E-L Financial Corporation Limited

ANNUAL REPORT
2023

Financial Highlights

(Millions of dollars, except per share amounts)

Years ended December 31		2023		2022 [1] restated
Net Equity Value per Common Share [2][3]	**$**	**1,968.17**	$	1,785.66
Net Income (Loss) per Common Share	**$**	**265.60**	$	(96.03)
Contribution to Shareholders' Net Income (Loss):				
E-L Corporate	**$**	**778**	$	(381)
Empire Life		**155**		55
Shareholders' Net Income (Loss)		**933**		(326)
Preferred Shareholder Dividends		**15**		15
Net Income (Loss) attributable to Common Shareholders	**$**	**918**	$	(341)
E-L Corporate				
Shareholders' Net Income (Loss)	**$**	**778**	$	(381)
Investments - Corporate	**$**	**6,593**	$	5,579
Investments in Associates	**$**	**394**	$	443
Empire Life				
Common Shareholders' Net Income	**$**	**155**	$	55
Insurance service result	**$**	**181**	$	193
Life Insurance Capital Adequacy Test Total Ratio ("LICAT") (%) [3]		**155**		138

(1) Amounts have been restated to reflect the adoption of the IFRS 17 and IFRS 9 accounting standards, refer to note 2 of the consolidated financial statements.

(2) See Non-GAAP measures within the Management's Discussion and Analysis.

(3) 2022 net equity value amounts per share and LICAT have not been adjusted for the impacts from the adoption of IFRS 17 and IFRS 9.

ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders ("AGM") will be held Wednesday May 8, 2024 at 11:30 a.m. (Toronto time). The AGM will be held as a 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

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

Peter J. Levitt
Corporate Director

Elizabeth M. Loach
Head, Private Markets, Pension Investment Management, Canada Imperial Bank of Commerce

Clive P. Rowe
Corporate Director

Stephen J.R. Smith
Co-Founder and Executive Chairman, First National Financial LP

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

Honorary Directors

The Hon. Henry N.R. Jackman

William J. Corcoran

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, 2023 and 2022 for E-L Financial Corporation Limited ("E-L Financial" or the "Company"). This MD&A should be read in conjunction with the December 31, 2023 year end consolidated financial statements and the notes, which form part of the E-L Financial Corporation Limited 2023 Annual Report dated March 7, 2024. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). 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 7, 2024.

The Company has adopted IFRS 17 Insurance Contracts ("IFRS 17") and IFRS 9 Financial Instruments ("IFRS 9") and has restated comparative information for 2022 applying these accounting standards. The comparative figures in this MD&A, to the extent applicable, have been restated for these accounting changes.

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.sedarplus.ca.

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 anticipates 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, information security and business continuity risk; and business and strategic risk, including environmental and social risk, risk with respect to risk with respect to financial strength, capital adequacy risk, risk to competition, risk with respect to distribution channels, risk with respect to changes to applicable income tax legislation, risk with respect to brand, risk with respect to intellectual property and risk with respect to significant ownership of common shares. Please see the section titled "Description of the Business" in E-L Financial's Annual Information Form available at www.sedarplus.ca 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 insurance contract 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 the IFRS Accounting Standards 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 Accounting Standards 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, assets under management, annualized premium sales, gross and net sales for segregated funds and fixed annuities to provide investors with supplemental measures of its operating performance and to highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS Accounting Standards 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 to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and to determine components of management compensation. Empire Life believes that these measures provide information useful to its shareholders and policyholders in evaluating the Empire's underlying financial results.

Return on Empire Life's common shareholders' equity is a profitability measure that is not prescribed under IFRS Accounting Standards and a comparable measure under IFRS Accounting Standards is not available. Empire Life calculates this measure as the net income available to common shareholders as a percentage of the average capital deployed to earn the income on a trailing 4-quarter basis.

Annualized premium sales is used as a method of measuring sales volume. It is equal to the premium expected to be received in the first 12 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.

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. It represents the total assets of Empire Life and the assets its customers invest in.

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

(in millions of dollars)		**2023**		2022 restated[1]
General fund assets	**$**	**9,855**	$	8,992
Segregated fund assets		**8,813**		8,566
Total Empire Life assets		**18,668**		17,558
Mutual fund assets		**—**		16
Total assets under management	**$**	**18,668**	$	17,574

[1] Amounts have been restated to reflect the adoption of the IFRS 17 and IFRS 9 accounting standards, refer to note 2 of the consolidated financial statements

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 56.6% (December 31, 2022 - 54.9%) 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 36.6% (December 31, 2022 - 37.2%) interest in Algoma Central Corporation ("Algoma") and a 24.9% (December 31, 2022 - 24.7%) interest in Economic Investment Trust Limited ("Economic"). Algoma and Economic are accounted for using the equity method.

The Company's investment in Empire Life (99.5% interest) is consolidated by E-L Financial. The Empire Life operating segment underwrites life and health insurance policies and provides segregated 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)		**2023**	2022 restated (1)	**2023**	2022 restated (1)
Contribution to net income (loss)					
E-L Corporate(2)	**$**	**391**	$ 371	**$ 778**	$ (381)
Empire Life(2)		**110**	5	**155**	55
Net income (loss)		**501**	376	**933**	(326)
Other comprehensive income (loss)(2)		**7**	10	**(1)**	34
Comprehensive income (loss)	**$**	**508**	$ 386	**$ 932**	$ (292)

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

E-L Corporate		Fourth quarter			Year
(millions of dollars)		**2023**	2022 restated (1)	**2023**	2022 restated (1)
Net gain (loss) on investments	**$**	**516**	$ 451	**$ 948**	$ (767)
Investment and other income		**32**	35	**143**	128
Share of associates (loss) income		**(31)**	23	**(9)**	58
		517	509	**1,082**	(581)
Expenses		**12**	10	**43**	37
Income taxes		**59**	64	**134**	(81)
Non-controlling interests		**55**	64	**127**	(156)
		126	138	**304**	(200)
Net income (loss)		**391**	371	**778**	(381)
Other comprehensive (loss) income, net of taxes(2)		**(3)**	2	**(1)**	10
Comprehensive income (loss)	**$**	**388**	$ 373	**$ 777**	$ (371)

Empire Life *(millions of dollars)*		**Fourth quarter** **2023**		2022 restated (1)		**Year** **2023**		2022 restated (1)
Net insurance service result	**$**	**47**	$	58	**$**	**181**	$	193
Net investment and insurance finance result		**142**		(44)		**136**		(86)
Fee and other income(3)		**9**		8		**31**		24
		198		22		**348**		131
Expenses		**25**		16		**113**		73
Income and other taxes		**35**		(7)		**46**		(2)
Non-controlling interests and net income attributable to the participating account		**28**		8		**34**		5
		88		17		**193**		76
Net income		**110**		5		**155**		55
Other comprehensive income (loss), net of taxes(2)		**10**		8		**—**		24
Comprehensive income	**$**	**120**	$	13	**$**	**155**	$	79

(1) Amounts have been restated to reflect the adoption of the IFRS 17 and IFRS 9 accounting standards, refer to note 2 of the consolidated financial statements

(2) Net of non-controlling interests and net income attributable to the participating account

(3) Included in non-insurance investment results

E-L Financial reported a consolidated 2023 shareholder's net income of $933 million or $265.60 per common share compared to a net loss of $326 million or $96.03 per common share in 2022.

E-L Corporate reported net income of $778 million for the year ended December 31, 2023 compared to a net loss of $381 million in 2022. The increase in earnings was due to a net gain on investments of $948 million in 2023 compared to a net loss of $767 million in 2022. E-L Corporate's global investment portfolio had a pre-tax total return, including dividend income, of 19% in 2023 compared to a pre-tax total return of negative 11% in the prior year.

Empire Life reported a net income of $155 million for the year ended December 31, 2023 compared to $55 million in 2022. The increase in year to date earnings compared to the prior year was primarily due to higher net investment and insurance finance results driven by a more favourable economic environment from interest rate movements and positive equity returns.

Consolidated comprehensive income for the year ended December 31, 2023 was $932 million compared to a comprehensive loss of $292 million for 2022. Other comprehensive loss ("OCL") was $1 million in 2023 compared to other comprehensive income ("OCI") of $34 million in 2022. The loss in 2023 was primarily due to the Company's share of OCL of associates, whereas the OCI in 2022 was primarily due to a gain on the remeasurement of the post-employment defined benefit plans.

Normal course issuer bid

On March 6, 2023, the Company obtained approval from the TSX to renew its normal course issuer bid ("NCIB") to purchase up to 177,854 common shares between March 9, 2023 and March 8, 2024. 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 2023, 4,700 common shares (2022 - 40,660) were purchased under the NCIB at an average price of $900.78 per share (2022 - $872.05) for a total consideration of $4 million (2022 - $35 million).

Substantial issuer bids

On November 7, 2023 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 December 31, 2023 the Company had taken up and paid for 90,668 common shares at a price of $1,050.00 per common share. The Common Shares acquired under the SIB represent an aggregate purchase price of $95 million. As required by security legislation, the Company suspended any purchases of common shares under the NCIB during the SIB.

In the prior year, the Company completed an 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.

During the fourth quarter of 2023, United completed a SIB, which resulted in United taking up 338,983 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 56.6% at December 31, 2023 from 54.9% at December 31, 2022.

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)		**2023**		2022
E-L Financial shareholders' equity	**$**	**7,114**	$	6,657
Less: First preference shares		**(300)**		(300)
		6,814		6,357
Adjustments for E-L Corporate's investments in associates not carried at fair value:				
Carrying value		**(394)**		(443)
Fair value[1]		**394**		433
		—		(10)
Non-controlling interest and deferred tax		**—**		6
		—		(4)
Net equity value	**$**	**6,814**	$	6,353
Common shares[2] outstanding at year end		**3,461,980**		3,557,348
Net equity value per common share[2] [3]	**$**	**1,968.17**	$	1,785.66

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

The 2022 net equity value amount per common share presented in the table above, has not been restated for the adoption of IFRS 17 and IFRS 9 reporting standards. These accounting changes resulted in a $319 million reduction in shareholders' equity as of December 31, 2022 as presented in the consolidated financial statements as of December 31, 2023. The 2023 net equity value per common share of $1,968.17 has reflected the reduction in shareholders' equity as a result of the adoption of IFRS 17 and IFRS 9.

