Financial Corporation Limited

ANNUAL REPORT 2022

Financial Highlights

(Millions of dollars, except per share amounts)

Years ended December 31	**2022**	2021
Net Equity Value per Common Share [1]	**$ 1,785.66**	$ 1,884.08
Net (Loss) Income per Common Share	**$ (53.47)**	$ 314.67
Comprehensive (Loss) Income per Common Share	**$ (97.20)**	$ 309.54

Contribution to Shareholders' Net (Loss) Income:		
E-L Corporate	**$ (377)**	$ 915
Empire Life	**203**	238
Shareholders' Net (Loss) Income	**(174)**	1,153
Preferred Shareholder Dividends	**15**	15
Net (Loss) Income attributable to Common Shareholders	**$ (189)**	$ 1,138

E-L Corporate		
Shareholders' Net (Loss) Income	**$ (377)**	$ 915
Investments - Corporate	**$ 5,579**	$ 6,406
Investments in Associates	**$ 443**	$ 394
Empire Life		
Common Shareholders' Net Income	**$ 203**	$ 238
Net Premiums and Fee Income	**$ 1,326**	$ 1,189
Assets Under Management [1]	**$ 17,320**	$ 19,645
Life Insurance Capital Adequacy Test Total Ratio (“LICAT”) (%)	**138**	144

[1] See Non-GAAP measures within the Management’s Discussion and Analysis

ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders (“AGM”) will be held Wednesday May 10, 2023 at 11:30 a.m. (Toronto time). The AGM will be held as on virtual-only meeting. All shareholders are invited to attend.

Board of Directors

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

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

William J. Corcoran
Corporate Director

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

M. Victoria D. Jackman
Executive Director, Hal Jackman Foundation

Peter J. Levitt
Executive Vice-President, Finance, CIBC

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

Clive P. Rowe
Corporate Director

Stephen J.R. Smith
Executive Chairman, First National Financial LP

Mark M. Taylor
Treasurer, Canadian Northern Prairie Lands Company Inc.

Officers

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

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

Susan C. Clifford
Treasurer

Scott F. Ewert
Vice-President and Chief Financial Officer

Fahad Khan
Vice-President and Chief Investment Officer

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, 2022 and 2021 for E-L Financial Corporation Limited (“E-L Financial” or the “Company”). This MD&A should be read in conjunction with the December 31, 2022 year end consolidated financial statements and the notes, which form part of the E-L Financial Corporation Limited 2022 Annual Report dated March 2, 2023. 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. Figures in this MD&A may differ or not sum due to rounding. This MD&A is dated March 2, 2023.

This MD&A contains certain forward-looking statements that are subject to risks and uncertainties that may cause the results or events mentioned in this discussion to differ materially from actual results or events. No assurance can be given that results, performance or achievement expressed in, or implied by, any forward-looking statements within this discussion will occur, or if they do, that any benefits may be derived from them.

Unless otherwise stated, all per share amounts are based on the weighted 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.

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

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 risk including equity risk, hedging risk, interest rate risk, foreign exchange rate risk; liquidity risk; credit risk including counterparty risk; product risk including mortality risk, policyholder behaviour risk, expense risk, morbidity risk, product design and pricing risk, underwriting and claims risk, reinsurance risk; operational risk, including legal and regulatory compliance risk, model risk, human resources risk, third party risk, technology and information security risk, and business continuity risk; and business risk and strategic risk, including environmental and social risk, risk with respect to competition, risk with respect to financial strength, capital adequacy risk, risk with respect to distribution channels, risk with respect to changes to applicable income tax legislation, risk with respect to litigation, risk with respect to reputation, risk with respect to risk management policies, risk with respect to intellectual property, risk with respect to significant ownership of common shares and pandemic risk. 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.

Non-GAAP measures

The MD&A contains information using non-GAAP measures. Current Canadian GAAP is IFRS for the Company's consolidated financial statements. The Company believes that these measures provide useful information 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 8. These terms do not have any standardized meaning according to IFRS and therefore may not be comparable to similar measures presented by other companies.

Other non-GAAP measures are also used in The Empire Life Insurance Company ("Empire" or "Empire Life") section of the MD&A. These include references to return on common shareholders' equity, source of earnings, assets under management, annualized premium sales, gross and net sales for mutual funds, segregated funds and fixed annuities. These provide investors with other specified measures of its operating performance and to highlight trends in its core business that may not otherwise be apparent when relying solely on GAAP financial measures. Empire Life also believes that securities analysts, investors and other interested parties frequently use non-GAAP measures in the evaluation of issuers. Empire Life's management also uses non-GAAP measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and to determine components of management compensation.

Sources of earnings breaks down Empire Life's earnings into several categories which are useful to assess the performance of the business. These categories include expected profit from in-force business, impact of new business, experience gains and losses, management actions and changes in assumptions, and earnings on surplus. The sources of earnings components are reconciled to Empire Life's net income on page 21 of this report.

Annualized premium sales are 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. For segregated funds and annuity contracts, sales include new and renewal deposits to policy contracts. Net sales in the Wealth Management line reflect the gross sales less the effect of redemptions and surrenders. Empire Life believes that these measures provide information useful to its shareholders and policyholders in evaluating Empire Life's underlying financial results.

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. Empire Life believes that these measures provide information useful to its shareholders and policyholders 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)	**2022**	2021
General fund assets	**$ 8,738**	$ 10,274
Segregated fund assets	**8,566**	9,257
Total Empire Life assets	**17,304**	19,531
Mutual fund assets	**16**	114
Total assets under management	**$ 17,320**	$ 19,645

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 Empire Life.

E-L Corporate's operations include 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 54.9% (December 31, 2021 - 52.7%) 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 which includes a 37.2% (December 31, 2021 - 37.4%) interest in Algoma Central Corporation ("Algoma") and a 24.7% (December 31, 2021 - 24.1%) interest in Economic Investment Trust Limited ("Economic"). Algoma and Economic are accounted for using the equity method.

The Company's investment in Empire Life (99.4% 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 and interest 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

E-L Financial consolidated	Fourth quarter		Year	
(millions of dollars)	**2022**	2021	**2022**	2021
Contribution to net income (loss)				
E-L Corporate[1]	**$ 374**	$ 261	**$ (377)**	$ 915
Empire Life[2]	**87**	17	**203**	238
Net income (loss)	**461**	278	**(174)**	1,153
Other comprehensive income (loss)[2]	**—**	14	**(155)**	(19)
Comprehensive income (loss)	**$ 461**	$ 292	**$ (329)**	$ 1,134

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

E-L Corporate	Fourth quarter		Year	
(millions of dollars)	**2022**	2021	**2022**	2021
Revenue				
Net gain (loss) on investments[3]	**$ 451**	$ 303	**$ (767)**	$ 931
Investment and other income	**35**	33	**128**	134
Share of associates income	**23**	15	**58**	158
	509	351	**(581)**	1,223
Operating expenses	**10**	12	**37**	49
Income taxes	**64**	44	**(81)**	151
Non-controlling interests	**61**	34	**(160)**	108
	135	90	**(204)**	308
Net income (loss)	**374**	261	**(377)**	915
Other comprehensive income, net of taxes[1]	**1**	—	**8**	5
Comprehensive income (loss)	**$ 375**	$ 261	**$ (369)**	$ 920

Empire Life *(millions of dollars)*	Fourth quarter **2022**	Fourth quarter 2021	Year **2022**	Year 2021
Revenue				
Net premiums	**$ 286**	$ 240	**$ 1,043**	$ 916
Net (loss) gain on investments[3]	**(88)**	259	**(1,751)**	(259)
Investment income	**97**	86	**358**	329
Fee income	**67**	70	**283**	273
	362	655	**(67)**	1,259
Benefits and expenses	**247**	635	**(353)**	917
Income and other taxes	**27**	(4)	**76**	83
Non-controlling and participating policyholders’ interests	**1**	7	**7**	21
	275	638	**(270)**	1,021
Net income	**87**	17	**203**	238
Other comprehensive (loss) income, net of taxes[2]	**(1)**	14	**(163)**	(24)
Comprehensive income	**$ 86**	$ 31	**$ 40**	$ 214

(1) Net of non-controlling interests

(2) Net of non-controlling interests and participating policyholders’ amounts

(3) Includes fair value change in fair value through profit and loss (“FVTPL”) investments and realized gain on available for sale (“AFS”) investments

E-L Financial reported a consolidated 2022 net loss of $174 million or $53.47 per common share compared to net income of $1,153 million or $314.67 per common share in 2021.

E-L Corporate reported a net loss of $377 million for the year ended December 31, 2022 compared to net income of $915 million in 2021. The decrease in earnings was due to a net loss on investments of $767 million in 2022 compared to a net gain of $931 million in 2021. E-L Corporate’s global investment portfolio had a pre-tax total return, including dividend income, of negative 11% in 2022 compared to a pre-tax total return of positive 18% in the prior year. Global equity markets have been negatively impacted by concerns around higher levels of inflation and rising interest rates.

Empire Life reported net income of $203 million for the year ended December 31, 2022 compared to $238 million in 2021. The decrease in year to date earnings was primarily due to the positive impact from the release of segregated fund guarantee related policy liabilities which occurred in the first quarter of 2021. The increase in the yield curves throughout the current year has had a positive impact on 2022 results.

Consolidated comprehensive loss for the year ended December 31, 2022 was $329 million or $97.20 per common share compared to comprehensive income of $1,134 million or $309.54 per common share for 2021. Other comprehensive loss (“OCL”) was $155 million in 2022 compared to $19 million in 2021. The increased loss was primarily due to the impacts of higher interest rates and credit spreads during 2022. The OCI loss was partially offset by a gain on the remeasurement of the post-employment defined benefit plans.

Normal course issuer bid

On March 4, 2022, the Company obtained approval from the TSX to renew its normal course issuer bid (“NCIB”) to purchase up to 184,938 common shares between March 9, 2022 and March 8, 2023. Daily purchases (other than pursuant to a block purchase exemption) on the TSX under the NCIB are limited to 1,000 common shares. The price that the Company pays for the common shares is the prevailing market price at the time of acquisition.

During 2022, 40,660 common shares (2021 - 7,200) were purchased under the NCIB at an average price of $872.05 per share (2021 - $917.66) for a total consideration of $35 million (2021 - $7 million).

Substantial issuer bids

On August 16, 2022 the Company announced its intention to commence a substantial issuer bid ("SIB") pursuant to which the Company offered to purchase up to $100 million of its outstanding common shares for cash. As of September 28, 2022 the Company had taken up and paid for 103,626 common shares at a price of $965.00 per common share. The common shares purchased under the SIB represent an aggregate purchase price of approximately $100 million. The Company suspended any purchases of common shares under the NCIB during the SIB.

During the third quarter of 2022, United completed a SIB, which resulted in United taking up 454,545 of its outstanding common shares. Combined with the shares repurchased year to date under United's normal course issuer bid, E-L Financial's effective ownership has increased to 54.9% at December 31, 2022 from 52.7% at December 31, 2021.

Net equity value per common share

E-L Corporate's 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:

(millions of dollars, except per share amounts)		**2022**		2021
E-L Financial shareholders' equity	**$**	**6,657**	$	7,257
Less: First preference shares		**(300)**		(300)
		6,357		6,957
Adjustments for E-L Corporate's investments in associates not carried at fair value:				
Carrying value		**(443)**		(394)
Fair value[1]		**433**		412
		(10)		18
Non-controlling interest and deferred tax		**6**		(1)
		(4)		17
Net equity value	**$**	**6,353**	$	6,974
Common shares[2] outstanding at year end		**3,557,348**		3,701,634
Net equity value per common share[2] [3]	**$**	**1,785.66**	$	1,884.08

[1] Based on quoted market prices
[2] Common shares includes Series A Convertible Preference Shares
[3] See non-GAAP measures

The common shares outstanding at the end of 2022 are lower compared to 2021 due to common shares acquired as part of the Company's NCIB and SIB programs.

Growth in net equity value per common share

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 fiscal periods. The growth in net equity value per common share and compounded annual growth in net equity value per common share is calculated as the change in net equity value per share for the respective period and includes dividends paid to common shareholders.

Annual	**Net equity value per common share ***	**Growth***
	$	%
2013	872.45	28.0
2014	970.65	11.3
2015	1,089.23	12.3
2016	1,159.26	6.8
2017	1,316.64	14.0
2018	1,295.65	(1.2)
2019	1,486.19	15.1
2020	1,684.93	15.4
2021	1,884.08	17.1
2022	1,785.66	(3.4)

Compounded annual growth in net equity value per common share*	
2013 - 2022 - 10 years	11.2
1969 - 2022 - 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. Net equity value amounts are reduced by deferred income tax liabilities on net unrealized investment gains. See non-GAAP measures.

Summary of quarterly results

The following table summarizes the quarterly results:

(millions of dollars, except per share amounts)	**2022**				2021			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue								
Net gain (loss) on investments[1]	**$ 362**	$ (117)	$ (1,510)	$ (1,252)	$ 562	$ 9	$ 507	$ (406)
Net premium income	**286**	269	244	243	241	227	223	225
Investment and other income	**200**	201	190	176	189	178	184	185
Associates[2]	**24**	30	2	4	15	23	14	107
Total	**$ 872**	$ 383	$ (1,074)	$ (829)	$ 1,007	$ 437	$ 928	$ 111
Net income (loss)[3]	**$ 461**	$ 39	$ (439)	$ (236)	$ 278	$ 168	$ 241	$ 466
Earnings (loss) per common share								
- basic	**$ 132.06**	$ 9.96	$ (123.75)	$ (66.52)	$ 75.82	$ 45.47	$ 65.47	$ 127.90
- diluted	**$ 121.02**	$ 9.96	$ (123.75)	$ (66.52)	$ 68.55	$ 41.50	$ 59.33	$ 114.96

(1) Fair value change on FVTPL investments and realized gain (loss) on AFS investments
(2) Share of income of associates
(3) Attributable to shareholders

Quarterly trend analysis

The consolidated revenue and consolidated net income of the Company are expected to fluctuate on a quarterly basis given its two segments. In particular, equity market movements, changes in interest rates, underwriting results, policy liability discount rates and policy reserve adjustments are likely to cause fluctuations. Investment income includes dividend income earned by the Company. In general, dividends earned on investments outside North America peak in the second and fourth quarters of the year.

Revenue for the fourth quarter of 2022 increased compared to the third quarter of 2022 but decreased compared to the fourth quarter of 2021, with fluctuations mainly due to the impact of the net gain (loss) on investments. The fair value change in fair value through profit and loss (“FVTPL”) investments have experienced significant movement over the past year, reflecting volatility in both the bond and equity markets and movements in interest rates.

Net premiums for the fourth quarter increased by 19% relative to the same period in 2021 primarily due to growth in Wealth Management.

Fourth quarter results

E-L Financial reported a consolidated shareholder’s net income of $461 million or $132.06 per common share for the fourth quarter of 2022 compared to $278 million or $75.82 per common share in 2021.

The increase in net income for the fourth quarter of 2022 is primarily due to a net gain on investments within the E-L Corporate segment of $451 million in 2022 compared to $303 million in the prior year. E-L Corporate’s global investment portfolio had pre-tax total return, including dividend income of 9% for the fourth quarter of 2022 compared to 6% for the fourth quarter of 2021.

The Empire Life segment reported net income of $87 million in the fourth quarter of 2022 compared to $17 million for the fourth quarter of 2021. The increase in fourth quarter earnings was primarily due to the effect of assumption updates applied in the Individual Insurance line which had a favourable impact on fourth quarter earnings in 2022 compared to an unfavourable impact in 2021.

Consolidated comprehensive income was $461 million in the fourth quarter of 2022 or $132.20 per common share compared to $292 million or $79.71 per common share for the fourth quarter of 2021. Other comprehensive income (“OCI”) was $nil in the fourth quarter of 2022 compared to $14 million in 2021. OCI decreased in the fourth quarter of 2022 primarily due to unrealized fair value losses on Empire’s AFS investments which were offset by a gain on the remeasurement of the post-employment defined benefit plans.

Liquidity and cash flows

The cash flow information, noted below, provides supplemental information that is considered useful in understanding the components within the cash flow statement on both a consolidated and non-consolidated basis.

Consolidated cash flows

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

Year ended December 31 (millions of dollars)	E-L Financial (non-consolidated)	United	Empire Life	Consolidation adjustments	**E-L Financial Consolidated**	
					2022	2021
Cash flows from:						
Operating activities	$ 127	$ 10	$ 377	$ (116)	**$ 398**	$ 348
Financing activities	(239)	(72)	(96)	113	**(294)**	(343)
Investing activities	(199)	57	(298)	3	**(437)**	203
(Decrease) increase in cash and cash equivalents	(311)	(5)	(17)	—	**(333)**	208
Cash and cash equivalents, beginning of the year	381	62	193	—	**636**	428
Cash and cash equivalents, end of the year	$ 70	$ 57	$ 176	$ —	**$ 303**	$ 636

The increase in cash provided from operating activities in 2022 relative to 2021 reflects the increase in cash earnings during 2022 compared to the prior year. For Empire Life, cash flows from operating activities include insurance premiums, net investment income and fee income. These funds are primarily used to pay policy benefits, commissions, operating expenses and policyholder dividends.

During the year ended December 31, 2022, cash used for financing activities was primarily due to $135 million in share purchases under the SIB and NCIB programs and the payment of a special cash dividend of $25.00 per common share in the second quarter of 2022. This was partially offset by a $50 million increase in borrowings by both E-L Financial (non-consolidated) and United. In 2021 the cash used for financing activities was primarily due to the payment of a special cash dividend of $80.00 per common share, the repayment of the Series 2016-1 Subordinated Debentures and the redemption of Empire Life's Series 1 preferred shares, which was partly offset by Empire Life's issuance of Limited Recourse Capital Notes ("LRCN") and the issuance of the Series 2021-1 Subordinated Debentures.

Cash used for investment activities increased in 2022 relative to 2021 primarily due to changes made to E-L Corporate's investment managers during the first quarter of 2022 which contributed to a significant increase in the investment portfolio turnover.

Non-consolidated cash flows of E-L Financial

E-L Financial's corporate cash flows from operating activities, before payment of dividends, are primarily comprised of dividends and interest received, less operating expenses and income taxes.

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).

(millions of dollars)	**2022**	2021
Cash flows from:		
Operating activities		
Dividends from subsidiaries	**$ 109**	$ 67
Dividends and interest	**95**	107
Expenses and taxes, net of other income	**(77)**	(24)
	127	150
Financing activities		
Cash dividends	**(144)**	(340)
Common share purchases	**(135)**	(7)
Increase in margin loan	**50**	—
Interest paid on borrowings	**(10)**	(8)
	(239)	(355)
Investing activities		
Purchases of investments	**(895)**	(735)
Proceeds from sales of investments	**676**	1,108
Dividends from associates	**20**	42
	(199)	415
(Decrease) increase in cash and cash equivalents	**(311)**	210
Cash and cash equivalents, beginning of the year	**381**	171
Cash and cash equivalents, end of the year	**$ 70**	$ 381

During 2022, the non-consolidated cash and cash equivalents of E-L Financial decreased by $311 million.

Operating cash flows for 2022 decreased compared with the prior year mainly due to higher income taxes paid in the first quarter on the 2021 realized investment gains.

The movement in financing cash flows are due to the reasons described under the consolidated cash flows narrative above.

The movement in investing cash flows from the purchases and proceeds from sale of investments are due to the reasons noted above. Cash flows from dividends from associates in 2021 included a special dividend paid by Algoma during the first quarter of 2021.

E-L Financial maintains sufficient liquidity through holding cash equivalents and a sufficient amount of marketable investments that may be sold, if necessary, to fund new investment opportunities and to meet any operating cash flow requirements.

Capital resources

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, 2022, consisted of the Company's shareholders' equity of $6,657 million, non-controlling interests in subsidiaries of $1,030 million and participating policyholders' interests of $56 million.

In the normal course of business, the Company is obligated to fund investment commitments which are not recognized in the consolidated financial statements. As of December 31, 2022, E-L Corporate has $156 million (2021 - $177 million) in unfunded commitments for units in limited partnerships.

Selected annual information

(millions of dollars, except per share amounts)		**2022**		2021		2020
Revenue	**$**	**(647)**	$	2,482	$	2,536
Shareholder net (loss) income						
E-L Corporate	**$**	**(377)**	$	915	$	361
Empire Life		**203**		238		139
Total	**$**	**(174)**	$	1,153	$	500
(Loss) earnings per share						
- basic	**$**	**(53.47)**	$	314.67	$	128.21
- diluted	**$**	**(53.47)**	$	284.39	$	119.68
Assets						
E-L Corporate	**$**	**6,189**	$	7,260	$	6,229
Empire Life		**17,305**		19,531		18,716
Total assets	**$**	**23,494**	$	26,791	$	24,945
Non-current financial liabilities						
E-L Corporate - Senior unsecured notes	**$**	**199**	$	198	$	198
Empire Life - Subordinated debt		**399**		399		399
Total non-current financial liabilities	**$**	**598**	$	597	$	597
Cash dividends declared 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	**$**	**35.00**	$	88.75	$	30.00

Revenues and net income over the period have been significantly impacted by movement over the past year, resulting from volatility in both the bond and equity markets and movements in interest rates. In 2022 E-L Corporate reported a net loss on investments of $767 million in 2022 compared to a net gain of $931 million in 2021. E-L Corporate's global investment portfolio had a pre-tax total return, including dividend income, of negative 11% in 2022 compared to a pre-tax total return of positive 18% in 2021. In 2020 E-L Corporate reported a net gain on investments of $453 million with pre-tax total return of 10%. The fluctuation in Empire Life's revenue for the three year period is primarily driven by the impact of market interest rate movements on Empire Life's FVTPL investments.

