,258	10.01
1990	1,928,160	568,217	727,841	255,463	7,208	1.80
1991	2,341,396	667,477	820,109	276,464	31,725	7.89
1992	2,783,297	737,292	933,083	322,706	18,700	4.65
1993	2,944,319	706,822	914,718	362,925	41,619	10.36
1994	3,029,425	637,915	812,062	402,734	41,055	10.21
1995	3,052,601	723,330	900,179	443,953	43,555	10.83
1996	3,598,443	766,606	964,533	498,320	57,814	14.38
1997	5,130,087	805,187	1,135,463	667,634	166,386	41.39
1998	5,522,285	822,513	1,109,457	951,114	57,165	14.22
1999	5,756,343	875,594	1,185,846	1,001,548	52,599	13.09
2000	6,253,408	918,065	1,267,189	1,139,691	73,389	18.26
2001	6,385,555	966,826	1,306,988	1,250,974	77,480	19.27
2002	6,433,194	1,107,295	1,380,163	1,267,385	51,512	12.81
2003	7,308,559	1,358,119	1,652,951	1,375,394	46,870	11.66

This chart is drawn from the individual annual reports and has not been restated for any subsequent changes in accounting policies.

1985 - The Canadian Indemnity Company was acquired

1986 - Montreal Life Insurance Company was acquired

1991 - Canadian operations of SAFECO Corporation were acquired

1997 - Colonia Life Insurance Company was acquired - Investment in National Trustco Inc. was sold

1998 - E-L Financial's Corporate Investments were recorded at market value versus cost basis

(all dollar figures expressed in thousands of dollars, except per share amounts)

Summary of Financial Progress Since the Company's Inception

(Unaudited)

Year ending December	Total Assets	Net Premiums	Total Revenues	Net Common Shareholders' Equity	Shareholders' Comprehensive Income (Loss)	Comprehensive Income (Loss) Per Share
2004	$ 8,279,929	$ 1,543,086	$ 1,893,119	$ 1,582,143	$ 129,886	$ 31.91
2005	9,830,984	1,600,708	2,201,191	1,815,670	293,703	86.68
2006	11,206,412	1,628,870	2,320,794	2,197,721	372,520	109.97
2007	12,835,288	1,630,208	2,162,946	2,500,446	81,860	21.58
2008	10,912,997	1,709,435	1,600,148	2,015,202	(470,235)	(144.42)
2009	12,902,041	1,925,902	2,153,506	2,250,943	249,876	72.28
2010	13,974,077	2,008,040	2,725,184	2,433,377	195,293	55.94
2011	14,599,583	1,972,790	2,805,547	2,519,393	(57,752)	(17.24)
2012	16,662,339	2,022,797	3,010,100	2,981,573	481,774	118.96
2013	15,885,492	821,544	1,644,896	3,752,880	871,577	217.99
2014	17,911,247	867,493	2,391,237	4,166,228	428,032	105.04
2015	18,967,193	835,216	1,989,764	4,676,524	523,132	129.26

This chart is drawn from the individual annual reports and has not been restated for any subsequent changes in accounting policies.

2005 - Changes in fair value of E-L Financial's Corporate Investments are recognized in income in the period in which the change occurs

2007 - All investments are carried at fair value except for those which do not have a quoted price in an active market. The change in fair value of certain investments are reflected in net income ('held for trading' investments) with the remainder in other comprehensive income ('available for sale' investments). Comprehensive income consists of net income and other comprehensive income.

2011 - Conversion to International Financial Reporting Standards ("IFRS")

2012 - United Corporation Limited became a subsidiary of E-L Financial Corporation Limited

2013 - The Dominion of Canada General Insurance Company was sold

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TRANSFER AGENT AND REGISTRAR	Computershare Investor Services Inc. 100 University Avenue, 9th Floor Toronto, Ontario M5J 2Y1 Telephone: 416-981-9633 Toll Free: 1-800-564-6253 www.computershare.com/service

STOCK EXCHANGE LISTINGS

Common Shares	ELF
First Preference Shares, Series 1	ELF.PR.F
First Preference Shares, Series 2	ELF.PR.G
First Preference Shares, Series 3	ELF.PR.H

REPORTING PROCEDURE FOR ACCOUNTING AND AUDITING MATTERS

If you have a complaint regarding accounting, internal controls or auditing matters or a concern regarding questionable accounting or auditing matters, you should submit your written complaint or concern to:

Mr. James Billett
E-L Financial Corporation Limited
165 University Avenue, 10th Floor
Toronto, Ontario
M5H 3B8
Email: jfbillett@rogers.com
Phone: 416-284-6440

You may submit your complaint or concern anonymously. Your submission will be kept confidential and will be treated in accordance with The Company's policy for reporting accounting or auditing matters.