The common shares outstanding for 2023 are lower compared to 2022 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*
	$	%
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)
2023	1,968.17	11.1
Compounded annual growth in net equity value per common share*		
2014 - 2023 - 10 years		9.5
1969 - 2023 - Since inception		12.2

* 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.

The net equity value per common share as at December 31, 2022 has not been adjusted to reflect the adoption of IFRS 17 and IFRS 9. These accounting changes resulted in a reduction to common shareholders' equity of $319 million as at December 31, 2022. Excluding the impact of this accounting change, the growth in net equity value per common share including dividends, would have been 16.9% for 2023.

Summary of quarterly results

The following table summarizes the quarterly results:

(millions of dollars, except per share amounts)	2023				2022 - restated			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Insurance service revenue[1]	**$ 335**	$ 337	$ 328	$ 326	$ 323	$ 310	$ 318	$ 304
Net investment and insurance finance result	**142**	(47)	8	33	(44)	2	(77) $	33
Fair value change in fair value through profit or loss investments	**516**	(103)	211	323	452	(60)	(697)	(462)
Investment and other income	**40**	37	35	60	42	41	42	26
Share of income of associates	**(30)**	4	9	10	24	30	2	4
Total revenue	**$ 1,003**	$ 228	$ 591	$ 752	$ 797	$ 323	$ (412)	$ (95)
Net income (loss)[2]	**$ 501**	$ (57)	$ 184	$ 305	$ 376	$ 31	$ (506)	$ (227)
Earnings (loss) per common share								
- basic	**$ 144.61**	$ (17.73)	$ 52.07	$ 86.96	$ 107.62	$ 7.59	$ (142.50)	$ (64.03)
- diluted	**$ 132.30**	$ (17.73)	$ 48.31	$ 80.00	$ 98.80	$ 7.59	$ (142.50)	$ (64.03)

(1) Total revenue has been revised to include insurance service revenue and was previously reported to include net insurance service result.

(2) 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, insurance contract liability discount rates and 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 2023 increased compared to the prior quarter and the fourth quarter of 2022, with fluctuations mainly due to an increase in the net investment and insurance finance result and the impact of the fair value change in fair value through profit or loss ("FVTPL") investments. The fair value change in 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 investment and insurance finance result increased in the fourth quarter compared to the same period in 2022. This was mainly due to gains from equity market movements and favourable yield curve movements relative to the fourth quarter in 2022.

Fourth quarter results

E-L Financial reported a consolidated shareholder's net income of $501 million or $144.61 per common share for the fourth quarter of 2023 compared to $376 million or $107.62 per common share in 2022.

E-L Corporate reported net income of $391 million for the fourth quarter ended December 31, 2023 compared to $371 million in 2022. The increase in the net income was due to larger gains from the global investment portfolio of $516 million in 2023 compared to $451 million for the fourth quarter of 2022. E-L Corporate's global investment portfolio had a pre-tax total return, including dividend income, of 9% for both the fourth quarters of 2023 and 2022.

Empire Life reported a net income of $110 million for the fourth quarter of 2023 compared to $5 million for the fourth quarter of 2022. The increase in fourth quarter earnings over prior year was primarily due to higher net investment and insurance finance results driven by a more favourable economic environment from interest rate movements and positive equity returns.

Consolidated comprehensive income was $508 million in the fourth quarter of 2023 compared to $386 million for the fourth quarter of 2022. Other comprehensive income ("OCI") was $7 million in the fourth quarter of 2023 compared to $10 million in 2022.

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:

Period ended December 31 (millions of dollars)	E-L Financial (non-consolidated)	United	Empire Life	Consolidation adjustments	**E-L Financial Consolidated**	
					2023	2022
Cash flows from:						restated [1]
Operating activities	$ 172	$ 31	$ 630	$ (97)	**$ 736**	$ 321
Financing activities	(133)	(68)	(100)	89	**(212)**	(291)
Investing activities	(50)	14	(358)	8	**(386)**	(363)
(Decrease) increase in cash and cash equivalents	(11)	(23)	172	—	**138**	(333)
Cash and cash equivalents, beginning of the year	70	57	176	—	**303**	636
Cash and cash equivalents, end of the year	$ 59	$ 34	$ 348	$ —	**$ 441**	$ 303

[1] Amounts restated for the IFRS 17 and IFRS 9 accounting changes

The increase in cash provided from operating activities in 2023 relative to 2022 reflects the increase in cash earnings during 2023 compared to the prior year including higher dividend income from the investment portfolios and lower income taxes. For Empire Life, cash flows from operating activities include premiums, net investment income and fee income. These funds are primarily used to pay policy benefit payments, commissions, operating expenses and policyholder dividends.

Cash used for financing activities during 2023 was primarily due to $99 million in share purchases under the SIB and NCIB programs, partially offset by a $40 million increase in borrowings by E-L Financial (non-consolidated). In 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.

Cash used for investing activities in 2023 increased compared to the prior year. During the first quarter of 2022 changes were made to E-L Corporate's investment managers which contributed to a significant increase in the investment portfolio turnover. As well, Empire Life had higher net purchases on investments in 2023 compared to the prior year.

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)	**2023**	2022
Cash flows from:		
Operating activities		
Dividends from subsidiaries	**$ 84**	$ 109
Dividends and interest	**101**	95
Expenses and taxes, net of other income	**(13)**	(77)
	172	127
Financing activities		
Cash dividends	**(64)**	(144)
Common share purchases	**(99)**	(135)
Increase in margin loan	**40**	50
Interest paid on borrowings	**(9)**	(10)
Purchases of subsidiary shares	**(1)**	—
	(133)	(239)
Investing activities		
Purchases of investments	**(684)**	(895)
Proceeds from sales of investments	**604**	676
Dividends from associates	**30**	20
	(50)	(199)
Decrease in cash and cash equivalents	**(11)**	(311)
Cash and cash equivalents, beginning of the year	**70**	381
Cash and cash equivalents, end of the year	**$ 59**	$ 70

During 2023, the non-consolidated cash and cash equivalents of E-L Financial decreased by $11 million.

Operating cash flows for 2023 increased compared with the prior year mainly due to a decrease in the expenses and taxes resulting from higher income taxes paid in 2022 relating to realized investment gains in 2021.

The increase in cash used for financing activities for 2023 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 2023 included a special dividend paid by Algoma during the first quarter of 2023.

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, 2023, consisted of the Company’s shareholders’ equity of $7,114 million, non-controlling interests in subsidiaries of $1,102 million and participating account surplus of $46 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, 2023, E-L Corporate has $254 million (2022 - $156 million) in unfunded commitments for units in limited partnerships.

Selected annual information

(millions of dollars, except per share amounts)	2023	2022 restated	2021(1)
Revenue			
Insurance service revenue	**$ 1,326**	$ 1,255	
Insurance investment result	**136**	(86)	
Net premiums			$ 916
Non-insurance investment income	**1,112**	(556)	1,566
Total	**$ 2,574**	$ 613	$ 2,482
Shareholder net income (loss)			
E-L Corporate	**$ 778**	$ (381)	$ 915
Empire Life	**155**	55	238
Total	**$ 933**	$ (326)	$ 1,153
Earnings per share			
- basic	**$ 265.60**	$ (96.03)	$ 314.67
- diluted	**$ 245.24**	$ (96.03)	$ 284.39
Assets			
E-L Corporate	**$ 7,095**	$ 6,189	$ 7,260
Empire Life	**18,665**	17,558	19,805
Total assets	**$ 25,760**	$ 23,747	$ 27,065
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	**$ 15.00**	$ 35.00	$ 88.75

(1) With the exception of assets and liabilities, amounts prior to January 1, 2022 have not been adjusted for the impacts from the adoption of IFRS 17 and IFRS 9. Amounts were reported under IFRS 4 and IAS 39.

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 2023 E-L Corporate reported a net gain on investments of $948 million compared to a net loss of $767 million in 2022. E-L Corporate’s global investment portfolio had a pre-tax total return, including dividend income, of 19% in 2023 compared to a pre-tax total return of negative 11% in 2022. In 2021 E-L Corporate reported a net gain on investments of $931 million a pre-tax total return, including dividend income, of 18%. 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 investments.

Assets have changed over the past three years primarily due to the impact of equity markets movements and changes in interest rates on the investment portfolios.

In 2023 common share dividends were $15.00 per common share, representing a quarterly dividend of $3.75 per common share. 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.

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	3,461,722

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, 2023. Based on that evaluation, management concluded that the Company's disclosure controls and procedures were effective as at December 31, 2023.

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 Accounting Standards. Under the supervision of management, an evaluation of the Company’s internal control over financial reporting was carried out as at December 31, 2023. Based on that evaluation, management concluded that the Company’s internal control over financial reporting was effective as at December 31, 2023. No changes were made in the Company’s internal control over financial reporting during the year ended December 31, 2023, that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

As a result of the adoption of IFRS 17 on January 1, 2023, Empire Life revised its internal controls over financial reporting. The revisions were principally for implementation governance and controls over the initial implementation of IFRS 17 and ongoing controls in Empire Life’s actuarial and financial reporting processes, including the adoption of IFRS 17 accounting policies and significant judgments and estimates, the use of new information technology systems and the reconciliation of financial data between existing reporting processes and IFRS 17.

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:

<u>Impairment - Investments in associates</u>

Investments in associate 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.

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.

<u>Consolidation</u>

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.

<u>Fair value estimates</u>

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.

Insurance and reinsurance contracts held

Key assumptions and sources of estimation can result in a material adjustment to the carrying amounts of assets and liabilities. The Company bases assumptions and estimates on parameters available when the insurance and reinsurance contracts held are measured. Actuarial assumptions relate to events that are anticipated to occur, however, these may not be realized due to market changes, developing experience or circumstances arising that are unpredictable. Management applied judgement in determining the level of aggregation of information in which the disclosures are presented in Note 15 of the consolidated financial statements.

The methods used to measure insurance contracts

The Company uses the probability weighted average of cash flows to estimate the present value of expected future cash flows. Product guarantees for universal life, participating products and segregated funds are valued using stochastic models. Assumptions relating to mortality rates, morbidity rates, longevity, expenses, and policyholder behavior are discussed further in Note 2 of the consolidated financial statements.