Assets decreased in 2022 primarily due to the impact of equity markets movements and changes in interest rates on the investment portfolios. In the prior two years, the investment portfolios increased due to the strong global equity markets.

In 2022 common share dividends were $35.00 per common share, representing a quarterly dividend of $2.50 per common share and an additional special cash dividend of $25.00 per common share declared in the first quarter of 2022. In 2021 common share dividends were $88.75 per common share, representing a quarterly dividend of $1.25 per common share in the first quarter of 2021, followed by $2.50 per common share for the remaining three quarters and an additional special cash dividend of $80.00 per common share declared in the third quarter of 2021. In 2020 common share dividends were $30.00 per common share, representing a quarterly dividend of $1.25 per common share and an additional special cash dividend of $25.00 per common share declared in the first quarter of 2020.

Outstanding share data

The following summarizes the issued and outstanding shares of the Company:

	Issued and outstanding
Preferred shares	
Series A Preference Shares	258
First Preference Shares, Series 1	4,000,000
First Preference Shares, Series 2	4,000,000
First Preference Shares, Series 3	4,000,000
Common Shares	3,557,090

The Series A Preference Shares are convertible, at the shareholder's option, into common shares on a share for share basis. The Series A Preference Shares and common shares are each entitled to one vote per share.

The First Preference Shares are convertible at the option of the Company, 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.

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, 2022. Based on that evaluation, management concluded that the Company's disclosure controls and procedures were effective as at December 31, 2022.

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, 2022. Based on that evaluation, management concluded that the Company's internal control over financial reporting was effective as at December 31, 2022. No changes were made in the Company's internal control over financial reporting during the year ended December 31, 2022, 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 contract 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. Empire Life's sensitivity to risks related to policy liabilities are included in notes 22 and 23 to the consolidated financial statements.

Impairment

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.

AFS 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 particular those items categorized within Level 3 of the hierarchy.

Accounting changes

IFRS 17 *Insurance Contracts* ("IFRS 17") and IFRS 9 *Financial Instruments* ("IFRS 9") to be Adopted in 2023

For periods beginning on or after January 1, 2023, the Company will be adopting IFRS 17, which replaces IFRS 4 *Insurance Contracts*. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts. Effective January 1, 2023, we will also be adopting IFRS 9, which replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

IFRS 17

IFRS 17 replaces IFRS 4 for Insurance Contracts for annual periods beginning on January 1, 2023, with a transition date of January 1, 2022. Up to and including December 31, 2022, the insurance industry has been permitted to continue using IFRS 4 and the Canadian Asset Liability Method (CALM) to measure insurance contract liabilities. IFRS 17 will change the fundamental principles used by Empire Life for recognizing and measuring insurance contracts. In addition, IFRS 17 will change the presentation of the Company's financial statements and of some related note disclosures.

The primary principles of IFRS 17 are that the Company:

- Identifies insurance contracts as those under which Empire Life accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.
- Recognizes profit from a group of insurance contracts over the period that insurance coverage is provided, as Empire Life is released from risk. If a group of insurance contracts is expected to be onerous (loss making) over the remaining coverage period, losses are recognized immediately.
- Measures insurance contract liabilities as the total of the following measurement components:
  a) the best-estimate liability ("BEL");
  b) a risk adjustment ("RA"); and
  c) the contractual service margin ("CSM").

IFRS 9 Financial Instruments

Financial asset classification is based on the cash flow characteristics and the business model in which an asset is held. The classification determines how a financial instrument is accounted for and measured. IFRS 9 includes three measurement categories for financial assets:

1. Measured at amortized cost
2. Fair Value Other Comprehensive Income ("FVOCI")
3. Fair Value Through Profit and Loss ("FVTPL")

Most financial assets are designated as FVTPL under IAS 39 and will continue to be measured at FVTPL under IFRS 9. Equity investments that are classified as available for sale under IAS 39 will be measured at FVTPL under IFRS 9.

Mortgages and loans measured at amortized cost under IAS 39 will be designated as FVTPL under IFRS 9. Some investment contracts that were treated as insurance under IFRS 4 will be treated as financial liabilities under IFRS 9. Investment contracts will be designated as FVTPL under IFRS 9.

Because the majority of financial assets are measured at fair value both before and after the transition to IFRS 9, the new classification requirements will not have a material impact on total equity upon adoption.

IFRS 9 replaces the incurred loss in IAS 39 with a forward-looking expected credit loss model. After adoption of IFRS 9, the majority of financial assets will be reported at FVTPL, so the expected credit loss model will not have a significant impact.

Transition

Changes in accounting policies resulting from the adoption of IFRS 17 will be applied using a full retrospective approach where practicable. If it is impracticable to apply the full retrospective approach, then the Company can choose between the modified retrospective approach and the fair value approach. For group insurance contracts the full retrospective approach was applied. For all other insurance business, the fair value approach was applied.

At the date of transition Empire Life derived its actuarial liabilities and CSM in accordance with the requirements of the standard. Empire Life currently expects the CSM (expected future profits) to be in the range of $1.1 billion to $1.4 billion and the impact on retained earnings to be a reduction in the range of $300 million to $500 million.

These assessments are preliminary because we are still finalizing implementation and testing of controls over financial reporting. The new accounting policies, judgements and estimations are subject to change until Q1 2023 financial statements are finalized.

For additional information on IFRS 17 refer to and note 2(v) in the audited consolidated financial statement for the year ended December 31, 2022.

Significant developments

The Russian war with Ukraine and the resulting sanctions have negatively impacted global economic growth forecasts. Further, the novel coronavirus (or COVID-19) continues to impact international business operations, supply chains, travel, commodity prices, consumer confidence and business forecasts. These factors have led to higher levels of inflation and have created increased uncertainty and volatility, which impact the Company's investment portfolios.

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'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, a limited partnership and other private companies.

Investments in 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".

Investments - corporate

Investments - corporate includes investments in equities and short-term fixed-income investments. At December 31, 2022, investments - corporate had aggregate investments of $5.6 billion, comprised primarily of common shares and units of investment funds, compared to aggregate investments at December 31, 2021 of $6.4 billion. The fair value of investments - corporate is summarized in the table below:

(millions of dollars)		**2022**		2021
Preferred shares	**$**	**3**	$	3
Common shares and units				
Canada and U.S.		**3,906**		4,496
Europe and United Kingdom		**945**		852
Emerging Markets		**433**		722
Japan		**251**		293
Other		**41**		40
Total		**5,576**		6,403
Total invested assets	**$**	**5,579**	$	6,406

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

	Fourth quarter				Year			
(millions of dollars)		**2022**		2021		**2022**		2021
Revenue								
Net gain (loss) on investments	**$**	**451**	$	303	**$**	**(767)**	$	931
Investment and other income		**35**		33		**128**		134
Share of associates income		**23**		15		**58**		158
		509		351		**(581)**		1,223
Operating expenses		**10**		12		**37**		49
Income taxes		**64**		44		**(81)**		151
Non-controlling interests		**61**		34		**(160)**		108
		135		90		**(204)**		308
Net income (loss)		**374**		261		**(377)**		915
OCI, net of taxes		**1**		—		**8**		5
Comprehensive income (loss)	**$**	**375**	$	261	**$**	**(369)**	$	920

E-L Corporate reported a net gain of $374 million in the fourth quarter of 2022 compared to $261 million in 2021. For the fourth quarter of 2022 there was a net gain on investments of $451 million compared to $303 million in 2021. E-L Corporate's global investment portfolio had pre-tax total return, including dividend income of 9% for the fourth quarter of 2022 compared to 6% for the fourth quarter of 2021.

For the year ended December 31, 2022, E-L Corporate reported a net loss on investments of $767 million compared to a net gain of $931 million in 2021. The Company's year to date pre-tax total return on investments including dividend income was negative 11% compared to a pre-tax total return on investments of positive 18% in the prior year. Global equity markets have been negatively impacted by concerns around higher levels of inflation and rising interest rates. During the year, the United States dollar appreciated 7% relative to the Canadian dollar and depreciated 1% during the fourth quarter.

Investment and other income was higher for the fourth quarter of 2022 compared to 2021 but lower on year to date basis compared to prior year. Investment and other income consists primarily of dividend income received from E-L Corporate's investment portfolio. In general, dividend income is impacted by the composition of the investment portfolio and foreign exchange rates. Dividend income was impacted by changes in the global investment portfolio as a result of changes made to the investment portfolio managers completed during the fourth quarter of fiscal 2021.

Operating expenses have decreased for the fourth quarter and for the year ended December 31, 2022 compared to 2021. The change is primarily attributable to lower investment management fees.

Share of associates income

The details of E-L Corporate's share of income of associates are as follows:

	Fourth quarter		Year [1]	
(millions of dollars)	**2022**	2021	**2022**	2021
Algoma	**$ 15**	$ 12	**$ 41**	$ 126
Economic	**8**	3	**17**	32
	$ 23	$ 15	**$ 58**	$ 158

[1] Includes a $20 million impairment reversal (2021 - $87 million).

Algoma's net earnings for 2022 decreased compared to the prior period largely due to a $95 million reversal of impairment write downs in 2021. Excluding the impairment reversal, Algoma results increased in 2022 compared with the prior year mainly due to strong earnings from Global Short Sea Shipping, Ocean Self-Unloaders, and the sale of an investment property at the end of June. Algoma's net earnings for the fourth quarter of 2022 remained consistent with the fourth quarter of 2021.

Economic owns, directly and indirectly, long-term investments in the common shares of some publicly-traded Canadian companies, and a managed global investment portfolio of common shares of publicly-traded global companies. During the third quarter of 2022, Economic completed a substantial issuer bid, which resulted in Economic taking up 103,007 of the company's outstanding common shares. Combined with the shares repurchased year to date under Economic's normal course issuer bid, E-L Financial's effective ownership has increased to 24.7% at December 31, 2022 from 24.1% at December 31, 2021.

Economic's global investment portfolio had a pre-tax total return, gross of fees, of negative 4% during 2022 compared to positive 22% in 2021. On a quarterly basis, Economic's global investment portfolio had a pre-tax total return, gross of fees, of 11% in the fourth quarter of 2022 compared to 7% in the fourth quarter of 2021.

The ownership interests, carrying value and fair value of E-L Corporate's investment in associates is summarized in the table below:

	2022			2021		
	Ownership	**Carrying value**	**Fair value**	Ownership	Carrying value	Fair value
Algoma	**37.2 %**	**$ 268**	**$ 258**	37.4 %	$ 223	$ 241
Economic	**24.7 %**	**175**	**175**	24.1 %	171	171
Total		**$ 443**	**$ 433**		$ 394	$ 412

Algoma and Economic are Canadian public companies for which further information is publicly available.

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, 2022, 58% (2021 - 59%) of the investment - corporate including cash and cash equivalents was denominated in U.S. dollars, 9% (2021 - 6%) in Euros and 5% (2021 - 5%) in the Japanese Yen representing the largest foreign currency exposures. The Company also holds investments within emerging markets. Investments in emerging markets are more likely to experience political, economic and social instability, which may result in higher levels of market value volatility.

Credit risk

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 equity 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 and interest 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 Group Solutions brokers and representatives.

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)		**2022**	2021		**2022**		2021
Empire Life common shareholders' net income	**$**	**87**	$ 17	**$**	**204**	$	239
Non-controlling interests		**—**	—		**(1)**		(1)
Net income, contribution to E-L Financial	**$**	**87**	$ 17	**$**	**203**	$	238

Empire Life reported fourth quarter common shareholders' net income of $87 million for 2022, compared to $17 million for 2021. Full year common shareholders' net income was $204 million compared to $239 million in 2021. The increase in fourth quarter earnings was due to the effect of assumption updates applied in the Individual Insurance line which had a favourable impact on fourth quarter earnings in 2022 compared to an unfavourable impact in 2021. For the year, earnings were lower than 2021, primarily due to the non-recurring release of segregated fund guarantee related policy liabilities which occurred in the first quarter of 2021. In addition, the increase in the yield curves through the year has had a positive impact on 2022 results.

The following tables provide a breakdown of the sources of earnings by business for the fourth quarter and year to date:

Sources of Earnings			Fourth quarter				Year
(millions of dollars)		**2022**	2021		**2022**		2021
Expected profit on in-force business	**$**	**56**	$ 51	**$**	**217**	$	199
Impact of new business		**(3)**	(4)		**(5)**		(20)
Experience gains (losses)		**1**	15		**(53)**		159
Management actions and changes in assumptions		**52**	(55)		**107**		(38)
Earnings on operations before income taxes		**106**	6		**266**		299
Earnings on surplus		**7**	7		**3**		14
Income before income tax		**113**	13		**269**		313
Income taxes		**25**	(5)		**60**		67
Empire Life's shareholders' net income		**88**	18		**209**		246
Dividends on preferred shares		**(1)**	(1)		**(5)**		(7)
Empire Life common shareholders' net income	**$**	**87**	$ 17	**$**	**204**	$	239

The expected profit on in-force business for the fourth quarter and for the year increased primarily due to higher expected levels of assets under management and higher levels of in-force business at the start of the year for all three business lines.

Experience gains for the fourth quarter were lower than the comparable period primarily due to the negative impacts of equity market performance. For the year, experience gains (losses) were significantly lower in 2022 as the comparable period in 2021 included a non-recurring release of segregated fund guarantee related policy liabilities which occurred in the first quarter of 2021. Experience in 2022 included the impact of the current market conditions; positive yield curve impacts offset by poor equity market performance. In addition, the full year line of business experience included increased expenses in the

Wealth Management line from an enhanced commission program on large deposits, Individual Insurance had small lapse gains offset by mortality losses and poor Group Solutions experience caused by both adverse LTD claim experience and the impact of inflation on pricing for Health and Dental lines.

Management actions and changes in assumptions in the fourth quarter of 2022 were more favourable than 2021, primarily due to the impact of increasing yield curves during the year on the discount rate and actuarial assumptions reflected in the third and fourth quarter of 2022.

Earnings on surplus were lower for the full year primarily due to lower realized gains on Available for Sale ("AFS") assets caused by the increasing yield curve.

Results by major product line

The following tables provide a summary of Empire Life results by major product line for the three months and for the years ended December 31, 2022 and 2021. A discussion of results is provided in the Product Line section of the MD&A.

Three months ended December 31	**Wealth Management**		**Group Solutions**		**Individual Insurance**		**Capital & Surplus**		**Total**	
(millions of dollars)	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Revenue										
Net premiums	**$ 54**	$ 20	**$ 116**	$ 109	**$ 117**	$ 112	**$ —**	$ —	**$ 287**	$ 240
Fee income	**58**	66	**3**	4	**—**	—	**5**	—	**66**	70
Investment income	**9**	7	**2**	1	**67**	60	**20**	18	**98**	86
Net (loss) income on investments [1]	**(9)**	3	**(1)**	—	**(69)**	258	**(10)**	(4)	**(89)**	258
	112	96	**120**	114	**115**	431	**15**	14	**362**	654
Expenses										
Benefits and expenses	**83**	52	**116**	118	**38**	457	**10**	7	**247**	634
Income and other taxes	**8**	9	**3**	—	**18**	(14)	**(1)**	1	**28**	(3)
	91	61	**119**	118	**56**	444	**9**	8	**275**	631
Net income (loss) after tax	**$ 21**	$ 35	**$ 1**	$ (4)	**$ 59**	$ (13)	**$ 6**	$ 6	**$ 87**	$ 24
Participating policyholders' portion									**1**	6
Dividends on preferred shares									**(1)**	1
Empire Life's common shareholders' net income									**87**	17
Non-controlling interests in net income									**—**	—
Net income attributable to owners of E-L Financial									**$ 87**	$ 17

Years ended December 31	**Wealth Management**		**Group Solutions**		**Individual Insurance**		**Capital & Surplus**		**Total**	
(millions of dollars)	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Revenue										
Net premiums	**$ 140**	$ 75	**$ 452**	$ 407	**$ 451**	$ 434	**$ —**	$ —	**$1,043**	$ 916
Fee income	**251**	259	**15**	14	**—**	—	**16**	—	**282**	273
Investment income	**33**	36	**8**	4	**250**	226	**67**	64	**358**	330
Net loss on investments [1]	**(102)**	(9)	**(23)**	(4)	**(1,583)**	(221)	**(42)**	(26)	**(1,750)**	(258)
	322	360	**452**	421	**(882)**	439	**41**	39	**(67)**	1,259
Expenses										
Benefits and expenses	**213**	73	**443**	415	**(1,050)**	402	**38**	23	**(356)**	914
Income and other taxes	**27**	72	**11**	9	**42**	4	**(1)**	1	**79**	86
	240	**145**	**454**	423	**(1,008)**	407	**37**	24	**(277)**	1,000
Net income (loss) after tax	**$ 82**	$ 215	**$ (2)**	$ (3)	**$ 126**	$ 32	**$ 4**	$ 15	**$ 210**	$ 259
Participating policyholders' portion									**(1)**	(13)
Dividends on preferred shares									**(5)**	(7)
Empire Life's common shareholders' net income									**204**	239
Non-controlling interests in net income									**(1)**	(1)
Net income attributable to owners of E-L Financial									**$ 203**	$ 238

[1] Includes fair value change on FVTPL investments and realized gains on AFS investments

Product line results - Wealth Management

Key Operating Results	Fourth quarter		Year	
(millions of dollars)	**2022**	2021	**2022**	2021
Fixed Annuities				
Assets under management	**$ 754**	$ 853	**$ 754**	$ 853
Gross sales	**62**	75	**148**	130
Net sales	**32**	(40)	**44**	(71)
Segregated Funds				
Assets under management	**$ 8,566**	$ 9,257	**$ 8,566**	$ 9,257
Gross sales	**198**	268	**841**	959
Net sales	**(26)**	(145)	**(91)**	(259)
Fee income	**57**	65	**249**	256
Net income after tax	**$ 21**	$ 35	**$ 82**	$ 215

Fixed annuity assets under management decreased by 12% from their levels at the end of 2021, as a result of the increase in market interest rates which resulted in a reduction of the value of fixed income securities. Gross sales were lower in the fourth quarter but higher for the year.

Segregated fund assets under management are lower relative to the same period in 2021, reflecting the poor equity market conditions. For the fourth quarter and the year, gross sales were lower than the same period in 2021. Segregated fund fee income was lower to the comparable period in 2021, due to lower average assets under management. Fee income from segregated funds is calculated daily for most products.

Product line results - Group Solutions

Key Operating Results	Fourth quarter		Year	
(millions of dollars)	**2022**	2021	**2022**	2021
Core	**$ 15**	$ 11	**$ 59**	$ 74
Other	**7**	6	**25**	25
Annualized premium sales	**$ 22**	$ 17	**$ 84**	$ 99
Net premiums sales	**$ 116**	$ 109	**$ 452**	$ 407
Net income (loss) after tax	**$ 1**	$ (4)	**$ (2)**	$ (3)

For the fourth quarter, total annualized premium sales for Group Solutions increased relative to 2021, primarily due to a small block transfer acquired during the quarter. For the year, annualized premium sales were 18% lower than 2021, as Group Solutions took a prudent approach to pricing of renewal caps on the health and dental product lines in response to the current high inflation environment. Over the last several years, Empire Life has entered into a number of strategic arrangements to expand market share in this space.

Net premiums for the fourth quarter and year increased by 8% and 11% respectively, compared to the same periods in 2021, as premium growth in new distribution channels and strong renewal increases on inforce business more than offset lower sales versus prior year. Empire Life continues to focus on profitable sales in the employee benefits market where price competition continues for all major product lines.

Group Solutions delivered a modest profit in the quarter as improvements long term disability claims experience were partially offset by unfavourable extended health claim costs in the quarter. Losses for the full year were primarily due to unfavourable claims experience in long term disability and extended health care benefits.

Product line results - Individual Insurance

Key Operating Results	**Fourth quarter**		**Year**	
(millions of dollars)	**2022**	2021	**2022**	2021
Shareholders'				
Annualized premium sales	**$ 9**	$ 7	**$ 32**	$ 34
Net premiums	**74**	73	**294**	291
Net income (loss) after tax	**58**	(18)	**125**	21
Policyholders'				
Annualized premium sales	**$ 4**	$ 4	**$ 15**	$ 16
Net premiums	**42**	39	**156**	143
Net income after tax	**1**	5	**1**	11
Net income (loss) after tax	**$ 59**	$ (13)	**$ 126**	$ 32

Shareholders' annualized premium sales and Shareholders' net premiums were flat compared with 2021, sales growth was not as strong as expected in 2022 due to unfavourable market conditions. Policyholders' annualized premium sales for the full year were consistent with 2021 from Empire Life's core participating life products, while Policyholders' net premiums grew by 9%.

Total net income for Individual Insurance was $125 million for year-to-date 2022 compared to $32 million in 2021, mostly driven by actuarial assumption updates, specifically the net investment assumption update.

(millions of dollars)	**2022**	2021
Components of pre-tax income increase from update of policy liability assumptions		
Lapse/premium assumptions	**$ (35)**	$ (113)
Net investment assumptions	**96**	82
Mortality experience	**22**	(25)
Reinsurance recapture	**—**	11
Other	**(14)**	(2)
Total gain (loss) from update of policy liability assumptions (excludes policyholders' portion)	**$ 69**	$ (47)

The lapse/premium assumption change for both 2022 and 2021 is related to updates of assumed lapse rates on renewable term and universal life policies, reflecting current Empire Life and industry experience.

The net investment assumption change for 2022 includes the positive impact of a net increase in the reinvestment rates used in the valuation of policy liabilities, reflecting current interest rates. The primary driver of the net investment assumption change for 2021 was a decrease in segregated fund liabilities related to equity returns for the year. In addition, updates were made to the future reinvestment asset mix, which adds to expected credit spreads, resulting in a decrease in policy liabilities.

The mortality assumption change for 2022 is due to a normal update of our studies which combine industry and Empire Life experience. In 2021, there was an additional update (unfavorable) related to the calculation of mortality improvement used in the valuation of policy liabilities.

In 2021, provisions related to the 2019 reinsurance recapture models were released. In 2019 the Empire Life enacted significant changes to its reinsurance programs which resulted in an increase in its individual life retention.

Results - Capital and Surplus

(millions of dollars)	Fourth quarter 2022	Fourth quarter 2021	Year 2022	Year 2021
Net income after tax shareholders' portion	**$ 7**	$ 6	**$ 3**	$ 13
Net (loss) income after tax policyholders' portion	**(1)**	1	**1**	2
Net income after tax	**$ 6**	$ 7	**$ 4**	$ 15

In addition to the three major lines of business, Empire Life maintains distinct accounts for the investment income attributable to Shareholders' Capital and Surplus and to Policyholders' Surplus.

Net income decreased in 2022 in the capital and surplus segment primarily due to realized losses on sales of fixed income assets recorded as AFS, due to the increasing yield curve.

Sources of capital

Empire Life has issued private and public securities to strengthen its capital position and fund new business growth. Details of Empire Life's outstanding subordinated debt, preferred shares and limited recourse capital notes are as follows:

Subordinated debentures				Face amounts as at	
(millions of dollars)	Date Issued	Earliest redemption date	Yield	**December 31 2022**	December 31 2021
Series 2017-1 [(1)]	September 2017	March 15, 2023	3.664 %	**$ 200**	$ 200
Series 2021-1 [(2)]	September 2021	September 24, 2026	2.024 %	**$ 199**	$ 199

[(1)] Unsecured Debentures due 2028. From March 15, 2023, interest is payable at 1.53% over the 3-month Canadian Deposit Offering Rate ("CDOR").

[(2)] Unsecured Debentures due 2031. From September 24, 2026, interest is payable at 0.67% over the 3-month CDOR.

Preferred Shares and Other Equity Instruments				As at	
(millions of dollars)	Date Issued	Earliest redemption date	Yield	**December 31 2022**	December 31 2021
Preferred shares, Series 3	November 2017	January 17, 2023	4.900 %	**$ 100**	$ 100
Limited Recourse Capital Notes, Series 1	February 2021	April 17, 2026	3.625 %	**$ 197**	$ 197

In the fourth quarter of 2022, Empire Life provided notice to E-L Financial Corporation Limited that it did not intend to exercise its right to redeem all or any part of the currently outstanding 4,000,000 Series 3 Preferred Shares of Empire Life on January 17, 2023 and, as a result and subject to certain conditions, the holders of the Series 3 Preferred Shares had the right, at their option, on the Series 3 Conversion Date, to convert all or part of their Series 3 Preferred Shares on a one-for-one basis into Series 4 Preferred Shares. In early 2023, E-L Financial irrevocably elected not to exercise this right. Effective January 18, 2023, holders of Series 3 Preferred Shares are entitled to receive fixed noncumulative quarterly dividends yielding 6.187% annually, as and when declared by the Board of Directors of Empire Life, for the renewal period ending on and including January 17, 2028. Thereafter, the dividend rate will be reset every five years at a rate equal to the 5-year Government of Canada bond yield plus 3.24%.

Debenture Issue

On January 13, 2023, Empire Life issued $200 million principal amount of unsecured debentures with a maturity date of January 13, 2033. The net proceeds of the issue will be used for regulatory capital purposes and for general corporate purposes which may include the redemption of outstanding debt.

The interest rate from January 13, 2023 to January 13, 2028 is 5.503% payable semi-annually until the interest reset date, which is January 13, 2028. The interest rate from January 13, 2028 until January 13, 2033 is the daily compounded Canadian Overnight Repo Rate Average (CORRA) plus 2.26%, payable quarterly.

Empire Life may call for redemption of the debentures any time after January 13, 2028 subject to the prior written approval of OSFI.

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

Debenture Redemption

On February 7, 2023 Empire Life announced that it intends to redeem, on March 15, 2023 (the “Redemption Date”), all of its outstanding $200 million 3.664% Unsecured Subordinated Debentures, Series 2017-1 due March 15, 2028 (the “Notes”). Notice will be delivered to the Note holders in accordance with the terms and conditions set forth in the related trust indenture. Interest on the Notes will cease to accrue from and after the Redemption Date.

The redemption has been approved by the OSFI.

The securities issued by Empire Life are rated by DBRS Limited (“DBRS”). DBRS has assigned the following ratings to Empire Life’s securities:

Evaluation Type	Rating	Trend	Date of last rating action
Financial Strength Rating	A	Stable	May 30, 2022
Issuer Rating	A	Stable	May 30, 2022
Subordinated Debt	A(low)	Stable	May 30, 2022
Preferred Shares	Pfd-2	Stable	May 30, 2022
Limited Recourse Capital Notes	BBB(high)	Stable	May 30, 2022

Regulatory capital

The Life Insurance Capital Adequacy Test (“LICAT”) is intended to measure a life insurer's solvency position by recognizing the long-term economics of the life insurance business. Empire Life continues to have a strong capital position under the LICAT framework. Empire Life is required to maintain a minimum Core Ratio of 55% and a Total Ratio of 90%. The Office of the Superintendent of Financial Institutions (“OSFI”) has established supervisory target levels of 70% for Core and 100% for Total ratio.

LICAT (millions of dollars)	**Dec 31 2022**	**Sep 30 2022**	**Jun 30 2022**	Mar 31 2022	Dec 31 2021
Available capital					
Tier 1	**$ 1,776**	**$ 1,729**	**$ 1,695**	$ 1,775	$ 1,898
Tier 2	**600**	**587**	**576**	573	591
Total	**$ 2,376**	**$ 2,316**	**$ 2,271**	$ 2,348	$ 2,489
Surplus allowance and eligible deposits	**$ 916**	**$ 933**	**$ 1,001**	$ 1,074	$ 1,115
Base solvency buffer	**$ 2,393**	**$ 2,366**	**$ 2,363**	$ 2,410	$ 2,508
LICAT Total Ratio	**138 %**	**137 %**	139 %	142 %	144 %
LICAT Core Ratio	**101 %**	**101 %**	101 %	105 %	107 %

The modest increase in the LICAT ratios in the fourth quarter are due to strong net income offset by reduced surplus allowances and shareholder dividends. Surplus allowances are provisions for conservatism in the actuarial liabilities. Their value was reduced due to higher discount rates linked to higher market interest rates. This overall increase is offset by an increase in the base solvency buffer (“BSB”). The BSB value increased slightly in the quarter as new business is acquired, resulting in reducing the LICAT ratios.

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, product pricing, 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 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 10 largest life insurance companies in Canada. Empire Life has approximately 6% market share of segregated funds, 6% market share for employee benefits and 2% market share for new life insurance premiums. 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. 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 its 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. Across all business lines, Empire Life is focused on growth and diversification of distribution as well digital enablement and adoption, all while maintaining personalized service.

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 customers. The value-oriented equity investment strategy used by Empire Life has focused on developing long-term performance in the fund marketplace. Management will continue to improve competitiveness by focusing on long-term performance, providing low-cost products to customers along with broadening distribution reach. Empire Life continues to achieve strong growth in assets under management from its segregated fund business as a result of net new sales and equity market appreciation. Empire Life is continuing to monitor and manage Guaranteed minimum withdrawal benefit ("GMWB") risk exposure and the competitive landscape for this product.

Within the broader employee benefits marketplace in Canada, Empire Life continues to focus on the small group employer market with fewer than 200 employees representing the majority of Canadian companies. 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 provisions for adverse deviation included in the actuarial policy liabilities exceeds the profit margin in the product pricing. At current reinsurance price levels in the Canadian marketplace, a company may reduce new business strain and improve profitability in the short term by opting to increase the amount of insurance risk reinsured to third parties. Mortality trends continue to be favourable for life insurance products. 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. Because of the reasonable long-term returns of this product line, management continues to focus on steady growth, technology development and process improvement to continue to have a cost structure that allows Empire Life to compete while generating an acceptable long-term financial contribution. Empire Life is continuously reviewing its Individual Insurance product mix 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's risk management process is to ensure that risk-taking activities are aligned with its strategy, in order to achieve business goals and deliver acceptable shareholder returns. When making decisions about risk taking and risk management, Empire Life considers:

- The need to meet the expectations of its customers, employees, shareholders and creditors and to protect the commitments that have been made to them;
- The need to be adequately compensated for the capital it deploys to support business activities and strategic objectives;
- The need need to protect its brand, which includes building and maintaining trust, fair treatment of its customers, consideration of corporate social responsibility, and embedding sustainability into its strategic plans; and
- The need to maintain (or improve) its external financial strength rating.

Empire Life's risk appetite defines the aggregate level of risk the company is willing to take to achieve its business strategies. The risk appetite supports the pursuit of sustainable shareholder value but does not compromise Empire Life's ability to pay claims and fulfil policyholder commitments.

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 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, employees, creditors and shareholders) will be met when they fall due;
- Empire Life accepts product risks provided they are properly priced and managed 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 future activities;
- Management is active in industry committees and, through a network of oversight functions, monitors the landscape so that Empire 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 oversees and monitors Empire Life's risk management framework, processes and practices, and reviews and approves Empire Life's Enterprise Risk Management Framework 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, with specific focus on market, credit and liquidity risk including asset/liability management as well as capital management. The Product Management Review Committee is responsible for overseeing management of corporate policy established by the Risk and Capital Committee of the Board, with specific focus on product risk. Activities not delegated to one of these two committees remain under the oversight of senior management. More information related to governance can be found under the Corporate Governance over Risk Management section of Empire Life's 2022 Annual Report. The Chief Risk Officer is a member of the Asset Management Committee and Product Management Review Committee and has Board reporting responsibility with respect to risk and capital management, the latter of which is shared with the Chief Actuary. 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, security champions and the risk management department. There is senior management representation and oversight on various interdisciplinary risk committees. Empire Life formally establishes and documents its values and risk tolerances through several company-wide policies including a code of business conduct, corporate disclosure principles, enterprise risk management, capital management and whistleblower policies. Empire Life's strategic risk management policies (including those related to product design and pricing, investment and capital management) are also approved by its Board, or a Board committee. Subsidiaries have adopted practices for risks to which they are exposed, appropriate to their business plan, and have access to Empire Life's oversight functions to assist and support them.

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. The sensitivities do not take into account indirect effects such as potential impacts on goodwill impairment or valuation allowances on deferred tax assets. Actual results can differ materially from these estimates for a variety of reasons, including differences in the pattern or distribution of market shocks, 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. Given the nature of these calculations, Empire Life cannot provide assurance that the actual impact will be consistent with the estimates provided. Changes in risk variables in excess of the ranges illustrated may result in other than proportionate impacts.

Significant Developments

The global economy saw a strong recovery through the first part of 2022, supported by gradual easing and reversal of public health restrictions related to the COVID pandemic, accommodating central bank monetary and fiscal policies, strong household and corporate balance sheets and large amounts of consumer demand. These factors led to large increases in inflation which triggered re-assessment of policy setting in many central banks, including Canada. Interest rates are now at levels not seen for over a decade. The second half of 2022 has been characterized by significant volatility across global markets. COVID risks remain, but many countries are now treating COVID as endemic, suggesting that further variants will be countered with far less stringent public health restrictions. Empire Life continues to adjust its operations, where necessary, as government restrictions and measures evolve.

Continued economic and political uncertainty, including international conflicts, may give rise to increased business and strategic risks. In addition, adverse economic conditions often arise in conjunction with volatile and deteriorating market conditions which may have an adverse impact on customer behaviour, sales and future financial results.

Empire Life has considered these events and their effects when applying the measurement techniques for critical accounting estimates and judgments provided in Note 2. The potential effects on Empire Life's financial results due to fluctuations in equity markets and interest rates are provided in Note 22.

Acquisition

On March 10, 2022, Empire Life acquired 100% of the shares of six financial services firms and amalgamated them into one wholly-owned subsidiary of Empire Life under the name TruStone Financial Inc. ("TruStone Financial"). The six purchased agencies are Life Management Financial Group Ltd., LMF Investor Services Inc., Paradigm Financial Advisors (North) Inc., Paradigm Financial Advisors Inc., Dwight Goertz & Associates Insurance Agency Limited, and Pacific Place Financial Services Inc. The acquisitions support Empire Life's commitment to facilitating access to independent financial advice for Canadians.

Market Risk

Empire Life has equity market risk related to its segregated fund products and from equity assets backing life insurance liabilities. Empire Life has a semi-static hedging program. The objective of the hedging program is to partially protect Empire Life from regulatory capital (LICAT) ratio declines that might result from adverse stock market price changes. The hedging program may employ derivatives positions including put options and futures. The extent of derivatives used is monitored and managed on an ongoing basis, giving consideration to equity market risk and the level of available capital.

There is income statement volatility from this hedging program. Based on current equity market levels, Empire Life has required capital for LICAT purposes and policy liabilities on the statement of financial position related to segregated fund guarantees. A by-product of hedging LICAT exposure is net income volatility, as the gains or losses from hedging instruments are not necessarily offset by changes in policy liabilities related to segregated fund guarantee risk as a result of the use of "zero floor", explained further below. For the year, Empire Life experienced a loss of $6 million after tax primarily due to realized fair value losses. This compares to a hedge loss of $15 million after tax for 2021.

Empire Life's LICAT ratio is also sensitive to stock market volatility, due primarily to liability and capital requirements related to segregated fund guarantees. As of December 31, 2022, Empire Life had $8.6 billion of segregated fund assets and liabilities. Of this amount, approximately $8.3 billion have guarantees. The following table provides a percentage breakdown by type of guarantee:

	December 31 2022	December 31 2021
Percentage of segregated fund liabilities with:		
75% maturity guarantee and a 75% death benefit guarantee	**8 %**	7 %
75% maturity guarantee and a 100% death benefit guarantee	**44 %**	44 %
100% maturity and death benefit guarantee (with a minimum of 15 years between deposit and maturity date)	**7 %**	7 %
Guaranteed minimum withdrawal benefit ("GMWB")	**41 %**	42 %

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 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 ignore all the deposits in the customer's policy where the fund value is above the guaranteed amount. Therefore, policy-based guarantees generally 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 sensitivity test. If period-end stock markets are high relative to market levels at the time that segregated fund policies are issued, the sensitivity is reduced. If period-end stock markets are low relative to market levels at the time that segregated fund policies are issued, the sensitivity is increased.

The segregated fund regulatory capital and liability framework includes the use of "zero floors" (i.e., negative liability 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. The liabilities are the greater of: (i) the average of the amounts determined by averaging the results from adverse economic scenarios; and (ii) zero.

Empire Life also has equity market risk related to its equity assets backing life insurance liabilities. Based on stock market levels as at December 31, 2022 and December 31, 2021, the sensitivity of Empire Life shareholders' net income and LICAT Total ratio resulting from stock market increases and decreases is provided in the following table.

Sensitivity to equity risk	**Increase**		**Decrease**		
Impact on net income *(millions of dollars after tax)*	**20%**	**10%**	**10%**	**20%**	**30%**
As at December 31, 2022					
Segregated fund guarantees	**$ 2**	**$ 2**	**$ (11)**	**$ (87)**	**$ (200)**
Other equity risk	**22**	**10**	**(8)**	**(15)**	**(35)**
Equity hedge	**(4)**	**(3)**	**6**	**20**	**40**
Total	**$ 20**	**$ 9**	**$ (13)**	**$ (82)**	**$ (195)**
As at December 31, 2021					
Segregated fund guarantees	$ —	$ —	$ (10)	$ (60)	$ (189)
Other equity risk	40	19	(18)	(32)	(44)
Equity hedge	(2)	(2)	4	12	27
Total	$ 38	$ 17	$ (24)	$ (80)	$ (206)

Sensitivity to equity risk	**Increase**		**Decrease**		
Impact on LICAT	**20%**	**10%**	**10%**	**20%**	**30%**
As at December 31, 2022					
Segregated fund guarantees	**17%**	**9%**	**(2)%**	**(7)%**	**(14)%**
Other equity risk	**—%**	**—%**	**—%**	**—%**	**—%**
Equity hedge	**(2)%**	**(1)%**	**1%**	**1%**	**2%**
Total	**15%**	**8%**	**(1)%**	**(6)%**	**(12)%**
As at December 31, 2021					
Segregated fund guarantees	11%	5%	(1)%	(7)%	(16)%
Other equity risk	—%	—%	1%	1%	—%
Equity hedge	(2)%	(1)%	1%	2%	3%
Total	9%	4%	1%	(4)%	(13)%

In 2022, Empire Life increased the segregated fund guarantee liability due to the decline in stock markets, which was partially offset by the impact of higher interest rates. In addition, Empire Life reduced the size of its portfolio of equity assets backing life insurance liabilities. These factors combined to cause a decrease in the potential negative net income impacts of a decrease in stock markets at the end of 2022 relative to the end of 2021, along with a decrease in the potential positive net income impacts of an increase in stock markets. These factors also caused an increase in the potential positive LICAT ratio impacts of an increase in stock markets.

The amount at risk related to segregated fund maturity guarantees and segregated fund death benefit guarantees, and the resulting policy liabilities and LICAT base solvency buffer for Empire Life's segregated funds is provided in the following table:

Segregated Funds	**Withdrawal Benefit > Fund Value**		**Maturity Guarantee > Fund Value**		**Death Benefit > Fund Value**			
(millions of dollars)	**Fund Value**	**Amount at Risk**	**Fund Value**	**Amount at Risk**	**Fund Value**	**Amount at Risk**	**Policy Liabilities**	**LICAT Capital**
December 31, 2022	**$ 2,651**	**$ 1,048**	**$ 160**	**$ 10**	**$ 3,073**	**$ 104**	**$ 2**	**$ 575**
December 31, 2021	$ 2,617	$ 766	$ 27	$ 2	$ 200	$ 3	$ —	$ 658

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, 2022, the aggregate amount at risk for all three categories of risk was $1,162 million. At December 31, 2021, the aggregate amount at risk for these three categories of risk was $770 million. 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 policy 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.

In addition, Empire Life considers the sensitivity of its LICAT ratio 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 non-participating insurance business and segregated fund guarantees for December 31, 2022 and December 31, 2021, is shown in the table below. This assumes no change in the ultimate reinvestment rate ("URR").

Sensitivity to market interest rates LICAT:	**Impact of 50 bps decrease**
December 31, 2022 LICAT total ratio	**2%**
December 31, 2021 LICAT total ratio	1%

Empire Life has some policy liabilities that are linked to measures of inflation. Certain group long-term disability contracts and a small closed block of annuity contracts have benefit payments that are linked to an indexing formula containing an inflation price index. These exposures are considered as part of the Empire Life's asset/liability management activities and are not material.

Operational risk

Operational risk is broadly defined as the risk of loss resulting from human error, decisions, actions or failure to act, inadequate or failed internal processes and systems, or from external events that affect business operations. Operational risk is naturally present in all of Empire Life's business activities, as well as those of its subsidiaries. Effective management of operational risk contributes to and influences the operational resilience of Empire Life. The following is a further description of some operational risks and their associated risk management strategies.

Legal and Regulatory Compliance Risk

Empire Life is governed by the Insurance Companies Act 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 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 regulatory compliance risk and includes Empire-wide policies, operating guidelines, programs to promote awareness of laws and regulations impacting Empire Life, ongoing monitoring of emerging compliance 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 business conduct. The framework is supported by a network of business unit compliance officers as well as the corporate legal services department. Subsidiaries maintain regulatory compliance frameworks for their respective operations with regular reporting to Empire Life's Chief Compliance Officer. The Chief Compliance Officer reports regularly to the Conduct Review Committee of the Board on the state of compliance, key compliance risks and emerging regulatory trends. The General Counsel reports regularly to the Audit Committee of the Board on litigation activity and trends for both Empire Life and the industry.

Model Risk

Empire Life uses models to support many business functions including product development and pricing, valuation of policy liabilities, financial planning, asset/liability management, capital management, project management, investment analysis, risk management and advanced analytics (such as artificial intelligence, predictive modeling and decision-making algorithms). 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 business decisions. Empire Life has developed management and mitigation processes related to model use and oversight of models to limit financial, operational and strategic impacts from misinterpretation or misuse of model results. Senior management has overall responsibility and accountability for models in use to support activities within their business area. The Chief Risk Officer reports regularly to senior management and the Risk and Capital Committee of the Board on model use and related oversight activities.