Discount rates

IFRS 17 differentiates the requirements for discount rates for cash flows that do not vary based on the returns of any underlying items from cash flows that do vary based on the returns of any underlying items. For those that do not vary, cash flows are discounted using risk free rates, plus an illiquidity premium. For the observable period (30 years), risk free rates are determined by reference to the yields of highly liquid AAA-rated Canadian sovereign securities. The ultimate (year 70) risk free rate was determined to be 3.15%, with an ultimate illiquidity premium of 1.50% for both 2022 and 2023. The total discount rate between the observable and the ultimate periods were derived using linear interpolation. For additional information refer to Note 2. Insurance and reinsurance contracts held, of the consolidated financial statements.

Investment contracts, which represent deferred annuities and guaranteed annuities, require discount rates that include a provision to reflect the Empire Life's own credit risk and an illiquidity adjustment.

Risk adjustment for non-financial risk

The risk adjustment ("RA") for non-financial risk represents the compensation that Empire Life requires for bearing the uncertainty about the amount and timing of the cash flows that arise from non-financial risk as the entity fulfills insurance contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the current estimate amount.

Empire Life derives risk adjustment for non-financial risk using a margin for adverse deviation ("MfAD") approach. The approach adds a margin (conservatism) to each insurance risk assumption.

Amortization of the CSM

The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts representing the expected future profits Empire Life will recognize as it provides insurance contract services under the insurance contracts in the group. An amount of the CSM for a given group of insurance contracts is recognized in insurance service revenue in each period to reflect the insurance services provided.

For universal life contracts, the coverage units are defined as the total current death benefit. Empire Life's position is that universal life products contain investment return services, whereas products with fixed Cash Surrender Values ("CSVs") do not contain investment return services. Hence, the coverage units for individual non-participating contracts with fixed or no CSVs are the sum insured less the CSVs.

Coverage units for fixed life contingent payout annuities (immediate annuities) are the expected annualized payment amounts. For participating products, coverage units are the total death benefit amount which approximates the benefits provided under the insurance coverage and investment return service.

For contracts measured using the GMM, coverage units are discounted at locked-in rates in order to determine the CSM amortization.

Amortization of the segregated funds CSM's use fund values as the coverage units and incorporates adjustments that reflect the impact of economic returns.

The total coverage units of each group of insurance contracts are reassessed at the end of each reporting period to adjust for the reduction of remaining coverage for claims paid, expectations of lapses and cancellation of contracts in the period.

For reinsurance contracts held, the CSM amortization reflects the expected pattern of underwriting of the underlying contracts because the level of service provided depends on the number of underlying contracts in-force.

Accounting model eligibility

IFRS 17 requires the application of one of three models to groups of insurance contracts:

- General Measurement Model ("GMM");
- Variable Fee Approach ("VFA");
- Premium Allocation Approach ("PAA").

For further details on the application of each model, refer to Note 2 of the consolidated financial statements.

Accounting changes

IFRS 17 *Insurance Contracts* (IFRS 17) and IFRS 9 *Financial Instruments* (IFRS 9) adopted in 2023

For periods beginning on or after January 1, 2023, the Company adopted IFRS 17, which replaces IFRS 4 *Insurance Contracts,* and has restated comparative information for 2022 applying the transition provisions in IFRS 17. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts. Effective January 1, 2023, we have also adopted IFRS 9, which replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

IFRS 17

The adoption of IFRS 17 did not change the classification of the majority of Empire Life's insurance or investment contract liabilities. 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 and investment contract liabilities. The exception is deferred annuities which were classified as insurance contracts under IFRS 4 and are now classified as investment contracts under IFRS 9. IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by Empire Life.

The primary principles of IFRS 17 are that Empire Life:

- 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.
- Identifies and separates distinct investment components and distinct services other than insurance contract services from insurance contracts and accounts for them in accordance with other standards.
- Aggregates insurance contracts issued and reinsurance contracts held into portfolios of contracts which represent similar insurance risks to Empire Life and which are managed together. Portfolios

of contracts consist of groups of insurance contracts which are separated at initial recognition between contracts expected to produce a loss (onerous contracts) and the remaining contracts. Each group contains contracts which are issued no more than one year apart except those transitioned to IFRS 17 under the Fair Value method.

- Recognizes each group of insurance contracts separately at initial recognition and measures each separately in each future accounting period.
- Recognizes and measures groups of insurance contracts at the risk-adjusted present value of the expected future cash flows that incorporates all available information about the fulfilment cash flows in a way that is consistent with observable market information.
- Establishes a contractual service margin ("CSM"), representing the unearned profit in the group of insurance contracts.
- Recognizes insurance service revenue from a group of insurance contracts over the period that insurance contract services are provided. If a group of insurance contracts is expected to be onerous (loss making, exclusive of ceded risks) over the remaining coverage period, losses are recognized immediately.
- Measures insurance contract liabilities as the total of the following measurement components:
    - probability weighted, discounted, future cash flows;
    - a risk adjustment for non-financial risk; and
    - CSM.

<u>Transition</u>

IFRS 17 transition is applied using a full retrospective approach unless impracticable. Due to the lack of historical data, the Company applied the fair value approach (defined below) in determining the transition values for all lines of business except for group insurance. Full retrospective approach was used for the Group insurance contracts which qualified for the PAA. The Company has derecognized any existing balances that would not exist had IFRS 17 always applied. Resulting net differences are recognized in equity.

For additional information on IFRS 17 refer to Note 2. Estimates, assumptions and judgments and Note 2. IFRS 17 Insurance Contracts, in the consolidated financial statements.

<u>IFRS 9</u>

IFRS 9 includes three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and FVTPL. IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity investments, loans and receivables, and available-for-sale ("AFS") financial assets. Financial assets are measured at initial recognition at fair value, and are classified and subsequently measured at FVTPL, FVOCI or amortized cost based on Empire Life's business model for managing the financial assets and the contractual cash flow characteristics of the assets.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9 are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification. IFRS 9 maintains the IAS 39 classification for financial liabilities that may be measured at either amortized cost or FVTPL.

IFRS 9 replaces the incurred loss impairment model in IAS 39 with a forward-looking expected credit loss impairment 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.

For additional information on the change to the classification and measurement of financial assets and liabilities upon the adoption of IFRS 9, refer to Note 2. IFRS 9 *Financial Instruments* in the consolidated financial statements.

Overlay approach

As permitted, the Company has elected to apply the overlay approach which allows the classification and remeasurement requirements of IFRS 9 to be applied to all financial assets held in comparative periods, including those that were derecognized during that period, in order to reduce the volatility in profit or loss arising from the different effective dates of IFRS 9 and IFRS 17.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 was initially applied on January 1, 2023 without restatement of comparatives. For additional information on the impact of the Overlay approach and the IFRS 9 transition, refer to Note 2. IFRS 9 *Financial Instruments* and Note 2.6. Financial instruments, of our consolidated financial statements.

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, 2023, investments - corporate had aggregate investments of $6.6 billion, comprised primarily of common shares and units of investment funds, compared to aggregate investments at December 31, 2022 of $5.6 billion. The fair value of investments - corporate is summarized in the table below:

(millions of dollars)		**2023**		2022
Preferred shares	**$**	**1**	$	3
Common shares and units				
Canada		**973**		897
U.S.		**3,743**		3,008
Europe and United Kingdom		**1,148**		945
Other		**728**		726
Total		**6,592**		5,576
Total invested assets	**$**	**6,593**	$	5,579

In the normal course of business, investment commitments are outstanding which are not reflected in the consolidated financial statements. As of December 31, 2023, E-L Corporate has $254 million (December 31, 2022 - $156 million) in unfunded commitments in limited partnerships.

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

		Fourth quarter				Year		
(millions of dollars)		**2023**		2022		**2023**		2022
Net gain (loss) on investments	**$**	**516**	$	451	**$**	**948**	$	(767)
Investment and other income		**32**		35		**143**		128
Share of associates (loss) income		**(31)**		23		**(9)**		58
		517		509		**1,082**		(581)
Expenses		**12**		10		**43**		37
Income taxes		**59**		64		**134**		(81)
Non-controlling interests		**55**		64		**127**		(156)
		126		138		**304**		(200)
Net income (loss)		**391**		371		**778**		(381)
OCI, net of taxes		**(3)**		2		**(1)**		10
Comprehensive income (loss)	**$**	**388**	$	373	**$**	**777**	$	(371)

E-L Corporate reported net income of $391 million in the fourth quarter of 2023 compared to $371 million for the comparative period in 2022. For the fourth quarter of 2023 there was a net gain on investments of $516 million compared to $451 million for the fourth quarter of 2022. E-L Corporate's global investment portfolio had a pre-tax total return, including dividend income of 9% for the fourth quarters of both 2023 and 2022.

For the year ended December 31, 2023, E-L Corporate reported net income of $778 million compared to a net loss of $381 million in 2022. The Company's year to date pre-tax total return on investments, including dividend income was 19% in 2023 compared to negative 11% in 2022.

Investment and other income was higher on a year to date basis compared to 2022. 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.

Operating expenses have increased between 2023 and 2022 on both a quarterly and year to date basis.

Share of associates income

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

	Fourth quarter		Year	
(millions of dollars)	**2023**	2022	**2023**	2022
Algoma	**$ (46)**	$ 15	**$ (25)**	$ 41
Economic	**14**	8	**16**	17
	$ (32)	$ 23	**$ (9)**	$ 58

Share of associate's income includes impairment provisions for Algoma of $59 million (2022 - $nil) and $6 million (2022 - a $20 million impairment reversal) for Economic.

Algoma's net earnings for 2023 decreased compared to the prior period largely due to the $59 million impairment for 2023 which is primarily due to a decline in the company's stock price. Excluding the impairment reversal, the Company's share of Algoma's net earnings decreased by $7 million in 2023 compared with the prior year, mainly due the Ocean Self-Unloaders business which experienced higher operating costs in 2023 associated with a higher number of dry-dockings for the current year. In 2022 the sale of an investment property and gain on the sale of vessels in the Global Short Sea Shipping business contributed to a higher net income.

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. Economic's global investment portfolio had a pre-tax total return, gross of fees, of 16% in 2023 compared to negative 4% in 2022. On a quarterly basis, Economic's global investment portfolio had a pre-tax total return, gross of fees, of 7% in the fourth quarter of 2023 compared to 11% in the fourth quarter of 2022.