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, and is unable to maintain and effectively deploy resources with the in-depth knowledge and necessary skills needed to support business activities, the results of its operations and financial condition, including its competitive position, could be adversely affected. To mitigate this risk, Empire Life has human resources policies, processes and practices in place. Management reports regularly to the Human Resources Committee of the Board on recruitment, workforce and succession planning, employee development, and diversity and inclusion program initiatives, as well as compensation practices and programs, all of which are designed to attract, motivate and retain a highly skilled workforce whose differences, stories, experiences and ideas contribute to high-performing, high-potential employees. Empire Life is committed to cultivating a diverse, engaged and sustainable organization while building an inclusive community.

Third-Party Risk

Empire Life obtains many different types of services from a number of third-party service providers and has outsourced certain business functions or processes to third parties. Should these third parties fail to deliver systems and/or 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 policies and guidelines that set out requirements to identify, assess, manage, monitor, and report on third-party risks commensurate with the risks associated with the service provider and the nature of the arrangement. Quarterly reporting is provided to the Risk and Capital Committee of the Board. 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.

Technology and Information Security 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. The Chief Technology Officer is responsible for the digital and data technology strategy for Empire Life and oversees technology initiatives and transformation projects and reports regularly to the IT Oversight Committee of the Board on strategic information technology-related project, initiatives and technology architecture. 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, criminal activity, fraud or the loss of certain software licensing agreements could have a material adverse impact on Empire Life.

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 Information Security Officer, who reports regularly to the IT Oversight Committee of the Board and at least annually to the Risk and Capital Committee of the Board. This program is comprised of standards, procedures and guidelines focused on management of cybersecurity risk and maintenance of the security and integrity of the data entrusted to Empire Life. 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. The Chief Privacy Officer reports regularly to the Conduct Review Committee of the Board on privacy and data security risks and emerging trends.

Business Continuity Risk

Empire Life has an enterprise-wide business continuity and disaster recovery program overseen by the Business Continuity Management Committee and senior management. 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 of key business functions occur as a result of an event, including pandemic, impacting the availability of trained employees, physical locations to conduct operations and/or access to technology. 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 services and failover capability designed to minimize downtime and accelerate system recovery. The Business Continuity Management Committee Chair reports at least annually to the Risk and Capital Committee of the Board on business continuity preparedness and operational resiliency.

Business and Strategic Risk

Business and strategic risk includes risks related to the uncertainty in future earnings and capital related to the potential inability to implement appropriate business plans and strategies, make decisions and allocate resources, risks related to the economic, political or business environment, that may impact distribution channels and customer behaviour, such as the competitive landscape, regulatory and tax changes or changes in accounting and actuarial standards; risks to our brand and; environmental and social risks. Empire Life and its subsidiaries regularly review and adapt 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.

There is alignment across Empire Life's business strategies and plans and its 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, employees 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.

Environmental and Social Risk

Empire Life’s business strategies are influenced by attitudes towards societal issues. Factors such as diversity, equity and inclusion and climate change are considered as part of the strategic planning process and are reflected in Empire Life’s risk management program and associated policies. Collectively referred to as “ESG” (environmental, social, governance), these risks are not a stand-alone risk category, but rather underlie all risk categories (credit, market, liquidity, product, operational and business and strategic). As such, processes for managing them are embedded in the processes for managing each risk category.

As a long-term oriented underwriter and investor, Empire Life’s financial performance, operations and reputation may be adversely affected if it does not adequately prepare for the direct or indirect negative impacts of environmental and social risks. Environmental risk reflects events and developments related to impacts of climate change and the transition to a lower-carbon economy that may include increased frequency and severity of natural or human-made environmental disasters, longer-term shifts in climate patterns, emerging regulatory and public policy developments, and their impacts on Empire Life’s operations, invested assets, suppliers, customers and reputation. Social risk includes public health issues and issues of inequality. Awareness and concern about mental health and well-being was amplified throughout the pandemic. Empire Life remains committed to improving health outcomes, including physical and mental well-being, for both its employees and customers through expansion of health products and related services.

Empire Life's investment management team integrates ESG considerations in their investment decision-making for Empire Life and customer assets. Empire Life is committed to diversity and inclusion and has reviewed its policies and practices to ensure equity and clarity. Empire Life is actively monitoring environmental, social and sustainability developments and has initiated efforts to embed ESG practices in all aspects of its business. Management reports regularly to the Board on emerging issues and related progress, recognizing that its strategy will evolve over time, building on experience and external developments. Additional information may be found in Empire Life's annual Public Accountability Report, available at empire.ca/about-us/community.

Pandemic Risk

Pandemics, epidemics or outbreaks of an infectious disease in Canada or worldwide could have an adverse impact on Empire Life's business, including changes to the way it operates, and on financial results and condition. The COVID-19 pandemic and the measures imposed by governments around the world to limit its spread disrupted the global economy, financial markets, supply chains, business activity and productivity in unprecedented ways. While COVID risks remain, many countries are now treating COVID as endemic, suggesting that further variants will be countered with far less stringent public health restrictions. Empire Life continues to adjust its operations, where necessary, as government restrictions and measures evolve.

Empire Life has taken proactive measures through its business continuity plans and normal operations have continued effectively. Processes supporting ongoing systems availability, stability and security are being monitored closely and are operating effectively. The majority of employees continue to work from home and associated strategies continue to operate effectively.

The continuing or worsening of the economic and market conditions caused by the COVID pandemic, and its impact on customers, industries and individual countries could have a material adverse effect on our future financial results and may also have the effect of heightening other risk categories (credit, market, liquidity, product and operational). Sustained adverse effects could negatively impact net income and our financial condition.

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 note 22 to the 2022 consolidated financial statements.

Outlook

Asset markets performed poorly in 2022. Stocks tumbled. Bonds were hit by one of their worst selloffs ever. Global stocks and bonds lost more than $30 trillion over the year. The losses came after central banks, led by the US Federal Reserve, executed their most aggressive interest rate increases since the 1980s to control the worst inflation in decades. The rising inflation, interest rate hikes, war in Ukraine, and fear of a recession triggered the heaviest losses in capital markets since the global financial crisis in 2008. Interest rates shifted up across the yield curve while short-term yields moved up higher than that of long term. Government of Canada 10-year bond yields more than doubled, rising from 1.45% to 3.30%, while the 2-year yields more than quadrupled, going from 0.95% to 4.05% by the end of the year, making the yield curve deeply inverted; which implies a possible recession on the horizon.

The S&P 500 Index finished the year down 12.2%, and its Canadian counterpart, the S&P/TSX Composite Index was down 5.8%. Internationally, the MSCI EAFE index ended the year down 7.8%. Despite a strong surge towards the end of the year, the MSCI Europe Index ended the year down 8.3%. Stock market conditions impact the in-force profit margins and new business growth for the segregated fund portions of Empire Life's Wealth Management product line.

Looking forward to 2023, there will likely be many challenges for both the global economy and investors. Recent indicators show inflation has likely peaked especially in Canada, but further central bank tightening outside Canada is expected in the first half of the year. So, some challenges might ease up in the second half of the year if inflation calms down and monetary policies loosen up.

Investor focus will likely be on central banks, particularly the U.S. Federal Reserve, for signs on when there may be a change in policy. All these moving parts, interest rate, inflation, unemployment rate, and GDP growth, suggest 2023 to be another uncertain year for investors.

Empire Life investment strategies across product lines reflect Empire Life's cautious view of the current environment. Empire Life is taking a defensive stance in the selection of investee companies, by keeping more cash to deploy as opportunities arise, and diversifying its investments.

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, 2022. Based on that evaluation, management concluded that the Company's internal control over financial reporting was effective as at December 31, 2022.

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 independent auditor. It is their responsibility to report to the shareholders regarding the fairness of presentation, in all material respects, of the Company's consolidated financial position and financial performance and cash flows as shown in the annual consolidated financial statements. In carrying out their audit, the independent auditors also consider the work of the actuaries and their report on policy liabilities. The independent auditors have full and free access to, and meet periodically with, the Audit Committees to discuss their audits. The Independent Auditor's 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, 2023

Independent auditor’s report

To the Shareholders of E-L Financial Corporation Limited

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of E-L Financial Corporation Limited and its subsidiaries (together, the Company) as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2022 and 2021;
- the consolidated statements of income for the years then ended;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addresses the key audit matter
Fair Value of Investments in Private Companies *Refer to Note 2 – Significant accounting policies, and Note 4 – Investments, corporate to the consolidated financial statements.* At December 31, 2022, a substantial portion of the Level 3 investments of $1,193,201,000 consist of investments in private companies. These investments are measured at fair value. The Company utilizes the adjusted net asset method to measure the fair value of investments in private companies. This method estimates the fair values of the underlying net assets of the private companies and considers adjustments for characteristics such as a minority marketability discount and control block premiums. These adjustments are unobservable inputs for fair value measurement. Determining unobservable inputs requires the use of significant management judgment. We considered this a key audit matter due to the judgement applied by management in determining the fair value estimates of the investments in private companies. This led to a high degree of auditor judgement in performing procedures relating to the valuation of the investments in private companies. The audit effort involved the use of professionals with specialized skill and knowledge.	Our approach to addressing the matter involved the following procedures, among others: • Tested how management determined the fair value estimates, which included the following: – Evaluated the appropriateness of the method being applied by management. – Agreed the net assets of the private companies to the underlying private companies audited financial statements. – Professionals with specialized skill and knowledge assisted with evaluating the methodology applied by management in fair valuing the minority interests in the private companies by assessing whether management's method appropriately applies a minority marketability discount and control block premiums. – Evaluated the minority marketability discount and control block premiums for reasonableness by examining underlying support and considering whether this was consistent with evidence obtained in other areas of the audit.

Key audit matter	How our audit addresses the key audit matter
Valuation of insurance contract liabilities *Refer to Note 2 - Significant accounting policies and Note 14 - Insurance contract liabilities and reinsurance liabilities to the consolidated financial statements.* The Company has gross insurance contract liabilities of $5,717,484,000 and reinsurance liabilities of $163,212,000 as at December 31, 2022 on its consolidated statement of financial position (collectively, insurance contract liabilities). Insurance contract 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 premium taxes on policies in force. Insurance contract liabilities are determined using the Canadian Asset Liability Method (CALM), as established by the Canadian Institute of Actuaries (CIA) (actuarial models). The CALM incorporates best-estimate assumptions for mortality, policy lapses, surrenders and future investment yields that require management judgement. The assumptions are based on experience studies, industry studies and requirements of the CIA. We considered this a key audit matter due to the judgement applied by management when developing their valuation of the contract liabilities, which in turn led to a high degree of auditor judgement and effort in evaluating the assumptions. Professionals with specialized skill and knowledge in the field of actuarial sciences assisted us in performing our procedures.	Our approach to addressing the matter included the following procedures, among others: • Tested how management determined the valuation of the insurance contract liabilities, which included the following: – Understood management's method for determining the valuation of insurance contract liabilities. – Tested the operating effectiveness of relevant controls over the completeness and accuracy of the underlying policy data used in management's valuation of insurance contract liabilities. – With the assistance of professionals with specialized skill and knowledge in the field of actuarial science assessed the reasonableness of the policy lapse and surrenders, mortality and future investment yields by: ◦ evaluating management's assumptions in accordance with actuarial principles and requirements of the CIA; and ◦ evaluating experience studies conducted by the Appointed Actuary for appropriateness and considering the relationship of the results with industry studies. – With the assistance of professionals with specialized skill and knowledge in the field of actuarial science, tested the appropriateness of the actuarial models used in developing the valuation of insurance contract liabilities, by: ◦ assessing a sample of actuarial models to ensure the correct modelling of product features; and ◦ assessing a sample of actuarial models to ensure the correct application of assumptions. – Tested the disclosures made in the consolidated financial statements, particularly on the sensitivity of significant assumptions on insurance contract liabilities.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such

disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor’s report is Owen Thomas.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 2, 2023

E-L Financial Corporation Limited
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in thousands of Canadian dollars)

		December 31 2022		December 31 2021
Assets				
Cash and cash equivalents (Note 8)	**$**	**302,946**	$	636,101
Investments - corporate (Note 4)		**5,579,239**		6,405,716
Investments - insurance (Note 5)		**8,222,762**		9,888,471
Investments in associates (Note 6)		**473,007**		416,866
Insurance receivable		**81,083**		48,700
Other assets (Note 9)		**268,881**		137,470
Segregated fund assets (Note 12)		**8,565,675**		9,257,298
Total assets	**$**	**23,493,593**	$	26,790,622
Liabilities				
Reinsurance liabilities (Note 14)	**$**	**163,212**	$	253,330
Insurance contract liabilities (Note 14)		**5,717,484**		7,164,812
Investment contract liabilities		**27,246**		27,872
Deferred tax liabilities (Note 18)		**285,087**		373,753
Dividends payable		**12,780**		13,141
Other liabilities (Note 10)		**275,976**		503,249
Borrowings (Note 16)		**702,915**		602,158
Segregated fund liabilities (Note 12)		**8,565,675**		9,257,298
Total liabilities	**$**	**15,750,375**	$	18,195,613
Equity				
Capital stock (Note 15)	**$**	**364,064**	$	366,663
Retained earnings		**6,410,379**		6,852,884
Accumulated other comprehensive loss (“AOCL”) income (“AOCI”)		**(117,446)**		37,873
Total E-L Financial shareholders' equity		**6,656,997**		7,257,420
Non-controlling interests in subsidiaries (“NCI”)		**1,030,156**		1,279,377
Participating policyholders' interests (“PAR”)		**56,065**		58,212
Total equity		**7,743,218**		8,595,009
Total liabilities and equity	**$**	**23,493,593**	$	26,790,622

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
CONSOLIDATED STATEMENTS OF (LOSS) INCOME
(in thousands of Canadian dollars, except per share amounts)

	2022	2021
Revenue		
Gross premiums	**$1,339,836**	$1,182,899
Premiums ceded to reinsurers	**(297,282)**	(267,356)
Net premiums	**1,042,554**	915,543
Investment and other income (Note 7)	**767,812**	736,449
Share of income of associates (Note 6)	**59,612**	158,849
Fair value change in fair value through profit or loss investments	**(2,483,436)**	673,112
Realized loss on available for sale investments	**(33,914)**	(1,477)
	(647,372)	2,482,476
Expenses		
Gross claims and benefits	**(545,080)**	771,462
Claims and benefits ceded to reinsurers	**(282,766)**	(290,363)
Net claims and benefits	**(827,846)**	481,099
Change in investment contracts provision	**1,088**	471
Commissions	**249,363**	233,778
Operating (Note 17)	**234,707**	219,804
Interest expense	**27,986**	31,753
Premium taxes	**22,359**	18,229
	(292,343)	985,134
(Loss) income before income taxes	**(355,029)**	1,497,342
Income taxes (Note 18)	**(27,716)**	215,350
Net (loss) income	**(327,313)**	1,281,992
Less: Participating policyholders' income	**1,292**	12,849
Non-controlling interests in net (loss) income	**(154,242)**	116,182
	(152,950)	129,031
E-L Financial shareholders' net (loss) income	**$ (174,363)**	$1,152,961
(Loss) earnings per share attributable to E-L Financial shareholders (Note 19)		
Basic	**$ (53.47)**	$ 314.67
Diluted	**$ (53.47)**	$ 284.39

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

E-L Financial Corporation Limited
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(in thousands of Canadian dollars)

	2022	2021
Net (loss) income	**$ (327,313)**	$1,281,992
Other comprehensive (loss) ("OCL") income ("OCI"), net of taxes (Note 20)		
Items that may be reclassified subsequently to net income:		
Net unrealized fair value change on available for sale investments ("AFS")	**(192,272)**	(56,027)
Share of OCI of associates	**7,494**	476
	(184,778)	(55,551)
Items that will not be reclassified to net income:		
Net remeasurement of defined benefit plans	**22,065**	32,255
Share of OCI of associates	**4,332**	6,713
	26,397	38,968
Total OCL	**(158,381)**	(16,583)
Comprehensive (loss) income	**(485,694)**	1,265,409
Less: Participating policyholders' comprehensive (loss) income	**(2,147)**	14,064
Non-controlling interests in comprehensive (loss) income	**(153,865)**	116,922
	(156,012)	130,986
E-L Financial shareholders' comprehensive (loss) income	**$ (329,682)**	$1,134,423

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

E-L Financial Corporation Limited
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(in thousands of Canadian dollars)

	E-L Financial shareholders' equity						
	Capital stock	**Retained earnings**	**AOCI (AOCL)**	**Total**	**NCI**	**PAR**	**Total equity**
At January 1, 2022	**$ 366,663**	**$ 6,852,884**	**$ 37,873**	**$ 7,257,420**	**$ 1,279,377**	**$ 58,212**	**$ 8,595,009**
Net (loss) income	**—**	**(174,363)**	**—**	**(174,363)**	**(154,242)**	**1,292**	**(327,313)**
(OCL) OCI	**—**	**—**	**(155,319)**	**(155,319)**	**377**	**(3,439)**	**(158,381)**
Comprehensive loss	**—**	**(174,363)**	**(155,319)**	**(329,682)**	**(153,865)**	**(2,147)**	**(485,694)**
Dividends (Note 15)	**—**	**(143,999)**	**—**	**(143,999)**	**(32,965)**	**—**	**(176,964)**
Common share purchases (Note 15)	**(2,599)**	**(132,860)**	**—**	**(135,459)**	**—**	**—**	**(135,459)**
Acquisition of subsidiary shares	**—**	**8,717**	**—**	**8,717**	**(62,391)**	**—**	**(53,674)**
At December 31, 2022	**$ 364,064**	**$ 6,410,379**	**$ (117,446)**	**$ 6,656,997**	**$ 1,030,156**	**$ 56,065**	**$ 7,743,218**

	E-L Financial shareholders' equity						
	Capital stock	Retained earnings	AOCI	Total	NCI	PAR	Total equity
At January 1, 2021	$ 366,793	$ 6,050,795	$ 56,411	$ 6,473,999	$ 1,132,340	$ 44,148	$ 7,650,487
Net income	—	1,152,961	—	1,152,961	116,182	12,849	1,281,992
(OCL) OCI	—	—	(18,538)	(18,538)	740	1,215	(16,583)
Comprehensive income (loss)	—	1,152,961	(18,538)	1,134,423	116,922	14,064	1,265,409
Dividends (Note 15)	—	(344,635)	—	(344,635)	(16,061)	—	(360,696)
Common share purchases (Note 15)	(130)	(6,477)	—	(6,607)	—	—	(6,607)
Subsidiary preferred share redemption (Note 24)	—	—	—	—	(149,500)	—	(149,500)
Subsidiary issuance of limited recourse capital notes (Note 24)	—	—	—	—	196,664	—	196,664
Acquisition of subsidiary shares	—	240	—	240	(988)	—	(748)
At December 31, 2021	$ 366,663	$ 6,852,884	$ 37,873	$ 7,257,420	$ 1,279,377	$ 58,212	$ 8,595,009

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

E-L Financial Corporation Limited
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of Canadian dollars)

	2022	2021
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net (loss) income	$ (327,313)	$ 1,281,992
Items not affecting cash resources:		
Change in insurance and investment contract liabilities	(1,539,741)	(185,368)
Realized loss on available for sale of investments	33,914	1,477
Fair value change in fair value through profit or loss investments	2,483,436	(673,112)
Deferred taxes	(98,374)	39,512
Share of income of associates (Note 6)	(59,612)	(158,849)
Amortization related to bond investments	(76,850)	(71,236)
Other items	60,559	68,523
	476,019	302,939
Net change in other assets and liabilities	(78,188)	45,165
	397,831	348,104
Financing		
Cash dividends to shareholders	(144,360)	(340,017)
Cash dividends by subsidiaries to non-controlling interests	(33,111)	(18,214)
Purchases of subsidiary shares	(53,674)	(748)
Share purchases (Note 15)	(135,459)	(6,607)
Increase in borrowings (Note 16)	100,000	—
Repayment of subordinated debt by Empire Life (Note 16)	—	(200,000)
Redemption of preferred shares by Empire Life (Note 24)	—	(149,500)
Issuance of capital instruments by Empire Life (Notes 16 and 24)	—	395,964
Interest paid on borrowings (Note 16)	(27,145)	(23,547)
	(293,749)	(342,669)
Investing		
Purchases of investments	(4,061,782)	(5,465,502)
Proceeds from sale or maturity of investments	3,618,366	5,613,272
Net (purchases) sales of short-term investments	(384)	4,361
Net purchases of other assets	(16,880)	(3,685)
Dividends from associates	23,443	54,463
	(437,237)	202,909
(Decrease) increase in cash and cash equivalents	(333,155)	208,344
Cash and cash equivalents, beginning of the year	636,101	427,757
Cash and cash equivalents, end of the year	$ 302,946	$ 636,101

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, 2023.

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.

(b) Critical accounting estimates and judgments

The preparation of consolidated financial statements requires management to make judgments 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

The Company's subsidiary, Empire Life Insurance Company ("Empire Life") underwrites life and health insurance policies. Empire Life's Liabilities for insurance contracts are determined using the Canadian Asset Liability Method ("CALM"), as permitted by IFRS 4 - *Insurance Contracts*, 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.

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 particular those items categorized within Level 3 of the hierarchy.

Additional information regarding the fair value of financial instruments is included in Notes 2(e)i, 4 and 5.

Impairment

Available for sale ("AFS") securities, investments in associate and loans and receivables are reviewed at each quarter-end reporting period to identify and evaluate investments that show indications of possible impairment. Judgment is required in determining if there is objective evidence of impairment.

For AFS securities and loans and receivables, impairment losses are recognized if there is objective evidence of impairment as a result of an event that reduces the estimated future cash flows of the instrument and the impact can be reliably estimated. Objective evidence of impairment includes, but is not limited to, bankruptcy or default, delinquency by a debtor, and specific adverse conditions affecting an industry or a region. In addition, for equity securities, a significant or prolonged decline in the fair value of a security below its cost is objective evidence of impairment. The decision to record a write-down, its amount and the period in which it is recorded could change if management's assessment of those factors were different. Impairment write-downs on debt securities are not recorded when impairment is due to changes in market interest rates, if future contractual cash flows associated with the debt security are still expected to be recovered.

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(e)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).

(c) Principles of consolidation

i) Subsidiaries are all 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.

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 consolidated statements of income, and its share of OCI is recognized in consolidated statements of comprehensive income.

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 consolidated statements of income.

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) 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 net assets 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 with a short duration, carrying value 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 and derivatives.

Level 2 - Fair value is based on quoted prices for similar assets or liabilities in an 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 cash equivalents, government bonds, certain corporate and private bonds, short-term investments, certain common shares (real estate limited partnership units and pooled funds) and over the counter derivatives.

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.

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”), 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, net of taxes, 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 may 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. Mortgage loans are secured by real estate. Loans on policies and policy contract loans are secured by policy values. Loans and receivables are defined as non-derivative financial assets with fixed or determinable payments that are not quoted in active markets.

The Company designates all of its Investments - corporate as FVTPL. Empire Life designates 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

The Company uses derivative financial instruments to partly manage exposure to foreign currency, interest rate, equity and other market risks associated with certain assets and liabilities. Derivative financial assets are classified as FVTPL which are recorded at fair value on the acquisition date and subsequently revalued at their fair value 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 investments, 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 instrument 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 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, policy contract loan or loan on a policy. Events and conditions considered in determining if there is objective evidence of impairment 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 and credit worthiness of the borrower, repayment history or 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. 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 by adjusting the allowance account 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

Premium receivables and trade accounts receivable 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 (excluding derivative liabilities) and insurance payables are carried at amortized cost. For these financial instruments, carrying value approximates fair value due to their short-term nature.

vii) Securities lending

The Company engages in securities lending through its custodian as lending agent. Loaned securities are not derecognized and continue to be reported within investments in the consolidated statements of financial position, as the Company retains substantial risks and rewards and economic benefits related to the loaned securities. For further details, refer to Note 22.

(f) Reinsurance

Empire Life enters into reinsurance agreements with reinsurers in order to limit its exposure to excess risk. 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.

(g) 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 including any impairment losses, except for land, which is not subject to amortization. Cost includes all expenditures that are directly attributable to the acquisition of an asset. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

Amortization is calculated to write down 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.

(h) 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.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate,and are treated as changes in accounting estimates.

Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. An impairment loss is recognized for the amount by which the carrying value of the asset exceeds its expected recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. Impairment losses are recognized in the consolidated statements of income.

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

(i) Goodwill

Goodwill represents the portion of purchase price that is in excess of the net fair value assigned to assets purchased and liabilities assumed in a business acquisition. It is initially recorded at cost and subsequently measured at cost less any impairment charges incurred.

An impairment assessment is conducted at least annually or when circumstances indicate possible presence of goodwill impairment, which is when there is evidence that the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. Impairment losses are recognized in the consolidated statements of income during the period in which they occur and can not be reversed in future periods.

Goodwill 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 statements of income except to the extent that it relates to items recognized directly in OCI or directly in equity. In these cases, the tax is recognized directly in OCI or directly in 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. 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 Empire Life Insurance Company Staff Pension Plan (“the Plan”) 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 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 AOCI. These obligations are valued annually by independent 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.

The Company has granted Restricted Share Units and Deferred Share Units awards to certain officers of the Company. These awards are to be settled in cash. The liabilities and benefit expenses associated with these awards are recognized across the vesting periods. The liability is determined based on the fair value of the award at grant date and subsequently revalued at each period end.

(l) Insurance and investment contracts

i) Product classification

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 IFRS 15 *Revenue* *from Contracts with Customers*. 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.

Insurance and investment contracts are classified into three main categories: short-term insurance contracts, long-term insurance contracts and investment contracts.

Insurance contract liabilities are determined using Canadian Actuarial Standards of Practice and the requirements of Office of the Superintendent of Financial Institutions Canada (“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. 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 statements of income in the year of the change.

Annually, the Appointed Actuary determines whether insurance contract liabilities (for both short-term and long-term categories) make appropriate provision for all policy obligations and the consolidated financial statements fairly present the results of the valuation. 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 statements of income.

Investment contracts include annuity products that do not involve the transfer of significant insurance 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 investment contract 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 statements of income. Deposits and withdrawals are recorded in gross claims and benefits on the consolidated statements 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, policy 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 statements 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. Segregated fund assets are not available to pay liabilities of the general fund. 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, maturity benefit and withdrawal guarantees of these funds. See Note 12 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. Empire Life has discretion as to the amount and timing of dividend payments which take into consideration the continuing solvency of the participating account. Dividends are paid annually, with a few older plans paying dividends every five years as per contractual provisions. Participating policyholder dividends are recognized as policy dividends expense in the consolidated statements 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 attributable to participating policyholders is shown on the consolidated statements of income. Comprehensive income attributable to participating policyholders is shown on the consolidated statements of comprehensive income. The portion of equity is reported separately in the Company's total equity section of the consolidated statements of financial position.

(o) Investment and other income

Other income includes investment management, policy administration and guarantee fees that are recognized on an accrual basis, and surrender charges that are recognized as incurred. Fee income earned for investment management, administration and guarantees of the investment funds is 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.

Other income, 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, such as foreign denominated AFS common equities, 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 attributed to common shareholders of the Company less dividends on First Preferred shares, divided by the weighted average number of common shares outstanding for the period. Common shares are 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 attributed to common shareholders of the Company less dividends on First Preferred Shares, divided by the weighted average number of diluted common shares outstanding for the period. Diluted 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 fair value change on AFS financial assets, net of amounts reclassified to net income (loss), the Company's share of OCI of its associates and the amortization of loss on derivative investments designated as cash flow hedges. 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 as 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. When the Company enters into a lease as a lessee, a right-of-use asset and a lease liability is recognized in the consolidated statements of financial position. The initial lease liability is computed based on the present value of the lease payments, discounted at the Company's incremental borrowing rate. Subsequent to the initial recognition the lease liability is measured at the amortized cost using the effective interest rate method and is included in other liabilities. Interest expense is included in operating expenses. The depreciation on the corresponding right-of-use asset is included in operating expenses.

(u) Borrowings

Borrowings are initially recognized at fair value, net of incremental and directly attributable transaction costs, and subsequently measured at amortized cost. Interest expense on borrowings is recognized in the consolidated statement of income using the effective interest rate method. Borrowings are derecognized when extinguished, with any gain or loss on extinguishment recognized in other expenses in the consolidated statement of earnings.

(v) Accounting changes

New and Amended International Financial Reporting Standards to be Adopted in 2023 or Later

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17) to establish a comprehensive global standard which provides guidance on the recognition, measurement, presentation and disclosure of insurance contracts. Amendments to IFRS 17 were issued in June 2020 which deferred the effective date of IFRS 17 to January 1, 2023, with a transition date of January 1, 2022. IFRS 17 is to be applied retrospectively unless impracticable, in which case the Company may elect to use a modified retrospective or fair value method. The Company has chosen the fair value method.

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments ("IFRS 9") which replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes guidance on the classification and measurement of financial instruments, impairment of financial assets and hedge accounting, and does not require restatement of comparative periods.

Under the amendments to IFRS 17 issued in June 2020, eligible insurers were also permitted the option of deferring the adoption of IFRS 9 to coincide with the adoption of IFRS 17 (the “temporary exemption”). Empire Life has elected to apply this deferral option, and the effective date of both IFRS 17 and IFRS 9 will be January 1, 2023. Companies applying the temporary exemption are required to disclose fair value information with respect to their investments in financial assets whose contractual cash flows reflect solely payments of principal and interest on the principal amount outstanding (SPPI), to enable users of financial statements to compare insurers applying the temporary exemption with entities applying IFRS 9. Empire Life’s fixed income invested assets presented in Note 5 include short-term investments, bonds, mortgages, loans on policies and policy contract loans and primarily have cash flows that qualify as SPPI. Fixed income invested assets which do not have SPPI qualifying cash flows as at December 31, 2022 include bonds and mortgages with fair values of $460 million (2021 $257 million) and $7 million (2021 $8 million), respectively.

On September 12, 2016, the IASB published an amendment to IFRS 4 *Insurance Contracts* (which will be subsequently changed to IFRS 17 *Insurance Contracts*). The amendment provides two solutions for insurance companies relating to IFRS 9:

- a temporary exemption from IFRS 9 for entities that meet specific requirements (applied at the reporting entity level); and
- the ‘overlay approach’.

The Company has evaluated the criteria and will apply the temporary exemption for periods beginning before January 1, 2023, which allows continued application of IAS 39 instead of adopting IFRS 9, if the Company’s activities are ‘predominantly connected with insurance’.

In December 2021, the IASB issued an amendment to IFRS 17 to allow for a transition option that permits insurers to present comparative information on financial assets as if IFRS 9 were applicable during the comparative period. The Company opted to adopt this overlay approach.

IFRS 17 Insurance Contracts

IFRS 17 replaces IFRS 4 for Insurance Contracts for annual periods beginning on January 1, 2023, with a transition date of January 1, 2022. Up to and including December 31, 2022, the insurance industry has been permitted to continue using IFRS 4 and the Canadian Asset Liability Method (CALM) to measure insurance contract liabilities. IFRS 17 will change the fundamental principles used by Empire Life for recognizing and measuring insurance contracts. In addition, IFRS 17 will change the presentation of the Company’s financial statements and related note disclosures.

The primary principles of IFRS 17 are that the Company:

- Identifies insurance contracts as those under which Empire Life accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.
- Recognizes profit from a group of insurance contracts over the period that insurance coverage is provided, as Empire Life is released from risk. If a group of insurance contracts is expected to be onerous (loss making) over the remaining coverage period, losses are recognized immediately.
- Measures insurance contract liabilities as the total of the following measurement components:

  a) the best-estimate liability;
  b) a risk adjustment; and
  c) the contractual service margin.

The measurement of insurance contracts under IFRS 17 differs from the CALM applied under IFRS 4. The most significant differences by measurement component are as follows:

i) Best-estimate liability ("BEL"):

The best-estimate liability under IFRS 17 represents the present value of future cash flows, which are projected under best-estimate assumptions. The discount rates used are based on current market interest rates, adjusted to reflect the liquidity characteristics of the insurance contracts. Under IFRS 4, projected cash flows are discounted using rates that are based on the portfolio of assets supporting the insurance contract liabilities.

Estimates for financial guarantees under IFRS 17 are calculated to be consistent with market information where available. Under IFRS 4 the value was estimated as the expected future cost of the guarantee.

Expenses included in the cash flows under IFRS 17 are limited to those directly attributable to fulfillment of the obligations under the insurance contracts. Under IFRS 4, future cash flows include an allocation for expenses, some of which would be considered non-attributable under IFRS 17.

The effect of income taxes is excluded from IFRS 17 insurance contract liabilities whereas the effect of income tax differences is included in IFRS 4 insurance contract liabilities.

ii) Risk adjustment ("RA"):

Under IFRS 4 the provision for adverse deviations includes the compensation required for uncertainty related to non-financial risk, such as mortality, morbidity, surrender and expenses, as well as providing for uncertainty related to asset/liability mismatch risk (financial risk).

Under IFRS 17, the risk adjustment measures the compensation required for uncertainty related to non-financial risk, such as mortality, morbidity, surrender and attributable expenses. No amount is provided for asset/liability mismatch risk.

iii) Contractual service margin ("CSM"):

The CSM represents an estimate of unearned future profits. This is a new component of insurance contract liabilities under IFRS 17, which was not required under IFRS 4.

For new business issued under IFRS 4, the estimated profit or loss over the lifetime of the business is recognized in income at the date of issue. Expected future profits on new business under IFRS 17 are deferred and recorded in the CSM and amortized into income as insurance services are provided over the term of the contract. Under IFRS 17, expected losses on new business are recognized at the date of issue. In addition, we established a CSM on in-force insurance contracts at the date of transition, which will be amortized into income over the term of the contracts.

IFRS 9 Financial Instruments

Financial asset classification is based on the cash flow characteristics and the business model in which an asset is held. The classification determines how a financial instrument is accounted for and measured. IFRS 9 includes three measurement categories for financial assets:

1. Measured at amortized cost
2. Fair Value Other Comprehensive Income ("FVOCI")
3. Fair Value Through Profit and Loss ("FVTPL")

Most financial assets are designated as FVTPL under IAS 39 and will continue to be measured at FVTPL under IFRS 9. Equity investments that are classified as available for sale under IAS 39 will be measured at FVTPL under IFRS 9.

Mortgages and loans measured at amortized cost under IAS 39 will be designated as FVTPL under IFRS 9. Because the majority of financial assets are measured at fair value both before and after the transition to IFRS 9, the new classification requirements are not expected to have a material impact on total equity upon adoption.

IFRS 9 replaces the incurred loss in IAS 39 with a forward-looking expected credit loss model. After adoption of IFRS 9, the majority of financial assets will be reported at FVTPL, so the expected credit loss model will not have a significant impact.

Transition

Changes in accounting policies resulting from the adoption of IFRS 17 will be applied using a full retrospective approach where practicable. If it is impracticable to apply the full retrospective approach, then Empire Life can choose between the modified retrospective approach and the fair value approach. For group insurance contracts the full retrospective approach was applied. For all other insurance business, the fair value approach was applied.

At the date of transition Empire Life derived its actuarial liabilities and CSM in accordance with the requirements of the standard. Empire Life currently expect the CSM (expected future profits) to be in the range of $1.1 billion to $1.4 billion and the impact on retained earnings to be a reduction in the range of $300 million to $500 million.

These assessments are preliminary because we are still finalizing implementation and testing of controls over financial reporting. The new accounting policies, judgements and estimations are subject to change until Q1 2023 financial statements are finalized.

Presentation and disclosure

IFRS 17 introduces changes to the way in which the company will present and disclose financial results.

On the statement of financial position, insurance contracts issued and reinsurance contracts held will be separated into portfolios of insurance/reinsurance contracts that are in an asset versus a liability position. Under IFRS 17, a number of insurance related assets and liabilities that were previously reported on the face of the statement of financial position will be incorporated into the Insurance Contract Liabilities line item. Examples include Loans on policies, Policy contract loans, Insurance receivables, Insurance Payables, Policyholders' funds on deposit (insurance A/P) and Provision for profit to policyholders.

Under IFRS 17 the changes to the Statement of Operations will be significant. The Statement of Operations will no longer report gross and ceded premiums written, benefits and claims paid, change in insurance contract liabilities or commissions. Instead it will report an insurance service result comprising insurance revenue and insurance service expenses, reinsurance service result, investment results and net insurance finance result.

(all dollar figures in thousands of Canadian dollars, except per share amounts and where otherwise stated)

IFRS 17 requires significant new disclosures about amounts recognized in the Financial Statements, at a more granular level than under IFRS 4. There will be extensive insurance contract roll-forward schedules on insurance contract liabilities, as well as disclosure information on discount rates, new business, the expected emergence pattern of CSM and significant judgements made when applying IFRS 17. There will also be expanded disclosures about the nature and extent of risks from insurance, investment and reinsurance contracts.

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 Corporations Limited ("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, 2022	E-L Corporate	Empire Life	Total
Revenues			
Net premiums	$ —	$ 1,042,554	$ 1,042,554
Investment and other income	126,608	358,068	484,676
Fee income	—	283,136	283,136
Share of income of associates	59,612	—	59,612
Fair value change in FVTPL investments	(766,786)	(1,716,650)	(2,483,436)
Realized loss on AFS	—	(33,914)	(33,914)
	(580,566)	(66,806)	(647,372)
Expenses			
Net claims and benefits	—	(827,846)	(827,846)
Change in investment contracts provision	—	1,088	1,088
Commissions	—	249,363	249,363
Operating expenses	29,191	205,516	234,707
Interest expense	9,088	18,898	27,986
Premium taxes	—	22,359	22,359
	38,279	(330,622)	(292,343)
(Loss) income before income taxes	(618,845)	263,816	(355,029)
Income tax expense	(81,117)	53,401	(27,716)
Non-controlling interests in subsidiaries and participating policyholders' interest	(160,347)	7,397	(152,950)
Segment shareholders' net (loss) income	$ (377,381)	$ 203,018	$ (174,363)

As at December 31, 2022	E-L Corporate	Empire Life	Total
Segment assets [(1)]	$ 6,189,314	$ 17,304,279	$ 23,493,593
Segment liabilities	$ 582,760	$ 15,167,615	$ 15,750,375

[(1)] Segment assets include investments in associate assets of $473,007.

(all dollar figures in thousands of Canadian dollars, except per share amounts and where otherwise stated)

Year ended December 31, 2021	E-L Corporate	Empire Life	Total
Revenues			
Net premiums	$ —	$ 915,543	$ 915,543
Investment and other income	133,982	329,693	463,675
Fee income	—	272,774	272,774
Share of income of associates	158,849	—	158,849
Fair value change in FVTPL investments	930,918	(257,806)	673,112
Realized loss on AFS investments	—	(1,477)	(1,477)
	1,223,749	1,258,727	2,482,476
Expenses			
Net claims and benefits	—	481,099	481,099
Change in investment contracts provision	—	471	471
Commissions	—	233,778	233,778
Operating expenses	39,469	180,335	219,804
Interest expense	10,281	21,472	31,753
Premium taxes	—	18,229	18,229
	49,750	935,384	985,134
Income before income taxes	1,173,999	323,343	1,497,342
Income tax expense	150,941	64,409	215,350
Non-controlling interests in subsidiaries and participating policyholders' interest	107,699	21,332	129,031
Segment shareholders' net income	$ 915,359	$ 237,602	$ 1,152,961

As at December 31, 2021	E-L Corporate	Empire Life	Total
Segment assets [(1)]	$ 7,259,959	$ 19,530,663	$ 26,790,622
Segment liabilities	$ 836,528	$ 17,359,085	$ 18,195,613

[(1)] Segment assets include investments in associate assets of $416,866.

4. Investments – corporate

Invested assets

Investments – corporate includes the investments held at the corporate level of E-L Financial and the investment holdings of it's subsidiary, United Corporations Limited ("United").

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

Carrying value	December 31 2022	December 31 2021
Preferred shares	$ 2,887	$ 2,813
Common shares and units		
Canadian	897,353	867,980
U.S.	3,008,409	3,628,176
Europe and United Kingdom	944,971	851,578
Other	725,619	1,055,169
Total common shares and units	5,576,352	6,402,903
Total	$ 5,579,239	$ 6,405,716

The Company's investment in common shares and units includes shares of public and private companies and units in pooled funds. As at December 31, 2022 and December 31, 2021 all of the invested assets have been designated FVTPL.

(all dollar figures in thousands of Canadian dollars, except per share amounts and where otherwise stated)

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, 2022
Asset category	Quoted Prices (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
Preferred shares	$ 1,829	$ —	$ 1,058	$ 2,887
Common shares and units				
Canadian	61,420	—	835,933	897,353
U.S.	2,789,515	—	218,894	3,008,409
Europe and United Kingdom	861,698	—	83,273	944,971
Other	607,144	64,432	54,043	725,619
Total common shares and units	4,319,777	64,432	1,192,143	5,576,352
Total	$ 4,321,606	$ 64,432	$ 1,193,201	$ 5,579,239

Fair value				As at December 31, 2021
Asset category	Quoted Prices (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
Preferred shares	$ 1,755	$ —	$ 1,058	$ 2,813
Common shares and units				
Canadian	37,178	2,619	828,183	867,980
U.S.	3,410,011	—	218,165	3,628,176
Europe and United Kingdom	790,443	—	61,135	851,578
Other	775,098	211,193	68,878	1,055,169
Total common shares and units	5,012,730	213,812	1,176,361	6,402,903
Total	$ 5,014,485	$ 213,812	$ 1,177,419	$ 6,405,716

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. There were no transfers of financial instruments between Level 1, Level 2 or Level 3 for the years ended December 31, 2022 or December 31, 2021.

Included in Level 2 are the Company's investments in pooled funds and limited partnerships which at December 31, 2022 had a carrying value of $64,432 (2021 - $213,812). The Company invests in pooled funds and limited partnerships whose objectives range from achieving medium to long-term capital growth and whose investment strategies do not include the use of leverage. These investments 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. The Company holds redeemable units that entitle the holder to a proportional share in the respective assets. The Company has the right to redeem its investments within a 30 to 90 day period depending on the fund or partnership.