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

	2023			**2022**		
	Ownership	**Carrying value**	**Fair value**	Ownership	Carrying value	Fair value
Algoma	**36.6 %**	**$ 211**	**$ 211**	37.2 %	$ 268	$ 258
Economic	**24.9 %**	**183**	**183**	24.7 %	175	175
Total		**$ 394**	**$ 394**		$ 443	$ 433

Ownership of Algoma decreased during the year due to common shares issued from the conversion of Algoma's debentures into common shares. This was partially offset by shares repurchased through Algoma's NCIB program.

During the fourth quarter of 2023, Economic completed a substantial issuer bid, which resulted in the purchase and cancellation of 37,611 of their outstanding common shares. Combined with the shares repurchased under Economic's NCIB, E-L Financial's effective ownership increased to 24.9% at December 31, 2023 from 24.7% at December 31, 2022.

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 sentiment, 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, 2023, 59% (2022 - 58%) of the investment - corporate including cash and cash equivalents was denominated in U.S. dollars, 9% (2022 - 9%) in Euros and 5% (2022 - 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.sedarplus.ca. Disclosures regarding E-L Corporate's financial instruments, including financial risk management, are included in Notes 4 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 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:

Financial analysis overview

	Fourth quarter		Year to date	
(millions of dollars)	**2023**	2022 restated	**2023**	2022 restated
Empire Life common shareholders' net income	**$ 111**	$ 5	**$ 156**	$ 55
Non-Controlling interests	**1**	—	**1**	—
Net income contribution to E-L Financial	**$ 110**	$ 5	**$ 155**	$ 55

	Dec 31 2023	Dec 31 2022	Dec 31 2021
LICAT total ratio [(1)]	**155 %**	138 %	144 %

(1) Amounts prior to January 1, 2023 have not been adjusted for the impacts from the adoption of IFRS 17 and IFRS 9. For additional details on the 2022 amounts, refer to Note 2 to the consolidated financial statements.

Empire Life reported fourth quarter common shareholders' net income of $111 million for 2023, compared to net income of $5 million for the fourth quarter of 2022. Full year common shareholders' net income was $156 million compared to $55 million in 2022. The increase in common shareholders' net income for the fourth quarter and full year compared to the prior year was primarily due to higher net investment and insurance finance results driven by a more favourable economic environment driven by interest rate movements and positive equity returns.

Results by Major Product Line

The following tables provide a summary of Empire Life results by major product line for the fourth quarter and year to date. A discussion of results is provided in the Product Line section of the MD&A.

For the three months ended December 31, 2023

(in millions of dollars)	Wealth Management	Group Solutions	Individual Insurance	Capital & Surplus	Total
Insurance revenue	$ 58	$ 163	$ 114	$ —	**$ 335**
Insurance service expenses	(38)	(149)	(78)	—	**(265)**
Insurance service result	20	14	36	—	**70**
Net expense from reinsurance contracts held	—	(5)	(17)	—	**(22)**
Net insurance service result	20	9	19	—	**48**
Investment income (loss), excluding segregated funds					
Investment income	67	17	721	158	**963**
Change in investment contracts	(19)	—	—	—	**(19)**
Net investment result, excluding segregated funds	48	17	721	158	**944**
Insurance finance (expense) income, excluding segregated fund account balances					
Insurance contracts	(33)	(20)	(699)	—	**(752)**
Reinsurance contracts held	1	10	(61)	—	**(50)**
Net insurance finance income (expense), excluding segregated funds	(32)	(10)	(760)	—	**(802)**
Segregated funds net investment and insurance finance result					
Investment income on investments for account for segregated fund account balances	538	—	1	—	**539**
Insurance finance and investment expenses for segregated fund account balances	(538)	—	(1)	—	**(539)**
Segregated funds net finance and investment result	—	—	—	—	**—**
Net investment and insurance finance result	16	7	(39)	158	**142**
Fee and other income	—	2	—	7	**9**
Non-insurance expenses	(8)	(4)	(5)	(11)	**(28)**
Interest expenses	—	—	—	2	**2**
Total other income and expenses	(8)	(2)	(5)	(2)	**(17)**
Net income (loss) before taxes	28	14	(25)	156	**173**
Income taxes					**(35)**
Net income after taxes					**138**
Less: net income attributable to the participating account					**20**
Less: preferred share dividends declared					**7**
Empire Life's common shareholder's net income					**111**
Non-controlling interests in net income					**1**
Net income attributable to owners of E-L Financial					**$ 110**

For the three months ended December 31, 2022 restated

(in millions of dollars)	Wealth Management	Group Solutions	Individual Insurance	Capital & Surplus	Total
Insurance revenue	$ 58	$ 156	$ 109	$ —	**$ 323**
Insurance service expenses	(31)	(142)	(74)	—	**(247)**
Insurance service result	27	14	35	—	**76**
Net expense from reinsurance contracts held	4	(8)	(14)	—	**(18)**
Net insurance service result	31	6	21	—	**58**
Investment income (loss), excluding segregated funds					
Investment income	(1)	1	(3)	3	**—**
Change in investment contracts	(4)	—	—	—	**(4)**
Net investment result, excluding segregated	(5)	1	(3)	3	**(4)**
Insurance finance (expense) income, excluding segregated fund account balances					
Insurance contracts	(5)	(3)	(41)	—	**(49)**
Reinsurance contracts held	—	1	8	—	**9**
Net insurance finance income (expense),	(5)	(2)	(33)	—	**(40)**
Segregated funds net investment and insurance finance result					
Investment income on investments for account for segregated fund account balances	519	—	(1)	—	**518**
Insurance finance and investment expenses for segregated fund account balances	(519)	—	1	—	**(518)**
Segregated funds net finance and investment result	—	—	—	—	**—**
Net investment and insurance finance result	(10)	(1)	(36)	3	**(44)**
Fee and other income	1	2	(1)	6	**8**
Non-insurance expenses	(8)	(4)	(4)	(3)	**(19)**
Interest expenses	—	—	—	3	**3**
Total other income and expenses	(7)	(2)	(5)	6	**(8)**
Net income (loss) before taxes	14	3	(20)	9	**6**
Income taxes					**7**
Net income after taxes					**13**
Less: net income attributable to the participating account					**1**
Less: preferred share dividends declared					**7**
Empire Life's common shareholder's net income					**5**
Non-controlling interests in net income					**—**
Net income attributable to owners of E-L Financial					**$ 5**

For the year ended December 31, 2023

(in millions of dollars)	Wealth Management	Group Solutions	Individual Insurance	Capital & Surplus	Total
Insurance revenue	$ 235	$ 639	$ 452	$ —	**$ 1,326**
Insurance service expenses	(147)	(598)	(327)	—	**(1,072)**
Insurance service result	88	41	125	—	**254**
Net expense from reinsurance contracts held	—	(17)	(56)	—	**(73)**
Net insurance service result	88	24	69	—	**181**
Investment income (loss), excluding segregated funds					
Investment income	72	16	598	131	**817**
Change in investment contracts	(28)	—	—	—	**(28)**
Net investment result, excluding segregated funds	44	16	598	131	**789**
Insurance finance (expense) income, excluding segregated fund account balances					
Insurance contracts	(34)	(22)	(557)	—	**(613)**
Reinsurance contracts held	1	10	(51)	—	**(40)**
Net insurance finance income (expense), excluding segregated funds	(33)	(12)	(608)	—	**(653)**
Segregated funds net investment and insurance finance result					
Investment income on investments for account for segregated fund account balances	734	—	2	—	**736**
Insurance finance and investment expenses for	(734)	—	(2)	—	**(736)**
Segregated funds net finance and investment result	—	—	—	—	**—**
Net investment and insurance finance result	11	4	(10)	131	**136**
Fee and other income	1	8	—	22	**31**
Non-insurance expenses	(30)	(16)	(19)	(30)	**(95)**
Interest expenses	—	—	—	(17)	**(17)**
Total other income and expenses	(29)	(8)	(19)	(25)	**(81)**
Net income before taxes	70	20	40	106	**236**
Income taxes					**(46)**
Net income after taxes					**190**
Less: net income attributable to the participating account					**22**
Less: preferred share dividends declared					**12**
Empire Life's common shareholder's net income					**156**
Non-controlling interests in net income					**1**
Net income attributable to owners of E-L Financial					**$ 155**

For the year' ended December 31, 2022 restated

(in millions of dollars)	Wealth Management	Group Solutions	Individual Insurance	Capital & Surplus	Total
Insurance revenue	$ 234	$ 604	$ 417	$ —	**$ 1,255**
Insurance service expenses	(126)	(585)	(307)	—	**(1,018)**
Insurance service result	108	19	110	—	**237**
Net expense from reinsurance contracts held	3	(13)	(34)	—	**(44)**
Net insurance service result	111	6	76	—	**193**
Investment income (loss), excluding segregated funds					
Investment income	(77)	(15)	(1,336)	(236)	**(1,664)**
Change in investment contracts	10	—	—	—	**10**
Net investment result, excluding segregated funds	(67)	(15)	(1,336)	(236)	**(1,654)**
Insurance finance (expense) income, excluding segregated fund account balances					
Insurance contracts	52	24	1,409	—	**1,485**
Reinsurance contracts held	(1)	(9)	93	—	**83**
Net insurance finance income (expense), excluding segregated funds	51	15	1,502	—	**1,568**
Segregated funds net investment and insurance finance result					
Investment income on investments for account for segregated fund account balances	(353)	—	(1)	—	**(354)**
Insurance finance and investment expenses for	353	—	1	—	**354**
Segregated funds net finance and investment result	—	—	—	—	**—**
Net investment and insurance finance result	(16)	—	166	(236)	**(86)**
Fee and other income	1	6	—	17	**24**
Non-insurance expenses	(23)	(13)	(11)	(15)	**(62)**
Interest expenses	—	—	—	(12)	**(12)**
Total other income and expenses	(22)	(7)	(11)	(10)	**(50)**
Net income (loss) before taxes	73	(1)	231	(246)	**57**
Income taxes					**2**
Net income after taxes					**59**
Less: net loss attributable to the participating account					**(6)**
Less: preferred share dividends declared					**10**
Empire Life's common shareholder's net income					**55**
Non-controlling interests in net income					**—**
Net income attributable to owners of E-L Financial					**$ 55**

Empire Life reported fourth quarter common shareholders' net income of $111 million for 2023, compared to net income of $5 million for the fourth quarter of 2022. The increase in fourth quarter compared to the prior year was primarily due to higher net investment and insurance finance results driven by a more favourable economic environment from interest rate movements and positive equity returns.

Net insurance service result decreased $10 million in the fourth quarter compared to the same period in 2022, primarily due to higher expenses in our Wealth Management product line.

Net investment and insurance finance result increased $186 million in the fourth quarter compared to the same period in 2022. This was mainly due to gains from equity market movements and favourable yield curve movements relative to the fourth quarter in 2022.

Total other income and expenses changed by $9 million in the fourth quarter compared to the same period in 2022 due to increased employee expenses and project spend.

Full year common shareholders' net income was $156 million compared to $55 million in 2022. The increase over prior year is primarily due to higher net investment and insurance finance results driven by a more favourable economic environment driven by interest rate movements and equity market returns.

Net insurance service result decreased $12 million in 2023 compared to the same period in 2022, primarily due to higher expenses in our Wealth Management product line, which was partially offset by favourable claims experience and insurance contract liability assumption updates in our Group Solutions product line.

Net investment and insurance finance result increased $222 million in 2023 compared to the same period in 2022. This was mainly due to gains from equity market movements relative to 2022. Net losses experienced in 2022 were driven by the impact from rising interest rates and credit spreads on our investments.

The year over year change in total other income and expenses of $31 million in 2023 compared to the same period in 2022 relates to higher employee expenses and project spend.

Product Line Results - Wealth Management

	Fourth quarter		Year	
(in millions of dollars)	**2023**	2022	**2023**	2022
Fixed annuities				
Assets under management[1][2]	**$ 918**	$ 754	**$ 918**	$ 754
Gross sales[1]	**79**	62	**242**	148
Net sales[1]	**51**	32	**140**	44
Segregated funds				
Assets under management[1][2]	**$ 8,813**	$ 8,566	**$ 8,813**	$ 8,566
Gross sales[1]	**189**	199	**751**	841
Net sales[1]	**(99)**	(26)	**(305)**	(91)

[1] See Non-IFRS Accounting Standards measures section

[2] 2022 figures have been restated

	Fourth quarter		Year	
(in millions of dollars)	**2023**	2022	**2023**	2022
		restated		restated
Net insurance service result	**$ 20**	$ 31	**$ 88**	$ 111
Net finance and investment result	**16**	(10)	**11**	(16)
Fee and other income	**—**	1	**1**	1
Non-insurance operating expenses	**(8)**	(8)	**(30)**	(23)
Net income before taxes	**$ 28**	$ 14	**$ 70**	$ 73

Fixed annuities assets under management were 22% higher relative to the same period in 2022. Gross sales in the fourth quarter were 27% higher than the same period in 2022, relating to strong demand for GICs, driven by higher interest rates.

Segregated fund assets under management are 3% higher relative to the same period in 2022, reflecting favourable market movements, partially offset by net outflows. For the fourth quarter of 2023, gross sales of segregated funds were 5% lower than the same period in 2022, and 11% lower over the year, as consumers continue to favour Empire Life's fixed annuity products.

Net income for the fourth quarter increased $14 million compared to the same period in 2022 mainly from the net investment and insurance finance result for our fixed annuity business due to decreasing interest rates in the fourth quarter. This increase was partially offset by higher expenses and onerous contracts.

Net income for 2023 decreased $3 million or 4% compared to the same period in 2022 due to higher expenses. This was partially offset by favourable interest rate movements impacting our fixed annuities business.

Product line results - Group Solutions

	Fourth quarter		Year	
(in millions of dollars)	**2023**	2022	**2023**	2022
Annualized premium sales				
Core	**$ 12**	$ 15	**$ 49**	$ 59
Other	**6**	7	**25**	25
Annualized premium sales[1]	**$ 18**	$ 22	**$ 74**	$ 84

	Fourth quarter		Year	
(in millions of dollars)	**2023**	2022	**2023**	2022
		restated		restated
Insurance revenue, gross	**$ 163**	$ 156	**$ 639**	$ 604
Net insurance service result	**$ 9**	$ 6	**$ 24**	$ 6
Net finance and investment result	**7**	(1)	**4**	—
Fee and other income	**2**	2	**8**	6
Non-insurance operating expenses	**(4)**	(4)	**(16)**	(13)
Net income (loss) before taxes	**$ 14**	$ 3	**$ 20**	$ (1)

Total annualized premium sales decreased 18% in the fourth quarter compared to the same period in 2022 and 12% compared to prior year, due to a large block sale in Q4 of 2022.

Total insurance revenue increased 4% in the fourth quarter and 6% for the year compared to the same period in 2022, primarily due to organic growth in specialty partnerships.

For the fourth quarter, net income before taxes increased $11 million compared to the same period in 2022 due to an increase in the net investment and insurance finance result and favourable insurance contract liability assumption updates on life and long-term disability ("LTD") products. For 2023, net income before taxes of $20 million improved from prior year, due to favourable claims experience and insurance contract liability assumption updates for life and LTD products, and an increase in net investment and insurance finance result. These gains were partially offset by adverse claims experience on the health and dental products.

Product line results - Individual Insurance

(in millions of dollars)	Fourth quarter 2023	Fourth quarter 2022	Year 2023	Year 2022
Shareholders'				
Shareholders' annualized premium sales(1)	**$ 10**	$ 9	**$ 40**	$ 32
Net (loss) income before taxes	**(29)**	(20)	**35**	236
Policyholders'				
Policyholders' annualized premium sales(1)	**$ 3**	$ 4	**$ 14**	$ 15
Net income (loss) before taxes	**4**	—	**5**	(5)

(in millions of dollars)	Fourth quarter 2023	Fourth quarter 2022 restated	Year 2023	Year 2022 restated
Net insurance service result	**$ 19**	$ 21	**$ 69**	$ 76
Net finance and investment result	**(39)**	(36)	**(10)**	166
Fee and other income	**—**	(1)	**—**	—
Non-insurance operating expenses	**(5)**	(4)	**(19)**	(11)
Net (loss) income before taxes	**$ (25)**	$ (20)	**$ 40**	$ 231

Shareholders' annualized premium sales increased by 11% in the fourth quarter and 25% for the year, compared to the same period in 2022, primarily from strong sales of our non-participating term insurance products.

Policyholders' annualized premium sales declined slightly from the prior year, and decreased 7% from 2022, due to higher demand for non-participating term products.

Shareholders' net income before taxes for the fourth quarter of 2023 decreased $9 million or 45% in 2023 compared to 2022. Higher mortality losses in our traditional and universal life products were the main drivers of the decrease. The insurance contract liability assumption updates for individual insurance reduced the CSM amortization compared to the prior period, which also contributed to the lower net income result.

Shareholders' net income before taxes decreased $201 million or 85% in 2023 compared to 2022, primarily due to strong gains from interest rate movements in 2022 that did not occur in 2023, along with higher operating expenses in 2023. Higher mortality losses in our universal life products also contributed to the decrease.

Results - Capital and Surplus

(in millions of dollars)	Fourth quarter 2023	Fourth quarter 2022 restated	Year 2023	Year 2022 restated
Net investment results	**$ 158**	$ 3	**$ 131**	$ (236)
Other income and expenses	**(2)**	6	**(25)**	(10)
Net income (loss) before taxes	**$ 156**	$ 9	**$ 106**	$ (246)

Compared to the prior year, net income before taxes increased in the Capital and Surplus segment. The positive net income for 2023 was mainly driven by the fourth quarter results due to the impact decreasing interest rates had on our investment portfolio. For the year, losses in 2022 were driven by increasing interest rates which did not repeat in 2023.

Results - Net Contractual Service Margin

(Amounts are net of reinsurance contracts held, in millions of dollars)	Fourth quarter 2023	2022	Year 2023	2022
Net contractual service margin, beginning of period	**$ 1,567**	$ 1,452	**$ 1,544**	$ 1,358
Impact of new insurance business	**15**	17	**62**	64
Interest accretion	**6**	6	**25**	25
Insurance experience(1)	**10**	2	**3**	17
Economic experience(1)	**(17)**	104	**71**	281
Assumption updates(1)	**(125)**	5	**(126)**	(38)
CSM recognized for services provided	**(41)**	(42)	**(164)**	(163)
Net contractual service margin, end of period	**$ 1,415**	$ 1,544	**$ 1,415**	$ 1,544

(1) Insurance experience, Economic experience and Assumption updates are components of Changes in estimates that adjust the CSM. Insurance experience represents the current period impacts of insurance experience, resulting in a change in future cash flows that adjust CSM. Economic experience represents the changes in the effect of time value of money and financial risk relating to contracts measured using the VFA for our Wealth Management and Individual Insurance.product lines. Assumption updates represent the future period impacts of changes in fulfilment cash flows that adjust CSM.

The Net contractual service margin ("CSM") decreased $129 million in 2023 largely driven by the impact of insurance contract liability assumption updates. Additional details on these assumption updates can be found in the section below. Other components of the CSM movement include:

- New insurance business: Strong Traditional Non-Participating sales helped offset the shift away from Segregated Funds to fixed annuity products.
- Economic experience: Increase for the year was driven by the positive impact of equity market returns on Empire Life's Segregated Funds, partially offset by the lower interest rates.
- CSM amortization: Remained relatively consistent throughout the year.

Results - Impact of Insurance Contract Liability Assumption Updates

Impacts from the update of insurance contract liability assumption for the year ended December 31, 2023 (Amounts are net of reinsurance contracts held, in millions of dollars)	**Pre-tax income**	**CSM**
Components of insurance contract liability assumptions updates		
Mortality	**$ 13**	**$ (80)**
Lapse	**3**	**(38)**
Expense	**1**	**(7)**
Other	**2**	**(1)**
Total gain (loss) from update of insurance contract liability assumptions (excludes policyholders' portion)	**$ 19**	**$ (126)**

In 2023, insurance contract liability assumption updates primarily related to expected mortality and lapse rates.

The individual life line of business was impacted by mortality updates related to revised expectations to future mortality experience, which was unfavourable to the CSM. This is partially offset by similar updates for the fixed annuity business.

The assumption updates also reflected lapse impacts on segregated fund and universal life products. In addition, updates to the expense assumptions were made in order to reflect Company experience with respect to inflation and changes to operations.

Financial Instruments

Empire Life buys investment quality bonds to support the liabilities under the insurance and investment contracts of Empire Life. Empire Life's investment strategy also includes the use of publicly listed common stocks or exchange-traded funds ("ETFs") to support the liabilities under its insurance contracts and its Capital and Surplus segment. Cash flows arising from these financial instruments are intended to match the liquidity requirements of Empire Life's insurance and investment contract liabilities, within the limits prescribed by Empire Life. Empire Life is subject to credit and market risk on these financial instruments.