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 the underlying net assets, 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 rather than from deploying those assets as part of a broader business. 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 if the premium was 10%, with all other variables remaining constant, net assets would have decreased or increased by approximately $103,510 (2021 - $102,141).

(all dollar figures in thousands of Canadian dollars, except per share amounts and where otherwise stated)

A summary of changes in the fair values of Level 3 financial instruments measured at FVTPL for the year:

	2022	2021
Balance - January 1	$ 1,177,419	$ 929,490
Net fair value change	(29,347)	194,517
Sales	(14,916)	(7,631)
Purchases	60,045	61,043
Balance - December 31	$ 1,193,201	$ 1,177,419

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

(all dollar figures in thousands of Canadian dollars, except per share amounts and where otherwise stated)

5. Investments – insurance

The Empire Life Insurance Company ("Empire Life") invested assets

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

Carrying Value	As at December 31, 2022			As at December 31, 2021		
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
Total short-term investments	8,439	592	9,031	3,649	4,998	8,647
Bonds						
Federal government	16,871	169,248	186,119	16,558	326,450	343,008
Provincial governments	2,359,257	371,473	2,730,730	3,186,187	552,848	3,739,035
Municipal governments	80,378	29,535	109,913	107,940	89,463	197,403
Total Canadian government bonds	2,456,506	570,256	3,026,762	3,310,685	968,761	4,279,446
Energy	295,613	136,918	432,531	258,757	100,759	359,516
Materials	10,880	3,989	14,869	12,999	10,898	23,897
Industrials	67,245	29,901	97,146	87,008	47,090	134,098
Consumer discretionary	34,682	17,253	51,935	24,616	13,433	38,049
Consumer staples	160,552	16,390	176,942	190,959	43,407	234,366
Health care	69,391	6,806	76,197	87,831	8,578	96,409
Financial services	648,221	534,646	1,182,867	728,328	473,799	1,202,127
Information technology	259	3,882	4,141	469	4,424	4,893
Communication services	258,323	49,236	307,559	363,448	58,522	421,970
Utilities	498,000	83,107	581,107	589,261	80,637	669,898
Real estate	40,305	21,694	61,999	50,984	12,782	63,766
Infrastructure	377,142	66,371	443,513	448,848	68,898	517,746
Total Canadian corporate bonds	2,460,613	970,193	3,430,806	2,843,508	923,227	3,766,735
Foreign bonds						
Government	79,200	69,605	148,805	103,279	—	103,279
Corporate	65,993	72,391	138,384	—	—	—
Total foreign government bonds	145,193	141,996	287,189	103,279	—	103,279
Total bonds	5,062,312	1,682,445	6,744,757	6,257,472	1,891,988	8,149,460
Preferred shares - Canadian	384,927	17,238	402,165	433,295	8,044	441,339
Common shares						
Canadian common shares	235,186	41,064	276,250	240,742	57,725	298,467
Exchange-traded funds	348,714	—	348,714	503,434	—	503,434
Canadian real estate limited partnership units	136,029	—	136,029	138,352	—	138,352
U.S.	50,474	—	50,474	50,020	—	50,020
Other	19,166	—	19,166	29,161	—	29,161
Total common shares	789,569	41,064	830,633	961,709	57,725	1,019,434
Derivative assets	9,776	—	9,776	6,302	—	6,302
Loans and receivables:						
Mortgages	—	—	119,556	—	—	153,564
Loans on policies	—	—	59,979	—	—	56,917
Policy contract loans	—	—	46,865	—	—	52,808
Total	$ 6,255,023	$ 1,741,339	$ 8,222,762	$ 7,662,427	$ 1,962,755	$ 9,888,471

(all dollar figures in thousands of Canadian dollars, except per share amounts and where otherwise stated)

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, 2022			As at December 31, 2021		
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	$ —	$ 9,031	$ 9,031	$ —	$ 8,647	$ 8,647
Bonds	—	6,744,757	6,744,757	—	8,149,460	8,149,460
Preferred shares	299,524	102,641	402,165	441,339	—	441,339
Common shares	687,798	142,835	830,633	879,285	140,149	1,019,434
Derivative assets	7,604	2,172	9,776	6,301	1	6,302
Loans and receivables:						
Mortgages	—	113,901	113,901	—	158,658	158,658
Loans on policies	—	59,979	59,979	—	56,917	56,917
Policy contract loans	—	46,865	46,865	—	52,808	52,808
Total	$ 994,926	$ 7,222,181	$ 8,217,107	$ 1,326,925	$ 8,566,640	$ 9,893,565

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 of financial instruments between Level 1, Level 2 or Level 3 during the years ended December 31, 2022 or December 31, 2021.

Impairment

AFS investments

Based on an impairment review of the AFS investments at December 31, 2022, Empire Life did not experience any impairment on AFS common or preferred shares. For the year ended December 31, 2021, Empire Life reclassified a pre-tax loss of $1,506 from OCI to net income due to write downs of impaired AFS common and preferred shares. 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 are reviewed for possible impairment. As a result of this review, mortgages with a recorded value of $3,354 (2021 - $3,939) have been reduced by an allowance for impairment of $1,573 (2021 - $1,550) and policy contract loans with a recorded value of $813 (2021 - $813) have been reduced by an allowance for impairment of $406 (2021 - $424).

(all dollar figures in thousands of Canadian dollars, except per share amounts and where otherwise stated)

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.

	December 31, 2022			December 31, 2021		
	Notional Principal	Fair Value Assets	Fair Value Liabilities	Notional Principal	Fair Value Assets	Fair Value Liabilities
Exchange-traded						
Equity index futures	$ 57,846	$ 1,008	$ 2,193	$ 69,166	$ 2,669	$ 1,170
Equity options	430,061	6,268	—	448,381	3,632	—
Over-the-counter						
Foreign currency forwards	172,979	19	32	33,158	1	663
Cross currency swaps	44,943	2,481	1,388	20,980	—	596
Total	$ 705,829	$ 9,776	$ 3,613	$ 571,685	$ 6,302	$ 2,429

All contracts mature in less than one year, except for cross currency swaps which mature in more than five years. 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.

Cross currency swaps are valued by discounting the future cash flows for both legs at the underlying market interest rate curves in each currency applicable at the valuation date. The sum of the cash flows denoted in the foreign currency is converted with the spot rate applicable at that time. The foreign currency leg, where Empire Life owes interest and principal, produces a negative fair value to Empire Life while the Canadian dollar leg produces a positive fair value to Empire Life. The net of these amounts represents the reported fair value of the cross currency swap. 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

Investments in associates by operating segment are as follows:

	2022	2021
E-L Corporate	$ 443,192	$ 394,362
Empire Life	29,815	22,504
Total	$ 473,007	$ 416,866

The E-L Corporate segment has two investments in associates, Algoma Central Corporation (“Algoma”) and Economic Investment Trust Limited (“Economic”).

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.

(all dollar figures in thousands of Canadian dollars, except per share amounts and where otherwise stated)

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.

	2022			2021		
	Ownership	Carrying value	Fair value	Ownership	Carrying value	Fair value
Algoma	37.2 %	$ 267,931	$ 257,647	37.4 %	$ 223,145	$ 240,819
Economic	24.7 %	175,261	175,261	24.1 %	171,217	171,217
Total		$ 443,192	$ 432,908		$ 394,362	$ 412,036

During 2022, Economic completed a substantial issuer bid, which resulted in Economic taking up 103,007 of the company’s outstanding common share. Combined with the shares repurchased year to date under Economic’s normal course issuer bid, E-L Financial’s effective ownership has increased to 24.7% at December 31, 2022 from 24.1% at December 31, 2021.

The following table details the movement during the year:

	2022	2021
Balance, beginning of the year	$ 394,362	$ 245,269
Income recorded in the statements of income:		
Share of income	37,602	70,175
Net impairment reversal	20,544	87,351
	58,146	157,526
Share of other comprehensive income	13,632	8,287
	71,778	165,813
Dividends received during the year	(22,948)	(16,720)
Balance, end of the year	$ 443,192	$ 394,362

The E-L Corporate’s associates are measured using the equity method. As at December 31, 2022, the fair value of the investments in associates was $432,908 (2021 - $412,036). Fair value is based on the close price for each investment multiplied by the corresponding number of common shares held.

Impairment

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. Economic and Algoma have historically traded at discounts to their net asset values. 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 and Algoma, since the Company cannot unilaterally control the timing of realization of any benefit related to the difference between the traded price and their net asset values.

Based on an impairment review of the investments in associates at December 31, 2022, an impairment reversal of $20,544 (2021 - $87,351) has been recorded in net income. The previously recognized impairment write downs were reversed as the investment’s recoverable amount subsequently increased and there was a significant indication that the circumstances that led to the initial recognition of the impairment loss had improved. The recoverable amount was based on quoted market prices, which are classified as Level 1 in the fair value measurement hierarchy.

(all dollar figures in thousands of Canadian dollars, except per share amounts and where otherwise stated)

Financial information

Summarized below are the assets, liabilities, revenue, net income and comprehensive income of E-L Corporate's associates.

	Algoma		Economic	
	December 31 2022	December 31 2021	December 31 2022	December 31 2021
Cash and cash equivalents	$ 141,968	$ 108,942	$ 12,831	$ 46,110
Other current assets	108,362	81,632	1,086,430	1,148,435
Non-current assets	1,115,367	1,009,509	—	—
	1,365,697	1,200,083	1,099,261	1,194,545
Current liabilities	150,828	84,511	14,784	23,206
Non-current liabilities	488,845	475,289	75,600	73,247
	639,673	559,800	90,384	96,453
Net assets	$ 726,024	$ 640,283	$ 1,008,877	$ 1,098,092

	Algoma		Economic	
Twelve months ended December 31	2022	2021	2022	2021
Revenue	$ 677,942	$ 598,873	$ (17,010)	$ 241,347
Net income (loss)	$ 119,966	$ 82,170	$ (17,459)	$ 211,808
Other comprehensive income	36,637	22,154	—	—
Total comprehensive income (loss)	$ 156,603	$ 104,324	$ (17,459)	$ 211,808

At December 31, 2022, Algoma has capital asset commitments of $300,029 (2021 - $73,741).

E-L Corporate received the following dividends during the year from the associates:

	Algoma		Economic		Total	
	2022	2021	2022	2021	2022	2021
Dividends received	$ 9,615	$ 9,615	$ 13,333	$ 7,105	$ 22,948	$ 16,720

On January 18, 2023 Algoma paid a special dividend of $1.35 per common share resulting in E-L Corporate receiving a dividend of $19,090.

7. Investment and other income

Investment and other income is comprised of the following:

	2022	2021
Interest income	$ 309,940	$ 272,002
Fee income	283,136	272,774
Dividend income	171,097	185,544
Other	3,639	6,129
Total	$ 767,812	$ 736,449

	2022	2021
Interest income received	$ 227,036	$ 201,953
Dividend income received	167,306	184,706
Total	$ 394,342	$ 386,659

(all dollar figures in thousands of Canadian dollars, except per share amounts and where otherwise stated)

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:

	2022	2021
Cash	$ 205,733	$ 505,396
Cash equivalents	97,213	130,705
Total	$ 302,946	$ 636,101

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

Cash and cash equivalents	Level 1	Level 2	Total fair value
December 31, 2022	$ 205,733	$ 97,213	$ 302,946
December 31, 2021	$ 505,396	$ 130,705	$ 636,101

9. Other assets

Other assets are comprised of the following:

	2022	2021
Accrued investment income	$ 52,995	$ 44,368
Income taxes receivable	69,856	18,618
Property and equipment	14,678	16,810
Intangible assets	60,571	28,511
Goodwill	24,465	—
Net post-employee benefit asset (Note 13)	16,278	—
Other	30,038	29,163
Total	$ 268,881	$ 137,470

On March 10, 2022,Empire Life acquired 100% of the shares of six financial services firms and amalgamated them into one wholly-owned subsidiary under the name TruStone Financial Inc. ("TruStone Financial"). Empire Life paid $57,910 in cash for this acquisition which was represented by $32,500 of intangible assets, $24,465 of goodwill and $945 of other net assets. Intangible assets included customer relationships, distributor relationships, and a non-competition agreement.

The amount of other assets that the Company expects to receive within the next 12 months is $152,889 (2021 - $92,149). In the absence of an active market for post-employment benefit liabilities, the actuarially determined value provides a reasonable approximation of fair value.

(all dollar figures in thousands of Canadian dollars, except per share amounts and where otherwise stated)

10. Other liabilities

Other liabilities are comprised of the following:

	2022	2021
Accounts payable	$ 98,250	$ 73,326
Employee benefit liabilities (Note 13)	—	25,973
Income and other taxes payable	—	52,719
Insurance payables	156,585	115,793
Other [(1)]	21,141	235,438
Total	$ 275,976	$ 503,249

[(1)] December 31, 2021 balance includes due to brokers of $221,658.

Of the above total, $721 (2021 - $26,759) is expected to be settled more than one year after the statement of financial position date.

11. 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 litigation) will have a material effect on the results and financial position of the subsidiary. In certain cases, Empire Life would have recourse against third parties with respect to the foregoing items and Empire Life also maintains insurance policies that may provide coverage against certain of these items.

12. Segregated funds

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

	2022	2021
Cash	$ 7,737	$ 39,880
Short-term investments	579,148	467,829
Bonds	1,754,518	1,880,326
Common and preferred shares	6,301,258	6,935,850
Other assets	15,360	30,271
	8,658,021	9,354,156
Less segregated funds held within general fund investments	(92,346)	(96,858)
Total	$ 8,565,675	$ 9,257,298

(all dollar figures in thousands of Canadian dollars, except per share amounts and where otherwise stated)

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

	December 31, 2022			December 31, 2021		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Cash	$ 7,737	$ —	$ 7,737	$ 39,880	$ —	$ 39,880
Short-term investments	—	579,148	579,148	—	467,829	467,829
Bonds	—	1,754,518	1,754,518	—	1,880,326	1,880,326
Common and preferred shares	6,301,258	—	6,301,258	6,935,850	—	6,935,850
Total	$ 6,308,995	$ 2,333,666	$ 8,642,661	$ 6,975,730	$ 2,348,155	$ 9,323,885

There were no transfers between Level 1 and Level 2 during the years ended December 31, 2022 or during the year ended December 31, 2021. There were no level 3 investments as at December 31, 2022 or December 31, 2021.

The following table presents the change in segregated funds:

	2022	2021
Segregated funds - beginning of the year	$ 9,257,298	$ 8,457,417
Additions to segregated funds:		
Amount received from policyholders	872,244	997,002
Interest	77,045	58,995
Dividends	178,688	204,465
Other income	23,332	22,441
Net realized gains on sale of investments	102,624	382,696
Net unrealized increase in fair value of investments	—	538,711
	1,253,933	2,204,310
Deductions from segregated funds:		
Amounts withdrawn or transferred by policyholders	964,437	1,131,098
Net unrealized decrease in fair value of investments	735,370	—
Management fees and other operating costs	250,261	258,979
	1,950,068	1,390,077
Net change in segregated funds held within general fund investments	4,512	(14,352)
Segregated funds - end of the year	$ 8,565,675	$ 9,257,298

Segregated fund products issued by Empire Life contain death, maturity and withdrawal benefit guarantees. Market price fluctuations impact Empire Life's estimated liability for those guarantees.

13. Employee benefit plans

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

	Pension Benefit Plans		Other Post-Employment Benefits Plans	
	2022	2021	2022	2021
Present value of obligations	$ (213,821)	$ (268,203)	$ (6,785)	$ (8,843)
Fair value of plan assets	236,884	251,073	—	—
Post-employment benefit surplus (liability)	$ 23,063	$ (17,130)	$ (6,785)	$ (8,843)

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

(all dollar figures in thousands of Canadian dollars, except per share amounts and where otherwise stated)

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	2022	2021	2022	2021
Opening defined benefit obligation	$ 268,203	$ 299,762	$ 8,843	$ 9,043
Current service cost	6,035	7,458	—	—
Interest expense	8,051	7,419	253	210
Decrease in net income before tax	14,086	14,877	253	210
Remeasurements				
Loss from changes in demographic assumptions	—	—	—	155
Loss from changes in financial assumptions	(57,211)	(27,452)	(1,718)	(554)
Actuarial loss (gain) from member experience	5,129	(139)	(162)	378
Change in effect of asset limit	(4,296)	4,296	—	—
Decrease in OCI before tax	(56,378)	(23,295)	(1,880)	(21)
Employee contributions	1,290	1,322	—	—
Benefits paid	(13,380)	(24,463)	(431)	(389)
Closing defined benefit obligation	$ 213,821	$ 268,203	$ 6,785	$ 8,843

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	2022	2021
Fair value at beginning of year	$ 251,073	$ 237,734
Interest income	7,772	5,946
Administrative expense	(349)	(300)
Increase in net income before tax	7,423	5,646
Remeasurements		
Return on plan assets, excluding amounts included in interest income	(17,510)	23,230
Employer contributions	7,988	7,604
Employee contributions	1,290	1,322
Benefits paid	(13,380)	(24,463)
Fair value of Plan assets at end of year	$ 236,884	$ 251,073

Operating expenses include $2,964 (2021 - $2,537) of employer contribution related to the defined contribution component of the Plan.

Expected contributions (including both employer and employee amounts) to the defined benefit pension plans for the year ended December 31, 2023 are approximately $7,413 (2022 - $8,330).

(all dollar figures in thousands of Canadian dollars, except per share amounts and where otherwise stated)

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			
	2022		2021	
Equity				
Canadian	$ 40,021	17 %	$ 85,357	34 %
Foreign	94,008	40 %	59,130	24 %
Total Equity	134,029	57 %	144,487	58 %
Debt				
Canadian	70,250	30 %	73,717	29 %
Cash, cash equivalent, accruals	4,252	2 %	3,691	1 %
Mutual Funds	14,835	6 %	15,050	6 %
Other	13,518	5 %	14,128	6 %
Total fair value of assets	$ 236,884	100 %	$ 251,073	100 %

Fair value is determined based on Level 1 inputs for equities and Level 2 inputs for debt.

The following weighted average assumptions were used in actuarial calculations:

	Pension Benefit Plans		Other Post-Employment Benefits Plans	
	2022	2021	2022	2021
Defined benefit obligation as at December 31:				
Discount rate - defined benefit obligation	5.3 %	3.2 %	5.3 %	3.0 %
Discount rate - net interest	3.2 %	2.6 %	3.0 %	2.4 %
Rate of compensation increase	5% in 2022, 4% in 2023 and 3% thereafter	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	5.4 %	5.4 %
Cost trend rate declines to	n/a	n/a	4.0 %	4.0 %
Year ultimate health care cost trend rate is reached	n/a	n/a	2040	2040

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:

	2022	2021
Males aged 65 at measurement date	22.21	22.13
Females aged 65 at measurement date	24.88	24.81
Males aged 40 at measurement date	24.04	23.97
Females aged 40 at measurement date	26.54	26.47

The last triennial valuation on the Staff Pension Plan was completed in August 2022, as at December 31, 2021. The next triennial valuation will be completed in 2025, as at December 31, 2024.

Restricted Share Units and Deferred Share Units

During 2018 a long-term incentive plan was approved by the Board whereby the Company may grant two forms of awards: Restricted Share Units (“RSUs”) and Deferred Share Units (“DSUs”) to employees or officers of the Company. The RSUs and DSUs granted is equal to the dollar amount of the award, divided by the traded market price of one common share of the Company on the date of such grant. As dividends are paid on the common shares of the Company, grants of RSUs and DSUs are increased accordingly. Each RSU and DSU will represent the right to receive a distribution from the Company in an amount equal to the fair market value of one common share. RSUs and DSUs are settled in cash. Each RSU will vest and is payable on the third anniversary of the grant date. Each DSU will vest on the fifth anniversary of the grant date and is payable on the date the participant of the plan ceases to be an employee or officer of the Company due to retirement or other condition.

(all dollar figures in thousands of Canadian dollars, except per share amounts and where otherwise stated)

During 2022, 454 RSUs and 221 DSUs were granted and 514 RSUs were paid out during the year. At December 31, 2022 $1,465 (2021 - $1,250) was recognized as other liabilities and $215 (2021 - $398) as an operating expense for these awards.

14. Insurance contract liabilities and reinsurance liabilities

Nature and composition of Empire Life’s insurance contract liabilities and related reinsurance insurance contract liabilities include life, health and annuity contracts on a participating and non-participating basis.

Changes in actuarial assumptions are made based on emerging and evolving experience with respect to major factors affecting estimates of future cash flows and consideration of economic forecasts of investment returns, industry and internal studies and the Standards of Practice of the Canadian Institute of Actuaries (“CIA”) and OSFI guidelines.

Insurance contract liabilities represent the amounts that, together with estimated future premiums and investment income, will be sufficient to pay estimated future benefits, dividends, expenses, and premium taxes on policies in force. Insurance contract liabilities are determined using accepted actuarial practice according to standards established by the CIA and the requirements of OSFI.