Credit risk on these financial instruments could result in a financial loss should the other party fail to discharge an obligation. This credit risk is derived primarily from investments in bonds, debentures, preferred shares, short-term investments and mortgages. Empire Life manages credit risk by applying its investment guidelines established by the Investment Committee of the Board of Directors. The investment guidelines establish minimum credit ratings for issuers of bonds, debentures and preferred share investments, and provide for concentration limits by issuer of such debt instruments. Management reviews credit quality relative to investment purchases and monitors the credit quality of invested assets over time. Management reports regularly to the Investment Committee of Empire Life's Board on the credit risk to which the portfolio is exposed.

Empire Life manages market risk exposure mainly through investment limits and oversight of its in-house investment managers and external investment firms by the Chief Investment Officer, Chief Actuary, Asset Management Committee and Investment Committee of the Board. The Investment Committee actively monitors the portfolio and asset mix. Empire Life has a semi-static hedging program as part of its approach to managing this risk.

Empire Life manages credit risk with respect to derivatives by applying limits and credit rating restrictions 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.

For additional information on Empire Life's financial instruments, refer to Note 5 of the consolidated financial statements for the year ended December 31, 2023.

Effective January 1, 2023, we adopted IFRS 9 Financial Instruments. Except for assets impacted by the overlay approach, results from periods prior to January 1, 2023 are reported in accordance with IAS 39 Financial Instruments: Recognition and Measurement. For further details on the impacts of the adoption of IFRS 9, including the description of accounting policies selected, refer to Note 2 of the consolidated financial statements for the year ended December 31, 2023.

Sources of capital

Empire Life has issued private and public securities to strengthen its capital position and fund new business growth. The securities outstanding are summarized in the following table:

(in millions of dollars)	As at December 31 2023	As at December 31 2022
Subordinated debentures	**$ 399**	$ 399
Equity		
Preferred shares and other equity instruments	**$ 297**	$ 297
Common shares	**1**	1
Total Equity	**$ 298**	$ 298

Details of Empire Life's outstanding subordinated debentures are as follows:

(in millions of dollars)	Date Issued	Earliest Redemption Date	Yield	As at December 31 2023	As at December 31 2022
Series 2017-1 [1]	September 2017	March 15, 2023	3.664%	**$ —**	$ 200
Series 2021-1 [2]	September 2021	September 24, 2026	2.024%	**$ 199**	$ 199
Series 2023-1 [3]	January 2023	January 13, 2028	5.503%	**$ 199**	$ —

(1) All of the outstanding Series 2017-1 Subordinated 3.664% Unsecured Debentures were redeemed on March 15, 2023.
(2) Series 2021-1 Subordinated 2.024% Unsecured Debentures due 2031. From September 24,2026, interest is payable at 0.67% over CDOR.
(3) Series 2023-1 Subordinated 5.503% Unsecured Debentures due 2033. From January 13, 2028, interest is payable at 2.26% over CORRA.

On January 13, 2023, Empire Life issued $200 million principal amount of unsecured debentures, Series 2023-1, 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 is payable semi-annually until the interest reset date, which is January 13, 2028. Empire Life may call for redemption of the debentures any time after January 13, 2028 subject to the prior written approval of the Office of the Superintendent of Financial Institutions ("OSFI"). The debentures are subordinated in right of payment to all insurance contract liabilities of Empire Life and all other senior indebtedness of Empire Life.

On March 15, 2023, Empire Life redeemed all of its outstanding $200 million 3.664% Unsecured Subordinated Debentures, Series 2017-1 due March 15, 2028. The redemption was approved by OSFI.

Details of Empire Life's outstanding preferred shares and other equity instruments are as follows:

(in millions of dollars)	Date Issued	Earliest Redemption Date	Yield	As at December 31 2023	As at December 31 2022
Preferred shares, Series 3	November 2017	January 17, 2028	6.187%	**$ 100**	$ 100
Limited Recourse Capital Notes, Series 1	February 2021	April 17, 2026	3.625%	**$ 197**	$ 197

Empire Life did not exercise its right to redeem all or part of the outstanding Series 3 Preferred Shares on January 17, 2023. E-L Financial Corporation Limited elected not to exercise its right to convert all or part of their Series 3 Preferred Shares into Non-Cumulative Rate Reset Preferred Shares, Series 4. As a result, holders of Series 3 Preferred Shares are entitled to receive fixed non-cumulative quarterly dividends yielding 6.187% annually, as and when declared by the Board of Directors of Empire Life, payable commencing April 17, 2023 until 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%.

Security rating

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 25, 2023
Issuer rating	A	Stable	May 25, 2023
Subordinated debt	A(low)	Stable	May 25, 2023
Preferred shares	Pfd-2	Stable	May 25, 2023
Limited Recourse Capital Notes	BBB(high)	Stable	May 25, 2023

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%. OSFI has established supervisory target levels of 70% for Core and 100% for Total ratio.

LICAT (in millions of dollars)	**Dec 31 2023**	Sep 30 2023	Jun 30 2023	Mar 31 2023	Dec 31 2022 (1)
Available capital					
Tier 1	**$ 2,135**	$ 2,190	$ 2,180	$ 2,213	$ 1,776
Tier 2	**714**	626	663	647	600
Total	**$ 2,849**	$ 2,816	$ 2,843	$ 2,860	$ 2,376
Surplus allowance and eligible deposits	**651**	561	608	598	916
Base solvency buffer	**2,252**	2,228	2,293	2,276	2,393
LICAT total ratio	**155 %**	152 %	151 %	152 %	138 %
LICAT core ratio	**115 %**	116 %	114 %	116 %	101 %

(1) LICAT results prior to January 1, 2023 have not been adjusted for the impacts from the adoption of IFRS 17 and IFRS 9. For additional details on the 2022 amounts, refer to Note 2 New and amended standards and interpretations in the consolidated financial statements.

The increase in the LICAT total ratio from December 31, 2022 is due to the adoption of IFRS 17 and IFRS 9 and the related changes to OSFI’s regulatory capital calculations. Empire Life's LICAT total ratio increased in the fourth quarter due to strong earnings in the period, partly offset by the impact of insurance contract liability assumption updates.

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 group benefits and 3% market share for new life insurance premiums. Empire Life focuses 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. Empire Life offers competitively priced products and more personal service, while also providing long-term value to our shareholders. Empire Life, as a mid-sized company, must continue to be cost competitive with the larger companies that may have the advantage of economies of scale. By focusing on particular market segments and providing competitive product offerings for our independent advisors, 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.

Empire Life has invested in distribution companies whose leadership teams are respected in the industry and have a proven track record of growing the business, such as TruStone Financial (a MGA subsidiary). These investments support Empire Life's commitment to facilitating access to independent financial advice for Canadians.

The Wealth Management product line at Empire Life consists of segregated fund products and guaranteed interest products. 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. Empire Life has focused on developing long-term investment performance through the diversification of the investment styles and strategies of its segregated funds. Management will continue to improve competitiveness by focusing on delivering consistent long-term performance, providing new and differentiated 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 group benefits marketplace in Canada, Empire Life continues to focus on the small and medium-sized group employer market, 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.

Empire Life offers both traditional non-participating and participating individual insurance products, with a range of terms to suit the needs of Canadians. Long-term mortality trends continue to be favourable for life insurance products. 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 the Company to compete while generating an acceptable long-term financial contribution. Individual Insurance products are very long-term in nature and consequently are subject to long-term reserve and capital requirements. 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, group solutions and individual insurance products. Empire Life is exposed to a number of risks as a result of its business activities. Effective risk management is critical to the overall profitability, competitive market positioning and long-term financial viability of Empire Life. While all risks cannot necessarily be eliminated or known with certainty, the goal of Empire Life's risk management program 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 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 Empire Life 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 Life accepts capital market risk provided it is managed within specific risk tolerances and limits. Empire Life takes a low-risk, value-oriented approach to managing its investments - it accepts credit and alternative asset risk provided it is rewarded through appropriately enhanced returns;
- Empire Life manages liquidity across the business to provide a high level of confidence that all obligations (to customers, employees, creditors and shareholders) will be met when they fall due;
- Empire Life accepts risks related to its products provided they are properly designed, priced and managed to add 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 Life is appropriately positioned to manage regulatory, tax, accounting and actuarial changes;
- Empire Life accepts that operational risks are a part of doing business and knows that risk management is a key part of decision-making. It protects its business and customers' assets 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. Empire Life's risk appetite is the primary mechanism to operationalize the guiding principles outlined above and includes a wide array of qualitative and quantitative standards.

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 2023 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, strategy and risk appetite.

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 the market prices, interest rates, assets, liabilities and business mix in place as at the respective calculation dates. The sensitivities are calculated independently for each risk variable, generally 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. The sensitivities are provided for the consolidated entity. 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 between these risk factors, model errors, or changes in other assumptions such as business mix, effective tax rates, policyholder behaviour and other market variables relative to those underlying the calculation of the sensitivities. 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, CSM, Equity 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.

Market Risk

Empire Life has equity market risk related to its segregated fund products and from equity assets backing life insurance contract liabilities and surplus. Empire Life maintains 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 as well as liabilities on the statement of financial position related to segregated fund guarantees. Some net income volatility can result from the hedging instruments, as gains or losses are not directly offset by changes in the value of other assets and liabilities exposed to equity risk. For the year ended December 31, 2023, Empire Life experienced a loss of $14.2 million pre-tax on the hedging program, due to realized and unrealized fair value gains. This compares to a hedge loss of $8.4 million pre-tax in 2022.

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, 2023, Empire Life had $8.8 billion of segregated fund assets and liabilities. Of this amount, approximately $8.5 billion have guarantees. The following table provides a percentage breakdown by type of guarantee.

	December 31 2023	December 31 2022
Percentage of segregated fund liabilities with:		
75% maturity guarantee and a 75% death benefit guarantee	**9 %**	8 %
75% maturity guarantee and a 100% death benefit guarantee	**43 %**	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 %**	41 %
Total	**100 %**	100 %

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 framework includes the use of various constraints that provide a partial cushion against impacts. As a result, the sensitivity impacts are often non-linear or asymmetric. In addition, the contractual service margin provides a significant offset to potential impacts in the segregated fund guarantee liability. This significantly reduces the net income impacts from changes in interest rates or stock market levels.

Empire Life also has equity market risk related to its equity assets backing life insurance contract liabilities and surplus. Empire Life is in the process of changing its asset mix and reducing its exposure to equity risk in 2024. As at December 31, 2023 and December 31, 2022, the sensitivity of Empire Life shareholders' net income resulting from changes in equity market prices 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%**
As at December 31, 2023				
Net income, before tax	**$ 58**	**28**	**$ (27)**	**$ (42)**
Total equity	**43**	**21**	**(20)**	**(31)**
CSM	**187**	**100**	**(116)**	**(254)**
As at December 31, 2022 - restated				
Net income, before tax	$ 77	$ 39	$ (29)	$ (53)
Total equity	57	29	(21)	(39)
CSM	208	111	(125)	(271)

Based on stock market levels as at December 31, 2023, the sensitivity of Empire Life LICAT Total ratio resulting from stock market increases and decreases is provided in the following table:

Sensitivity to equity risk	**Increase**		**Decrease**		
Impact on LICAT [1]	**20%**	**10%**	**10%**	**20%**	**30%**
As at December 31, 2023					
Segregated fund guarantees	**13%**	**5%**	**(1)%**	**(11)%**	**(23)%**
Other equity risk	**1%**	**—%**	**—%**	**(1)%**	**(2)%**
Equity hedge	**(2)%**	**(1)%**	**1%**	**1%**	**1%**
As at December 31, 2023	**12%**	**4%**	**—%**	**(11)%**	**(24)%**
As at December 31, 2022					
Segregated fund guarantees	17%	9%	(2)%	(7)%	(14)%
Other equity risk	—%	—%	—%	—%	—%
Equity hedge	(2)%	(1)%	1%	1%	2%
As at December 31, 2022	15%	8%	(1)%	(6)%	(12)%

(1) LICAT results prior to January 1, 2023 have not been adjusted for the impacts from the adoption of IFRS 17 and IFRS 9. For additional details on the 2022 amounts, refer to Note 2 to the consolidated financial statements.

The amount at risk related to segregated fund maturity guarantees and segregated fund death benefit guarantees, and the resulting insurance contract 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**	**Insurance Contract liabilities[2]**	**LICAT capital[1]**
December 31, 2023	**$ 2,557**	**$ 952**	**$ 44**	**$ 2**	**$ 1,101**	**$ 12**	**$ 102**	**$ 422**
December 31, 2022	$ 2,651	$ 1,048	$ 160	$ 10	$ 3,073	$ 104	$ 79	

(1) LICAT results prior to January 1, 2023 have not been adjusted for the impacts from the adoption of IFRS 17 and IFRS 9. For additional details on the 2022 amounts, refer to Note 2 to the consolidated financial statements.
(2) December 31, 2022 amount has been adjusted to reflect the impacts from the adoption of IFRS 17.

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. At December 31, 2023, the aggregate amount at risk for all three categories of risk was $966 million. At December 31, 2022, the aggregate amount at risk for these three categories of risk was $1,162 million. For these three categories of risk, the amount at risk is not currently payable, as payment is contingent on future outcomes, including fund performance, deaths, deposits, withdrawals and maturity dates.

The level of insurance contract 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 a 50 basis point parallel shift in interest rates for non-participating insurance business and segregated fund guarantees for December 31, 2023 and December 31, 2022, is shown in the table below. No change to credit spreads is assumed.

Sensitivity to market interest rates LICAT	**Impact of 50 bps decrease**
December 31, 2023 LICAT total ratio	**2%**
December 31, 2022 LICAT total ratio	2%

(1) LICAT results prior to January 1, 2023 have not been adjusted for the impacts from the adoption of IFRS 17 and IFRS 9. For additional details on the 2022 amounts, refer to Note 2 New and amended standards and interpretations in the consolidated financial statements.

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.

(1) *Legal and Regulatory Compliance Risk*

Empire Life is governed by the Insurance Companies Act and supervised by OSFI and is also subject to extensive 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 Company-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, information/cyber security 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.

(2) *Model Risk*

Empire Life uses models to support many business functions including product development and pricing, valuation of insurance contract 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 models and their 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.

(3) *Human Resources Risk*

Competition for qualified employees, including executives, is intense both in the financial services industry and non-financial services 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.

(4) *Third-Party Risk*

Empire Life obtains different types of goods and/or services through a number of third-party arrangements 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.

(5) *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-attacks, are occurring at an increasing pace across industry sectors, governments and individuals. These malicious activities pose a significant risk to Empire Life 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. Empire Life continues to invest in people, processes and technology to strengthen its abilities to respond to the evolving landscape.

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.

(6) *Business Continuity Risk*

Empire Life has an enterprise-wide business continuity, incident management 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 unanticipated events, including pandemics. Such a disruption could impact 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, they are integrated into our enterprise risk management framework and the 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 and social risks include but are not limited to events and developments related to impacts of climate change and the transition to a lower-carbon economy, emerging regulatory and public policy developments, public health issues and issues of inequality. These risks may occur in Empire Life's direct operations, investment activities or other areas, such as through third party arrangements.

Empire Life's investment management team integrates ESG considerations in their investment decision-making for Company 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 Statement, available at www.empire.ca/about-us/community.

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.sedarplus.ca. Additional disclosures of Empire Life's sensitivity to risks are included in Note 23 to the 2023 Consolidated Financial Statements.

Outlook

Across all business lines, Empire Life is focused on growth and diversification of distribution as well digital enablement and adoption, all while maintaining exceptional personalized service. Empire Life is well-positioned following investments made in product development, digital capabilities and operational improvements throughout 2023. While the Canadian financial services regulatory landscape continues to evolve, Empire Life is proud to continue serving Canadian individuals and small business owners.

2023 started off with turbulence as a regional banking crisis in March was triggered by the failure of Silicon Valley Bank, leading to widespread fears of a broader banking crisis. However, credit spreads and other risky assets rallied and priced in the potential for a soft landing in the economy.

Central banks across the developed world continued their monetary tightening campaigns in 2023. The Bank of Canada increased rates from 5% in Q1 2023 to 5.5% in Q3 before holding rates steady for the remainder of the year. The Federal Reserve held rates at 5.25-5.5% at its last policy meeting of the year and indicated that rate cuts were likely in the coming year.

Out-sized enthusiasm surrounding the technology sector was a key performance driver of the S&P 500 in 2023. A handful of stocks dubbed the "Magnificent Seven" accounted for about two-thirds of the gains in the S&P 500 in 2023. Most major indexes ended the year strong in 2023. The S&P/TSX Composite and S&P 500 were up 11.8% and 26.3% respectively. The Dow Jones Industrial Average was up more than 16% and the tech-heavy Nasdaq closed the year up 44.6%.

Heading into 2024, monetary policy and its impact on global growth, is expected to slightly decline from 3.0% to 2.9% in 2024. We expect to see the lagged effects of tighter policy, especially in Canada where high consumer debt levels and shorter duration mortgages make the economy more sensitive to interest rates.

We continue to monitor the impact of emerging technologies, particularly around generative AI, the transition to a green economy and other innovative technologies in healthcare, to ensure that the Empire Life products are appropriately positioned to withstand volatility and benefit from opportunities as they arise.

The individual insurance market continues to grow modestly even with the increase in long-term interest rates. Empire Life has increased its emphasis on long-term life insurance products while continuing to maintain its position in shorter-term products, such as 10-year renewable term life insurance. Long-term interest rates, product mix and product pricing are expected to continue to be challenges for Empire Life's Individual Insurance product line. The segregated fund product line saw a decline in net sales while experiencing a market shift toward fixed income and guaranteed interest products; increased competition and fee pressures may impact this line going forward. Empire Life will continue to develop low-cost efficient products and new digital services to satisfy consumer needs.

Empire Life maintained market share for group solutions for small to medium-sized employers amid a challenging environment with inflationary headwinds and competitive pricing pressures from increased rate guarantees and renewal caps. Across the industry, the previous upward trajectory on long-term disability claims, particularly mental health claims, has leveled off. Plan flexibility and sustainability remains a key focus, balancing access with affordability for plan sponsors. Empire Life will continue to closely manage drug costs via transition to biosimilars, use of prior authorization, agreements negotiated with pharmaceutical manufacturers and other cost managing levers.

In 2023, digital capabilities were strengthened, including a new mobile app for benefit plan members, a new digital enrollment tool for plan administrators, as well as continued emphasis on connectivity with distribution partners. Heading into 2024, Empire Life is focused on profitable growth and service excellence with our distribution partners. On the product expansion side, Empire Life has introduced a digital retirement savings ecosystem along with five new target date segregated funds. The Group Solutions line of business, including a new Group Retirement Savings offering, enables plan sponsors to facilitate physical, mental and financial well-being for their employees; the market has seen an increase in groups placing benefits and retirement savings with the same carrier.

In March 2023, OSFI released its final Guideline B-15 - Climate Risk Management, which will require disclosure of Empire Life's management of climate-related risks, effective fiscal year-end 2025. In June 2023, the International Sustainability Standards Board (ISSB) also finalized its standards for disclosure of sustainability-related financial information. As these are subject to jurisdictional adoption, Empire Life continues to monitor communication from Canadian Securities Administrators for further guidance. In November 2023, the Quebec regulator, the Autorité des marchés financiers (AMF) released its draft Climate Risk Management Guideline, with broader requirements than OSFI's Guideline B-15, including consideration of product design and marketing, and underwriting processes. Empire Life has initiated work to comply with these regulatory requirements and continues to monitor requirements related to climate risk.

In April 2023, OSFI released its final Guideline B-10 - Third-Party Risk Management, which sets out expectations for managing risks associated with third-party arrangements for federally regulated financial institutions (FRFIs), which is effective May 1, 2024. In addition, Guideline B-13 Technology and Cyber Risk Management came into effect on January 1, 2024, which is intended to help FRFIs develop greater resilience to technology and cyber risks. Empire Life has assessed these requirements and does not anticipate any issues with compliance by the effective date.

OSFI is developing a new framework for determining capital requirements for segregated fund guarantees. Changes to the capital required for products with guaranteed income may ultimately impact the industry’s ability to offer some of these products at reasonable prices to the consumer. OSFI has indicated that the new requirements will become effective in January 2025.

In October 2023, OSFI released its draft Integrity and Security Guideline outlining expectations for all FRFIs to have in place adequate policies and procedures to protect against threats to integrity and security threats, including foreign interference. The final guideline was released in January 2024, with a phased implementation.