Empire Life reinsures excess risks with Canadian registered reinsurance companies. The reinsurance assets (liabilities) are determined based on both the premiums expected to be paid under reinsurance agreements over the duration of the insurance contracts that they support and the insurance claims expected to be received by Empire Life when an insured event occurs under those insurance contracts. The liability position of some of the reinsurance is due to the excess of future premiums payable over the expected benefit of reinsurance. The change in reinsurance liability is primarily related to Empire Life’s revised mortality assumptions, which reduce the present value of insurance claims expected to be recovered from the reinsurance companies. Empire Life enters into reinsurance agreements only with reinsurance companies that have an independent credit rating of “A-” or better.

Reinsurance transactions do not relieve the original insurer of its primary obligation to policyholders.

Empire Life is active in most life insurance and annuity product lines across Canada and does not operate in foreign markets.

Empire Life’s insurance contract liabilities are comprised of:

	2022	2021
Insurance contract liabilities	$5,640,342	$7,091,053
Policyholder funds on deposit	35,652	35,094
Provision for profits to policyholders	41,490	38,665
	$5,717,484	$7,164,812

(all dollar figures in thousands of Canadian dollars, except per share amounts and where otherwise stated)

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

	2022			2021		
	Gross insurance contract liabilities	Reinsurance (assets) liabilities	Net	Gross insurance contract liabilities	Reinsurance (assets) liabilities	Net
Balance, beginning of year	$ 7,091,053	$ 253,330	$ 7,344,383	$ 7,145,461	$ 384,761	$ 7,530,222
Changes in methods and assumptions						
Non-participating policies						
- changes for expected mortality/morbidity	(68,557)	46,421	(22,136)	83,021	(57,640)	25,381
- lapse/premium assumptions	28,972	6,429	35,401	150,691	(37,459)	113,232
- investment return assumptions	(91,606)	(4,615)	(96,221)	(79,112)	(3,352)	(82,464)
- model enhancements and other	20,711	(7,021)	13,690	2,480	2	2,482
- reinsurance recapture	—	—	—	(11,357)	—	(11,357)
Participating policies						
- model enhancements and other changes	486	(4)	482	145	(53)	92
Normal changes						
- new business	60,778	(8,199)	52,579	(31,000)	213	(30,787)
- in-force business	(1,401,495)	(123,129)	(1,524,624)	(169,276)	(33,142)	(202,418)
Balance, end of year	$ 5,640,342	$ 163,212	$ 5,803,554	$ 7,091,053	$ 253,330	$ 7,344,383

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

Liability reduction related to changes in mortality assumptions are due to normal updates of Empire Life's experience studies while changes in 2021 are related to experience updates and changes to the calculation of mortality improvement used in the valuation of liabilities.

In both 2022 and 2021 the lapse/premium assumption change is related to updates of assumed lapse rates on renewable term and universal life polices as experience continues to unfold.

The investment return assumption in 2022 is primarily related to an increase in the initial reinvestment rate ("IRR") used in the valuation of the liabilities. This change reflects the increased market rates in 2022. The changes in 2021 were for similar reason but to a smaller scale. In addition, 2021 changes were made to the assumed reinvestment mix used in the calculation of valuation credit spreads and to the CALM risk-free reinvestment scenario. Also, regular annual updates were made to the preferred share maturity value assumption.

In 2019, Empire Life enacted significant changes to its reinsurance programs. Specifically, the reinsurers of Empire Life's individual life policies were notified that in 2020 Empire Life would increase its individual life retention from $500,000 to $1.5 million and the recapture provisions of all eligible reinsurance treaties would be enacted. The recapture resulted in a substantial net liability decrease on both the universal life and non-participating blocks of business as the present value of future reinsurance premiums was greater than the estimated future claims. Additional amounts were recognized in 2020 and 2021 as provisions from the actuarial liabilities were released. No such releases occurred in 2022.

Empire Life expects to pay $5,529,304 (2021 - $6,996,900) of insurance contract liabilities and $197,935 (2021 - $279,162) of reinsurance liabilities more than one year after the consolidated statements of financial position date. The remaining balance is expected to be settled within one year.

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

(all dollar figures in thousands of Canadian dollars, except per share amounts and where otherwise stated)

15. Capital stock

		2022		2021	
	Authorized	Issued and outstanding		Issued and outstanding	
Preferred shares					
Series A Preference Shares	402,733	258	$ 1	258	$ 1
First Preference Shares, Series 1	unlimited	4,000,000	100,000	4,000,000	100,000
First Preference Shares, Series 2	unlimited	4,000,000	100,000	4,000,000	100,000
First Preference Shares, Series 3	unlimited	4,000,000	100,000	4,000,000	100,000
Common shares	unlimited	3,557,090	64,063	3,701,376	66,662
Total			$ 364,064		$ 366,663

1. The Series A Preference Shares are convertible, at the shareholder's option, 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 at December 31, 2022 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. 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 per share, in each case together with all declared and unpaid dividends.

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. 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 per share, in each case together with all declared and unpaid dividends.

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. The Company could redeem for cash the First Preference Shares, Series 3 in whole or in part, at the Company's option for $25.00 per share, in each case together with all declared and unpaid dividends.

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.

(all dollar figures in thousands of Canadian dollars, except per share amounts and where otherwise stated)

Normal course issuer bid

On March 4, 2022, the Company obtained approval from the TSX to renew its normal course issuer bid ("NCIB") to purchase up to 184,938 common shares between March 9, 2022 and March 8, 2023. Daily purchases (other than pursuant to a block purchase exemption) on the TSX under the NCIB are limited to 1,000 common shares. The price that the Company pays for the common shares is the prevailing market price at the time of acquisition.

During 2022, 40,660 common shares (2021 - 7,200) were purchased under the NCIB at an average price of $872.05 per share (2021 - $917.66) for a total consideration of $35,458 (2021 - $6,607).

Substantial issuer bid

On August 16, 2022 the Company announced its intention to commence a substantial issuer bid ("SIB") pursuant to which the Company offered to purchase up to $100,000 of its outstanding common shares for cash.

As of September 28, 2022 the Company had taken up and paid for 103,626 common shares at a price of $965.00 per common share. The common shares acquired under the SIB represent an aggregate purchase price of $100,000. The Company suspended any purchases of common shares under the NCIB during the SIB.

The total amount paid to purchase the shares is allocated to share capital and retained earnings in the statements of changes in equity. The amount allocated to share capital is based on the average cost per common share and amounts paid above the average cost are allocated to retained earnings.

The movement in share capital is as follows:

	2022		2021	
Common shares	Number of shares	Share capital	Number of shares	Share capital
Balance, beginning of the year	3,701,376	$ 66,662	3,708,576	$ 66,792
Repurchase and cancellation of shares:				
NCIB	(40,660)	(733)	(7,200)	(130)
SIB	(103,626)	(1,866)	—	—
Balance, end of the year	3,557,090	$ 64,063	3,701,376	$ 66,662

Dividends

Dividends declared during the year were as follows:

	2022	2021
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		
Quarterly dividends $2.50 per share(1)	36,170	32,431
Special cash dividend, $25.00 (2021 - $80.00) per share	92,279	296,654
Total	$ 143,999	$ 344,635

(1) At the May 6, 2021 meeting, the Board of Directors approved an increase to the Company's quarterly dividend from $1.25 to $2.50 per common share effective for dividends payable on July 16, 2021.

(all dollar figures in thousands of Canadian dollars, except per share amounts and where otherwise stated)

When calculated on the basis of the common shares outstanding less the Company's proportionate interest in its own common shares held indirectly through its associate, the total common dividend is $125,175 (2021 - $320,828).

The following dividends were declared by the Board of Directors at their meeting on March 2, 2023, with a record and payable date of March 31, 2023 and April 17, 2023, 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, $3.75 per share.

16. Borrowings

The table below presents the debt obligations of the Company as at December 31:

				2022		2021	
As at December 31	Interest rate	Earliest par call or redemption date	Maturity	Carrying value	Fair value	Carrying value	Fair value
Empire Life							
Series 2017-1[1]	3.664 %	03/15/23	2028	199,964		199,790	
Series 2021-1[2]	2.024 %	09/24/26	2031	199,165		199,068	
Total subordinated debt				$ 399,129	$ 374,616	$ 398,858	$ 401,850
E-L Corporate							
Senior unsecured notes[3]	4.000 %		2050	198,786	155,164	198,300	210,336
Margin loan[4]				55,000	55,000	5,000	5,000
Operating facility[5]				50,000	50,000	—	—
Total borrowings				$ 702,915	$ 634,780	$ 602,158	$ 617,186

(1) Unsecured Debentures due 2028. From March 15, 2023, interest is payable at 1.53% over the 3-month CDOR.
(2) Unsecured Debentures due 2031. From September 24, 2026, interest is payable at 0.67% over the 3-month CDOR.
(3) The senior unsecured note bears interest at an annual rate of 4.0% calculated and payable semi-annually in arrears on June 22 and December 22 of each year commencing December 22, 2020 and ending June 22, 2050.
(4) The margin loan is pledged with $68,750 (2021 - $6,250) of investments from the Investment - corporate portfolio as collateral under this loan. Interest on the loan accrues at the three month CDOR plus 40 basis points.
(5) The operating facility is pledged with $100,000 (2021 - $nil) of investments from the Investment - corporate portfolio as collateral under this loan. Interest on the loan accrues at the prime rate of the bank minus 25 basis points.

In January 2023, the margin loan was reduced by $20,000 and operating facility was paid off in full.

17. Operating expenses

Operating expenses include the following:

	2022	2021
Salary and benefits expense	$ 118,881	$ 111,645
Rent, maintenance and amortization of right-of-use assets	27,238	18,306
Professional services	22,336	16,070
Amortization of assets	10,894	14,412
Other	55,358	59,371
Total	$ 234,707	$ 219,804

(all dollar figures in thousands of Canadian dollars, except per share amounts and where otherwise stated)

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:

	2022	2021
Income taxes at statutory rate	$ (94,399)	$ 396,419
Variance as a result of:		
Tax-paid dividends	(20,125)	(25,519)
Non-taxable portion of investment gains	94,032	(143,984)
Other	(7,224)	(11,566)
Income tax expense	$ (27,716)	$ 215,350

The current enacted corporate tax rates as they impact the Company in 2022 stand at 26.5% (2021 - 26.5%).

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

	2022	2021
Current	$ 70,658	$ 175,838
Deferred	(98,374)	39,512
Income tax expense	$ (27,716)	$ 215,350

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:

	2022	2021
Deferred tax liabilities		
Investments	$ (256,747)	$ (340,198)
Insurance contract liabilities	(28,005)	(39,452)
Post-employment benefit plans	(2,981)	6,786
Other	2,646	(889)
Total	$ (285,087)	$ (373,753)

Of the above total, $293,112 (2021 - $375,168) is expected to be paid more than one year after the reporting date.

Change in deferred tax liabilities is comprised of the following items:

	2022	2021
Investments	$ (83,451)	$ 48,983
Insurance contract liabilities	(11,447)	(4,399)
Post-employment benefit plans	9,767	10,397
Other	(3,535)	(2,815)
Net change	$ (88,666)	$ 52,166

Net change is reported in:

	2022	2021
Consolidated statements of (loss) income	$ (98,374)	$ 39,512
Other comprehensive loss	9,708	12,654
Net change	$ (88,666)	$ 52,166

During 2022, the Company and its subsidiaries paid income tax installments and assessments totaling $51,597 (2021 - $132,947) and recovered income taxes totaling $1,903 (2021 - $2,707).

(all dollar figures in thousands of Canadian dollars, except per share amounts and where otherwise stated)

19. (Loss) earnings per share

(Loss) earnings per share has been calculated by dividing consolidated net (loss) income attributed to common equity shareholders of the Company for the year, less dividends on First Preference shares, by the amount equal to the total weighted average number of common shares outstanding of 3,645,914 (2021 - 3,707,781) less 93,852 (2021 - 93,203) in reciprocal holdings, 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:

	2022	2021
Basic (loss) earnings per common share:		
Net (loss) income available to shareholders	$ (174,363)	$ 1,152,961
Less: Dividends on First Preference shares	(15,550)	(15,550)
Net (loss) income after dividends on First Preference shares	$ (189,913)	$ 1,137,411
Weighted average number of common shares outstanding [1]	3,552,062	3,614,578
Basic earnings per common share from net (loss) income	$ (53.47)	$ 314.67
Diluted earnings per common share:		
Net (loss) income available to shareholders	$ (174,363)	$ 1,152,961
Weighted average number of common shares outstanding [1]	3,552,062	3,614,578
Dilutive effect of the conversion of First Preference Shares into common shares	348,051	439,536
Weighted average number of diluted common shares outstanding [1]	3,900,113	4,054,114
Diluted (loss) earnings per common share from net income	$ (53.47)	$ 284.39

[1] Net of reciprocal holdings

20. Other comprehensive loss

The following table summarizes the changes in the components of OCL, net of tax:

	2022	2021
Items that may be reclassified subsequently to net income:		
Net unrealized fair value change on AFS investments		
Unrealized fair value change on AFS investments	$ (217,174)	$ (57,228)
Less: Realized loss on AFS investments reclassified to net income	24,902	1,201
	(192,272)	(56,027)
Share of OCI of associates	7,494	476
	(184,778)	(55,551)
Items that will not be reclassified to net income:		
Net remeasurement of defined benefit plans	22,065	32,255
Share of OCI of associates	4,332	6,713
	26,397	38,968
OCL, net of tax	$ (158,381)	$ (16,583)

(all dollar figures in thousands of Canadian dollars, except per share amounts and where otherwise stated)

The following tax amounts are included in each component of OCL:

	2022	2021
Items that may be reclassified subsequently to net income:		
Net unrealized fair value change on AFS investments		
Unrealized fair value change on AFS investments	$ (77,818)	$ (20,664)
Less: Realized loss on AFS investments reclassified to net income	9,384	276
	(68,434)	(20,388)
Share of OCI of associates	1,144	73
	(67,290)	(20,315)
Items that will not be reclassified to net income:		
Net remeasurement of defined benefit plans	7,901	11,556
Share of OCI of associates	662	1,025
	8,563	12,581
Total tax recognized in OCL	$ (58,727)	$ (7,734)

21. Commitments

In the normal course of business, investment commitments are outstanding which are not reflected in the consolidated financial statements.

As of December 31, 2022, E-L Corporate has $156,020 (2021 - $176,489) in unfunded commitments in limited partnerships.

Empire Life has $5,543 as of December 31, 2022 (2021 - $21,742) in unfunded commitments as at December 31, 2022. These outstanding commitments are payable at any time up to and including June 30, 2025.

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, equity risk 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.

In the sections that follow, the Company provides sensitivities and risk exposure measures for certain risks. These include sensitivities due to specific changes in market prices and interest rates, based on the 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. The sensitivities do not take into account indirect effects such as potential impacts on goodwill impairments or valuation allowances on deferred tax assets. Actual results can differ materially from these estimates for a variety of reasons, including differences in the pattern or distribution of market shocks, 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 the Company'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 the Company's future Net income, OCI, and capital sensitivities. Given the nature of these calculations, the Company cannot provide assurance that the actual impact will be consistent with the estimates provided. Changes in risk variables in excess of the ranges illustrated may result in other than proportionate impacts.

E-L Corporate

E-L Corporate owns investments in global equities and fixed income securities directly and indirectly through pooled funds, limited partnerships and other investment companies. In addition, the E-L Corporate segment includes the invested assets of United, the Company's closed-end investment subsidiary. E-L Corporate has two significant investments in associates: Economic, a closed-end investment company and Algoma, a shipping company.

The Company maintains a strategy of long-term growth through capital appreciation and dividend and interest income from its investments. The externally managed investment portfolios 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 Empire Life's Investment Committee of the 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.

(all dollar figures in thousands of Canadian dollars, except per share amounts and where otherwise stated)

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:

	2022	2021
Cash and cash equivalents	$ 302,946	$ 636,101
Short-term investments	9,031	8,647
Bonds	6,744,757	8,149,460
Preferred shares	405,052	444,152
Derivative assets	9,776	6,302
Mortgages	119,556	153,564
Reinsurance	192,058	175,933
Loans on policies	59,979	56,917
Policy contract loans	46,865	52,808
Accrued investment income	52,995	44,368
Insurance receivable	81,083	48,700
Total	$ 8,024,098	$ 9,776,952

This credit risk is derived primarily from Empire Life's investments in bonds, preferred shares, cash and cash equivalents, mortgages and from reinsurers under reinsurance agreements. Empire Life manages this risk by applying its investment guidelines and product design and pricing risk management policy established by Empire Life's Investment Committee and Risk and Capital Committee. The investment guidelines establish minimum credit ratings for issuers of bonds and preferred share investments, and provide for concentration limits by issuer. Empire Life's management and Board committees review credit quality relative to investment purchases and also monitor the credit quality of invested assets over time.

Mortgages, loans on policies and policy contract 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.

The Company has securities lending agreements with its custodian. Under these agreements, the custodian may lend securities from the Company's portfolio to other institutions, as approved by the Company, for periods of time. The custodian receives collateral which exceeds the market value of the loaned securities. In the event that any of the loaned securities are not returned to the custodian, at its option the custodian may either restore to the Company securities identical to the loaned securities or it will pay to the Company the value of the collateral up to but not exceeding the market value of the loaned securities on the date on which the loaned securities were to have been returned ("Valuation Date") to the custodian. If the collateral is not sufficient to allow the custodian to pay such market value to the Company, the custodian shall indemnify the Company only for the difference between the market value of the securities and the value of such collateral on the Valuation Date. As a result, there is no significant exposure to credit risk associated with these securities lending agreements.

At December 31, 2022 the Company had loaned securities with a fair value of $3,821,534 (2021 - $3,699,775) and received approximately $3,923,365 (2021 - $3,794,179) in collateral.

(all dollar figures in thousands of Canadian dollars, except per share amounts and where otherwise stated)

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:

	Empire Life	
	2022	2021
Holdings of fixed income securities* in the 10 issuers (excluding federal governments) to which the operating segments had the greatest exposure	$ 3,384,587	$ 4,416,034
Percentage of the segment's total cash and investments	40 %	44 %
Exposure to the largest single issuer of corporate bonds	$ 167,572	$ 269,638
Percentage of the segment's total cash and investments	2 %	3 %

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

a) Investments in bonds and debentures

		2022		2021
Empire Life	Fair value	%	Fair value	%
AAA	$ 351,680	5 %	$ 484,746	6 %
AA	1,537,528	23 %	2,059,678	25 %
A	3,078,452	45 %	3,879,522	47 %
BBB	1,731,033	26 %	1,681,358	21 %
BB (and lower ratings)	46,064	1 %	44,156	1 %
Total	$ 6,744,757	100 %	$ 8,149,460	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 are rated internally by Empire Life's Investment Department. The internal rating assessment is documented referencing suitable comparable investments 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 1% of these investments rated as P1 (2021 – 1%), 99% rated as P2 (2021 – 96%) and the remaining 0% rated as P3 (2021 - 3%) .

c) Mortgages

Empire Life's mortgages in the province of Ontario represent the largest concentration with $119,556 or 100% (2021 – $153,564 or 100%) 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, outstanding investment commitments, interest on the 4.0% senior unsecured notes and margin loan (refer to Note 16 - Borrowings) 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.The Company also uses a margin loan facility to fund certain investment opportunities or provide short term liquidity as required.

(all dollar figures in thousands of Canadian dollars, except per share amounts and where otherwise stated)

E-L Corporate's liquidity is comprised of $127,423 in cash and cash equivalents at December 31, 2022 (2021 - $442,884).

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 16 - Borrowings) and the limited recourse capital notes, to ongoing operating expenses as they fall due, which are expected to settle in a very short period of time. 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.

The actuarial and other policy liability amounts presented on the consolidated statements of financial position 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.

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:

2022	1 year or less	1 - 5 years	5 - 10 years	Over 10 years	Total
Insurance contract liabilities	$ 76,242	$ 271,902	$ 776,718	$ 26,503,823	$ 27,628,685
Investment contract liabilities	3,554	13,637	10,092	7,011	34,294
Subordinated debt	14,726	69,672	439,308	—	523,706
Preferred shares	5,865	24,748	101,547	—	132,160
Limited recourse capital notes	7,250	39,024	248,668	—	294,942
Accounts payable and other liabilities	330,508	30,117	—	—	360,625
Total	$ 438,145	$ 449,100	$ 1,576,333	$ 26,510,834	$ 28,974,412

2021	1 year or less	1 - 5 years	5 - 10 years	Over 10 years	Total
Insurance contract liabilities	$ 69,210	$ 175,021	$ 706,802	$ 25,147,726	$ 26,098,759
Investment contract liabilities	3,365	13,457	10,686	7,840	35,348
Subordinated debt	11,548	228,852	206,760	—	447,160
Preferred shares	4,900	101,225	—	—	106,125
Limited recourse capital notes	7,250	33,296	261,646	—	302,192
Accounts payable and other liabilities	266,240	40,104	24,339	—	330,683
Total	$ 362,513	$ 591,955	$ 1,210,233	$ 25,155,566	$ 27,320,267

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 cash, cash equivalents and short term investments to meet its short term funding requirements. As of December 31, 2022, 2% (2021 - 2%) of cash and investments were held in these shorter duration investments.

(all dollar figures in thousands of Canadian dollars, except per share amounts and where otherwise stated)

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

	2022		2021	
	Fair value	%	Fair value	%
1 year or less	$ 393,179	6 %	$ 150,713	2 %
1 - 5 years	816,633	12 %	991,282	12 %
5 - 10 years	504,238	7 %	757,588	9 %
Over 10 years	5,030,707	75 %	6,249,877	77 %
Total	$ 6,744,757	100 %	$ 8,149,460	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, equity risk 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 $6.7 billion at December 31, 2022 (2021 - $8.1 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.

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.

(all dollar figures in thousands of Canadian dollars, except per share amounts and where otherwise stated)

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

2022		50 bps increase		50 bps decrease		100 bps increase		100 bps decrease
Shareholders' net income	$	6,013	$	(7,483)	$	10,097	$	(15,547)
Shareholders' OCI	$	(43,326)	$	51,056	$	(79,042)	$	109,741

2021		50 bps increase		50 bps decrease		100 bps increase		100 bps decrease
Shareholders' net income	$	6,328	$	(7,026)	$	12,036	$	(14,839)
Shareholders' OCI	$	(52,677)	$	62,540	$	(95,466)	$	134,969

b) Equity risk

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% 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. E-L Corporate used a 20% increase or decrease in its equity market sensitivity to illustrate that changes in equity markets in excess of 10% may result in both linear and non-linear impacts, and a 20% change in equity markets is a commonly used additional sensitivity factor.

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.

				2022				2021
		Effect on shareholders' net income		Effect on shareholders' OCI		Effect on shareholders' net income		Effect on shareholders' OCI
Corporate Investments:								
Investments - corporate								
10% fluctuation	$	417,261	$	nil	$	466,184	$	nil
20% fluctuation	$	834,522	$	nil	$	932,368	$	nil
Investments in associates								
10% fluctuation	$	17,921	$	nil	$	19,293	$	nil
20% fluctuation	$	35,842	$	nil	$	38,586	$	nil

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 and unit holders, respectively. Market value variations of such assets will result in variations in the income of Empire Life to the extent management 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, LICAT position and results of operations. Empire Life has reinsured a portion of its segregated fund death benefit guarantee. Empire Life also has a semi-static, economic hedging program. The objective of the economic hedging program is to partially protect Empire Life from possible future LICAT ratio declines that might result from adverse stock market price changes. The program presently employs put options and futures on key equity indices. Improper use of these instruments could have an adverse impact on earnings. Empire Life manages this risk by applying limits established by the Investment Committee in its investment guidelines, which set out permitted derivatives and permitted uses for derivatives, as well as limits to the use of these instruments. In particular, no leverage is permitted in the use of derivatives and strict counterparty credit restrictions are imposed.

(all dollar figures in thousands of Canadian dollars, except per share amounts and where otherwise stated)

The following table summarizes the estimated 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. The Company has also disclosed the impact of a 20% increase or decrease in Empire Life's equity market sensitivity. The amounts in the following table include the effect of Empire Life's general fund equity risk economic hedging program. For segregated fund guarantees the level of sensitivity is highly dependent on the level of the stock market at the time of performing the sensitivity test. 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.

The amounts shown below represent the impact on shareholders' net income, including segregated fund guarantees.

	2022		2021	
	Effect on shareholders' net income[1]	Effect on shareholders' OCI	Effect on shareholders' net income[1]	Effect on shareholders' OCI
Empire Life				
10% increase	$ 9,044	$ 3,005	$ 17,729	$ 4,225
10% decrease	$ (12,890)	$ (3,005)	$ (23,394)	$ (4,225)
20% increase	$ 19,280	$ 6,010	$ 37,985	$ 8,449
20% decrease	$ (82,530)	$ (6,010)	$ (80,224)	$ (8,449)

[1] Includes the estimated impact on fee income net of trailer commissions after tax for a three month period.

Concentration of common equity holdings

E-L Corporate's largest exposure to common equities relates to its investment in associates of $443,192 (2021 – $394,362) which represents 8% (2021 – 6%) of E-L Corporate's total assets.

The following table identifies the concentration of common equity holdings within investments - insurance:

Empire Life	2022	2021
Exposure to the ten largest common share holdings	$ 574,892	$ 709,451
As a percentage of the segment's total cash and investments	7 %	7 %
Exposure to the largest single issuer of common shares	$ 348,714	$ 454,457
As a percentage of the segment's total cash and investments	4 %	5 %

(all dollar figures in thousands of Canadian dollars, except per share amounts and where otherwise stated)

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.

A 10% fluctuation in the U.S. dollar would have the following impact:

E-L Corporate: Approximately $235,083 (2021 – $274,565) on shareholders' net income and $11,403 (2021 – $10,726) on other comprehensive income.

Empire Life: Approximately $nil (2021 – $nil) on shareholders' net income and $nil (2021 – $nil) on other comprehensive income.

23. Insurance risk management

The objective of Empire Life's risk management process is to ensure that the operations of Empire Life encompassing risk are consistent with Empire Life'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.

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		Group Solutions		Individual Insurance		Capital & Surplus		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Net premium income	$ 139.6	$ 74.6	$ 452.3	$ 407.3	$ 450.7	$ 433.6	$ —	$ —	$ 1,042.6	$ 915.5
Fee and other income	251.3	258.5	15.4	13.6	0.1	0.5	16.3	0.1	283.1	272.7
Total	$ 390.9	$ 333.1	$ 467.7	$ 420.9	$ 450.8	$ 434.1	$ 16.3	$ 0.1	$ 1,325.7	$ 1,188.2

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.

Economic and environmental events, such as natural disasters, human-made disasters as well as pandemics, could occur in regions where Empire Life has significant insurance coverage, impacting financial results. Empire Life regularly evaluates its exposure to foreseeable risks through stress testing techniques including Financial Condition Testing ("FCT") 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, longevity, 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 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. The impact of changes in those assumptions is reflected in earnings in the year of the change. Details related to the changes in assumptions are also discussed with the Audit Committee of the Board. The methods for arriving at the most material of these assumptions are outlined below. Also included are measures of Empire Life’s estimated 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, 2021. 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 $15,900 (2021 - $18,500).

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 $2,800 (2021 - $3,200).

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 extra 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 the expected lapse 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 $139,200 (2021 - $172,500). 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 $6,800 (2021 - $6,800).

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 and group 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 $8,300 (2021 - $9,000).

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 may transfer some of this risk through a reinsurance arrangement.

Empire Life manages product design and pricing risk through a variety of enterprise-wide programs and controls. The key programs and controls are described as follows. 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 FCT and reports annually to the Audit Committee on Empire Life's financial condition, outlining the impact on capital levels should future experience be adverse. Empire Life has a Product Design and Pricing Risk Management Policy governing all of its major product lines. This policy, which is established by the Product Management Review Committee ("PMRC") and approved by the Risk and Capital Committee of the Board, 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 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 PMRC and approved by the Risk and Capital Committee of the Board. It defines Empire Life's underwriting and claims management philosophy and sets out principles for prudent underwriting and claims management including, underwriting classification, claims requirements, approval authorities and limits, and ongoing risk monitoring. Empire Life uses reinsurance to mitigate excessive exposure to adverse mortality and morbidity experience. The PMRC reviews and establishes retention limits for its various product lines and the Risk and Capital Committee of the Board approves changes to these retention limits for approval by the Board.

Reinsurance risk

Empire Life is subject to the risk of financial loss due to inadequate 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. The PMRC reports annually to the Risk and Capital Committee of the Board on reinsurance activities. Most of Empire Life's reinsurance is on an excess basis, meaning Empire Life retains 100% of the risk up to its retention level. Effective April 1, 2020, Empire Life updated its single life retention limit for new business to $1,500 in face amount (previously $500). For some insurance risk categories and/or products, retention levels below this maximum are applied. Reinsurance is used to limit losses, minimize exposure to significant risks and to provide capacity for growth. As a result of the retention limit increase, recapture provisions of all eligible reinsurance treaties were exercised commencing April 1, 2020. These activities result in an increase in insurance risk for Empire Life, which it deems acceptable.

(all dollar figures in thousands of Canadian dollars, except per share amounts and where otherwise stated)

Empire Life does not have any assumed reinsurance business.

24. 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, 2022, consisted of the Company's shareholders' equity of $6,656,997 (2021 - $7,257,420), non-controlling interests in subsidiaries of $1,030,156 (2021 - $1,279,377) and participating policyholders' interests of $56,065 (2021 - $58,212).

Empire Life manages its regulatory capital in order to meet the regulatory capital adequacy requirements of the Insurance Companies Act (Canada) as established and monitored by OSFI. OSFI has implemented the Life Insurance Capital Adequacy Test ("LICAT") framework to monitor capital adequacy. Under this framework, Empire Life's capital adequacy is measured as a ratio of Available Capital plus Surplus Allowance and Eligible Deposits divided by a Base Solvency Buffer. The components of the LICAT ratio are determined in accordance with the guidelines defined by OSFI. The regulator has established a Supervisory Target Total Ratio of 100% and a Supervisory Target Core Ratio of 70%. As at December 31, 2022 and December 31, 2021 Empire Life was in compliance with the applicable regulatory capital ratios.

On February 17, 2021, Empire Life issued $200 million of Limited Recourse Capital Notes Series 1 ("LRCN Series 1") with recourse limited to assets held by a third party trustee in a trust which will be consolidated in these financial statements. Payments of interest and principal in cash on the LRCN Series 1 are made at the discretion of Empire Life and non-payment of interest and principal in cash does not constitute an event of default. In the event of a non-payment of interest, the sole remedy of note holders shall be the delivery of the holders' proportionate share of the trust assets. In such an event, the delivery of the trust assets will represent the full and complete extinguishment of Empire Life's obligations under the LRCN Series 1.

The trust assets consist of $200 million of Empire Life Non-Cumulative 5-year Fixed Rate Reset Preferred Shares, Series 5 which were issued concurrently with the LRCN Series 1 at a rate of $1000 per Series 5. Holders of the LRCN Series 1 are entitled to receive semi-annual payments at a rate of 3.625% per annum until April 17, 2026. Thereafter, the yield will reset every five years at a rate equal to the 5-year Government of Canada bond yield plus 3.082%.

25. Related party transactions

The Company has investments in related parties which includes investments in associates of 443,192 (2021 - $394,362) and investments in other related parties within investments - corporate of $1,019,022 (2021 - $1,068,261). 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.

The Company received administrative service fees of $577 (2021 - $594) from related parties during the year.

Compensation of key management personnel of the Company is as follows:

	2022	2021
Salaries and other benefits	$ 4,565	$ 4,562
Post-employment benefits	356	431
Total	$ 4,921	$ 4,993

(all dollar figures in thousands of Canadian dollars, except per share amounts and where otherwise stated)

26. Subsidiaries

The principal subsidiaries are:

i) E-L Financial Services Limited (100.0% owned), whose operating subsidiary is Empire Life (99.4% (2021 - 99.4%) owned). 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 (54.9% (2021 - 52.7%) 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	
	2022	2021	2022	2021
NCI percentage	0.6 %	0.6 %	45.1 %	47.3 %
Cash and cash equivalents	$ 175,523	$ 193,217	$ 57,133	$ 61,850
Investments	8,222,762	9,888,471	1,772,619	2,242,748
Segregated funds	8,565,675	9,257,298	—	—
Other	340,319	191,677	12,329	7,520
Total assets	17,304,279	19,530,663	1,842,081	2,312,118
Insurance and investment contract liabilities	(5,717,484)	(7,164,812)	—	—
Reinsurance liabilities	(163,212)	(253,330)	—	—
Deferred tax	(37,646)	(45,539)	(5,692)	(53,849)
Subordinated debt	(399,129)	(398,858)	—	—
Segregated funds	(8,565,675)	(9,257,298)	—	—
Other	(284,469)	(239,248)	(56,572)	(8,008)
Total liabilities	(15,167,615)	(17,359,085)	(62,264)	(61,857)
Net assets	2,136,664	2,171,578	1,779,817	2,250,261
Participating policyholders' interests	(56,065)	(58,212)	—	—
Other equity instruments	(196,664)	(196,664)	(7,747)	(7,747)
Net assets available to common shareholders	$ 1,883,935	$ 1,916,702	$ 1,772,070	$ 2,242,514
NCI - common shareholders	$ 10,357	$ 10,808	$ 815,388	$ 1,064,158
NCI - other equity instruments	196,664	196,664	7,747	7,747
Total NCI	$ 207,021	$ 207,472	$ 823,135	$ 1,071,905

The following table summarizes the statements of income and comprehensive income:

	Empire Life		United	
For the year ended	2022	2021	2022	2021
Revenue	$ (66,806)	$ 1,258,727	$ (384,236)	$ 262,097
Net income (loss)	210,415	258,934	(348,149)	214,842
Other comprehensive loss	(167,730)	(22,066)	—	—
Total comprehensive income (loss)	$ 42,685	$ 236,868	$ (348,149)	$ 214,842
Total comprehensive income (loss) allocated to NCI	$ 5,115	$ 8,351	$ (156,737)	$ 101,841
Dividends declared to NCI	$ 434	$ 2,464	$ 32,531	$ 13,597

(all dollar figures in thousands of Canadian dollars, except per share amounts and where otherwise stated)

The following table summarizes the cash flows:

	Empire Life		United	
Summarized cash flows	2022	2021	2022	2021
Cash flows from operating activities	$ 376,816	$ 316,943	$ 10,287	$ (34,721)
Cash flows from investing activities	$ (298,285)	$ (282,365)	$ 57,436	$ 58,294
Cash flows from financing activities	$ (96,225)	$ (30,717)	$ (72,440)	$ (29,013)

Empire Life is registered under the *Insurance Companies Act*, Canada and is regulated by the OSFI. Any dividends paid by Empire Life must comply with regulatory requirements.

Shareholders' entitlement to $3,934 (2021 - $4,328) of shareholders' equity is contingent upon future payment of dividends to participating Empire Life policyholders.

27. Subsequent events

(a) Debenture issue

On January 13, 2023, Empire Life issued $200 million principal amount of unsecured debentures with a maturity date of January 13, 2033. The net proceeds of the issue will be used for regulatory capital purposes and for general corporate purposes which may include the redemption of outstanding debt.

The interest rate from January 13, 2023 to January 13, 2028 is 5.503% payable semi-annually until the interest reset date, which is January 13, 2028. The interest rate from January 13, 2028 until January 13, 2033 is the daily compounded Canadian Overnight Repo Rate Average ("CORRA") plus 2.26%, payable quarterly.

Empire Life may call for redemption of the debentures any time after January 13, 2028 subject to the prior written approval of OSFI.

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

(b) Debenture Redemption

On February 7, 2023 Empire Life announced that it intends to redeem, on March 15, 2023 (the "Redemption Date"), all of its outstanding $200 million 3.664% Unsecured Subordinated Debentures, Series 2017-1 due March 15, 2028 (the "Notes"). Notice will be delivered to the Note holders in accordance with the terms and conditions set forth in the related trust indenture. Interest on the Notes will cease to accrue from and after the Redemption Date.

The redemption has been approved by the OSFI.

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

Summary of Consolidated Results **(unaudited)**

	2022	2021	2020	2019	2018
Premium income	$ 1,042,554	$ 915,543	$ 860,241	$ 909,841	$ 873,605
Share of income (loss) from investments in associates	59,612	158,849	(28,858)	23,552	9,817
Fair value change in fair value through profit or loss investments	(2,483,436)	673,112	964,564	1,242,198	(512,135)
Realized (loss) gain on available for sale investments	(33,914)	(1,477)	29,414	21,886	(1,411)
Investment and other income	767,812	736,449	710,680	732,616	706,816
Total revenues	(647,372)	2,482,476	2,536,041	2,930,093	1,076,692
Policy benefits	(827,846)	481,099	1,371,439	1,456,715	549,443
Operating expenditures including commissions and premium taxes	535,503	504,035	451,130	446,217	438,016
Income taxes	(27,716)	215,350	109,960	165,479	32,232
	(327,313)	1,281,992	603,512	861,682	57,001
Policyholders' and non-controlling interest portion of income	(152,950)	129,031	103,820	117,037	25,900
E-L Financial shareholders' net (loss) income	$ (174,363)	$ 1,152,961	$ 499,692	$ 744,645	$ 31,101
Net (loss) income per share - basic	$ (53.47)	$ 314.67	$ 128.21	$ 185.67	$ 3.96
Assets					
Cash and cash equivalents	$ 302,946	$ 636,101	$ 427,757	$ 303,085	$ 332,558
Investments in associates	473,007	416,866	266,570	349,899	334,913
Investments - corporate	5,579,239	6,405,716	5,688,889	5,270,128	4,596,188
Investments - insurance operations	8,222,762	9,888,471	9,855,846	9,152,734	8,073,649
Insurance receivable	81,083	48,700	46,533	48,728	46,701
Other assets	268,881	137,470	202,211	125,810	140,636
	14,927,918	17,533,324	16,487,806	15,250,384	13,524,645
Segregated funds	8,565,675	9,257,298	8,457,417	8,498,583	7,822,790
	$23,493,593	$26,790,622	$24,945,223	$23,748,967	$21,347,435
Liabilities					
Insurance contract liabilities	$ 5,717,484	$ 7,164,812	$ 7,216,402	$ 6,141,016	$ 5,242,462
Other liabilities	1,467,216	1,773,503	1,620,917	1,726,523	1,743,581
Policyholders' and non-controlling interest	1,086,221	1,337,589	1,176,488	1,108,073	1,015,305
	8,270,921	10,275,904	10,013,807	8,975,612	8,001,348
Capital stock	364,064	366,663	366,793	372,388	372,388
Retained earnings	6,410,379	6,852,884	6,050,795	5,878,228	5,168,573
Accumulated other comprehensive income (loss)	(117,446)	37,873	56,411	24,156	(17,664)
	6,656,997	7,257,420	6,473,999	6,274,772	5,523,297
	14,927,918	17,533,324	16,487,806	15,250,384	13,524,645
Segregated funds	8,565,675	9,257,298	8,457,417	8,498,583	7,822,790
	$23,493,593	$26,790,622	$24,945,223	$23,748,967	$21,347,435

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

Summary of Empire Life (unaudited)

	2022	2021	2020	2019	2018
Premium income	$ 1,042,554	$ 915,543	$ 860,241	$ 909,841	$ 873,605
Fair value change in fair value through profit or loss investments	(1,737,377)	(363,415)	356,755	490,381	(318,039)
Realized gain on fair value through profit or loss investments	20,727	105,609	154,926	105,331	11,900
Realized (loss) gain on available for sale investments	(33,914)	(1,477)	29,414	21,886	(1,411)
Investment and other income	641,204	602,467	580,766	587,462	572,369
Total revenues	(66,806)	1,258,727	1,982,102	2,114,901	1,138,424
Policy benefits	(545,080)	771,462	1,822,525	1,649,199	511,938
Operating expenditures including commissions and premium taxes	211,006	160,100	(46,052)	212,777	437,611
Income and capital taxes	56,853	68,231	48,398	62,267	40,986
	210,415	258,934	157,231	190,658	147,889
Profits allocated to policyholders	1,292	12,849	4,047	3,219	(3,052)
Profits allocated to non-policyholders	6,105	8,483	14,334	14,592	14,403
Net contribution to E-L	$ 203,018	$ 237,602	$ 138,850	$ 172,847	$ 136,538
Premium income by line of business					
Wealth Management	$ 139,578	$ 74,603	$ 94,581	$ 159,115	$ 154,860
Group Solutions	452,292	407,328	357,039	360,383	339,852
Individual Insurance	450,684	433,612	408,621	390,343	378,893
Total premiums	$ 1,042,554	$ 915,543	$ 860,241	$ 909,841	$ 873,605
Assets including segregated funds	$17,304,279	$19,530,663	$18,715,753	$17,960,789	$16,269,697

(all dollar figures 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	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 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	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
2016	20,583,516	881,500	1,659,801	4,954,199	315,961	76.50
2017	22,639,642	834,214	2,372,578	5,552,949	633,395	157.33
2018	21,347,435	873,605	1,076,692	5,523,297	4,873	(2.72)
2019	23,748,967	909,841	2,930,093	6,274,772	786,465	196.32
2020	24,945,223	860,241	2,536,041	6,473,999	531,947	136.75
2021	26,790,622	915,543	2,482,476	7,257,420	1,134,423	309.54
2022	23,493,593	1,042,554	(647,372)	6,656,997	(329,682)	(97.20)

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

Glossary of Terms

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 anytime 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 that 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.

Canadian Life and Health Insurance Association (“CLHIA”)
The CLHIA is an organization representing life insurance and health insurance providers in Canada. The industry develops guidelines, voluntarily and proactively, to respond to emerging issues and to ensure consumer interests are protected.

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.

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 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.

Life Insurance Capital Adequacy Test ("LICAT")
The LICAT measures the capital adequacy of an insurer and is one of several indicators used by OSFI to assess an insurer's financial condition. The LICAT Ratio is the ratio of eligible capital to the base solvency buffer, each as calculated under OSFI's published guidelines.

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.

Other Comprehensive Income ("OCI") Loss ("OCL")
Unrealized gains and losses, primarily on financial assets backing Capital and Surplus, are recorded as OCI or 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 ("PAR")
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 Common 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.

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Computershare Investor Services Inc.
100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1
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

WEBSITE:

www.e-lfinancial.ca

REPORTING PROCEDURE FOR ACCOUNTING MATTERS

If you have a complaint regarding accounting, internal controls or a concern regarding questionable accounting, 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.