OSFI also announced its comprehensive update to its supervisory framework, effective April 2024, which will provide a structure to OSFI’s risk assessment, guide oversight activities and help in the identification and management of risks.

Empire Life has existing risk management programs in place covering a broad range of risks. The program is continually reviewed for relevance and in response to emerging regulatory guidance. In addition, Empire Life continues to manage the cost of increasing regulatory requirements. The insurance industry faces increasing consumer and financial solvency regulation which Empire Life must absorb. Empire Life must continue to grow its business and improve operating efficiency to absorb these costs while creating shareholder value.

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, 2023. Based on that evaluation, management concluded that the Company's internal control over financial reporting was effective as at December 31, 2023.

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 insurance contract 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 insurance contract 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 7, 2024

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, 2023 and 2022 and January 1, 2022, and its financial performance and its cash flows for the years ended December 31, 2023 and 2022 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2023 and 2022 and January 1, 2022;
- the consolidated statements of income (loss) for the years ended December 31, 2023 and 2022;
- the consolidated statements of comprehensive income for the years ended December 31, 2023 and 2022;
- the consolidated statements of changes in equity for the years ended December 31, 2023 and 2022;
- the consolidated statements of cash flows for the years ended December 31, 2023 and 2022; and
- the notes to the consolidated financial statements, comprising material accounting policy information 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, 2023. 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 addressed the key audit matter
Fair Value of Investments in private companies *Refer to note 2 – Material accounting policies, and note 4 – Investments, corporate to the consolidated financial statements.* As at December 31, 2023, a substantial portion of the Level 3 investments of $1.4 billion 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 judgment applied by management in determining the fair value estimates of the investments in private companies. This led to a high degree of auditor judgment 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: – 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 addressed the key audit matter
Valuation of insurance contract liabilities - Estimation of fulfilment cash flows *Refer to note 2 - Material accounting policies and note 15 - Insurance contracts and reinsurance contracts held assets/liabilities to the consolidated financial statements.* The Company has net insurance contract liabilities of \$15.2 billion reinsurance contracts held liabilities of \$0.3 billion and reinsurance contracts held assets of \$0.3 billion as at December 31, 2023. Insurance contract liabilities consist of: 1) fulfilment cash flows (FCFs) comprising unbiased and probability weighted estimates of future cash flows, discounted to present value to reflect the time value of money and financial risks, plus a risk adjustment for non-financial risk (risk adjustment) and; 2) contractual service margin (CSM) representing the unearned profit in the group of insurance contracts. Reinsurance contracts held consist of FCFS ceded to reinsurers and a CSM representing the net cost or net gain deferred in the group of reinsurance contracts. Measurement of the FCFs requires management judgments in estimating the probability weighted mean of future cash flows on a present value basis, in addition to applying a risk adjustment. Estimates of expected cash flows incorporate assumptions used in the stochastic modelling of guarantees for segregated funds and best-estimate assumptions for mortality, morbidity, longevity, expenses, and policyholder behaviour, as well as assumptions for discount rates and the risk adjustment. These assumptions are reviewed and updated at least annually by the Company's Appointed Actuary. We considered this a key audit matter due to the judgment applied by management when determining the FCFs, which in turn led to a high degree of auditor judgment and effort in evaluating specifically the significant best-estimate assumptions for mortality, policyholder behaviour, discount rates, the assumptions used in the stochastic modelling of guarantees for segregated funds, and the risk adjustment. 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 FCFs, which included the following: – Tested the operating effectiveness of certain controls over the actuarial models used in management's determination of FCFs and certain controls related to the completeness and accuracy of data used in the calculation of FCFs. – Tested accuracy and completeness of data used in the estimates of future cash flows. – With the assistance of professionals with specialized skill and knowledge in the field of actuarial science, assessed the reasonableness of management's best-estimate assumptions for mortality, policyholder behaviour, discount rates, assumptions used in the stochastic modelling of guarantees for segregated funds, and the risk adjustment by: ◦ Evaluating these assumptions in accordance with the requirements of the Canadian Institute of Actuaries (CIA). ◦ Evaluating the Company's internal experience studies for appropriateness and considering the relationship of the results with recent CIA industry experience and observable market information. • With the assistance of professionals with specialized skill and knowledge in the field of actuarial science, evaluated a sample of actuarial models used in management's determination of the FCFs, by: – Assessing the appropriateness of the modelling of product features. – Assessing the appropriateness of the application of best-estimate assumptions for mortality, policyholder behaviour, discount rates, assumptions used in the stochastic modelling of guarantees for segregated funds and the risk adjustment. – Assessed the disclosures made in the consolidated financial statements, particularly on the sensitivity of best-estimate assumptions on insurance contract liabilities

Key audit matter

Adoption of IFRS 17, *Insurance Contracts* – Contractual service margin (CSM) determined using the fair value approach as at January 1, 2022.

Refer to note 2 – Material accounting policies and note 15 – Insurance contracts and reinsurance contracts held assets/liabilities to the consolidated financial statements.

On January 1, 2023, the Company has retrospectively adopted IFRS 17, Insurance Contracts (IFRS 17) which impacted how the Company recognizes, measures, presents and discloses insurance contracts. In adopting the new standard, the Company used judgment in implementing accounting policies, including accounting policy choices specific to transition.

Due to the lack of historical data, the Company applied the fair value approach in determining the transition CSMs as at January 1, 2022 for all lines of business except for group insurance.

This transition CSM of $1.5 billion for insurance contracts issued and $0.2 billion for reinsurance contracts held was determined as the difference between the fair value of the groups of insurance contracts and the FCFs measured at the date of transition.

Management used an income approach to calculate the fair value of the insurance contracts liabilities at the transition date. The weighted average cost of capital (WACC), Life Insurance Capital Adequacy Test (LICAT) targets and underlying insurance assumptions used in applying the fair value approach were determined using market rates for a company of Empire Life Insurance Company's size and capital sources as at January 1, 2022, which were considered to be consistent with those of a market participant in Canada. Allowances were made for the uncertainty around changes to segregated fund regulatory capital requirements expected in 2025.

We considered this a key audit matter due to (i) the judgment used by management when adopting IFRS 17, specifically determining the transition CSM using the fair value approach, (ii) a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence related to management's judgments and assumptions used to determine the transition CSM using the fair value approach, specifically the actuarial methodology used in the income approach and the market participant assumptions for the WACC and the LICAT targets, and (iii) the audit effort involved the use of professionals with specialized skills and knowledge

How our audit addressed the key audit matter

Our approach to addressing the matter included the following procedures, among others:

- Evaluated the appropriateness of management's IFRS 17 accounting policies and tested that they were appropriately implemented
- Tested how management determined the fair value of the group of insurance contracts to measure the transition CSM as at January 1, 2022 which included the following:
  - With the assistance of professionals with specialized skill and knowledge in the field of actuarial science and valuations assessed the reasonableness of the market participant assumptions used for the WACC and the LICAT targets by independently constructing a WACC and capital target benchmarking against industry experience.
  - Reconciled underlying insurance assumptions to the assumptions used in the FCF
  - With the assistance of professionals with specialized skill and knowledge in the field of actuarial science, evaluated the appropriateness of the actuarial methodology
- Assessed the disclosures made in the consolidated financial statements about the adoption of IFRS 17, including the CSM at transition determined using the fair value approach.

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 Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 7, 2024

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

	December 31 2023	December 31 2022	January 1 2022
Assets		restated	restated
Cash and cash equivalents (Note 9)	**$ 440,861**	$ 302,946	$ 636,102
Investments - corporate (Note 4)	**6,592,823**	5,579,239	6,405,716
Investments - insurance (Note 5)	**8,916,945**	8,160,299	9,839,335
Investments in associates (Note 6)	**428,975**	473,008	416,866
Reinsurance contracts held assets (Note 15)	**281,359**	310,044	283,299
Other assets (Note 10)	**196,462**	266,152	133,192
Deferred tax asset (Note 19)	**89,444**	89,623	93,123
Segregated fund assets (Note 13)	**8,812,724**	8,565,675	9,257,298
Total assets	**$ 25,759,593**	$ 23,746,986	$ 27,064,931
Liabilities			
Insurance contract liabilities, excluding segregated fund account balances (Note 15)	**$ 6,708,434**	$ 6,145,378	$ 7,598,470
Reinsurance contracts held (Note 15)	**253,230**	217,056	338,922
Investment contract liabilities, excluding segregated fund account balances	**490,020**	334,664	322,208
Deferred tax liabilities (Note 19)	**351,569**	247,441	328,214
Dividends payable	**16,869**	12,780	13,141
Other liabilities (Note 11)	**131,035**	129,061	396,488
Borrowings (Note 17)	**733,369**	702,915	602,158
Total liabilities, excluding those for account of segregated fund holders (Note 15)	**8,684,526**	7,789,295	9,599,601
Insurance contract liabilities for segregated fund account balances	**8,507,285**	8,278,948	8,947,820
Investment contract liabilities for segregated fund account balances	**305,439**	286,727	309,478
Insurance and investment contract liabilities for account of segregated fund holders	**8,812,724**	8,565,675	9,257,298
Total liabilities	**$ 17,497,250**	$ 16,354,970	$ 18,856,899
Equity			
Capital stock (Note 16)	**$ 362,347**	$ 364,064	$ 366,663
Retained earnings	**6,728,675**	5,949,494	6,543,200
Accumulated other comprehensive income (“AOCI”) (loss) (“AOCL”)	**22,759**	24,247	(8,967)
Total E-L Financial shareholders' equity	**7,113,781**	6,337,805	6,900,896
Non-controlling interests in subsidiaries (“NCI”)	**1,102,405**	1,030,156	1,277,207
Participating account surplus (“PAR”)	**46,157**	24,055	29,929
Total equity	**8,262,343**	7,392,016	8,208,032
Total liabilities and equity	**$ 25,759,593**	$ 23,746,986	$ 27,064,931

Approved by the Board

Duncan N.R. Jackman, Director

Peter J. Levitt, Director

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

E-L Financial Corporation Limited
CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(in thousands of Canadian dollars, except per share amounts)

	2023	2022
Insurance service result		restated
Insurance service revenue (Note 15)	**$ 1,325,508**	$ 1,255,349
Insurance service expenses	**(1,071,549)**	(1,018,110)
Net expense from reinsurance contracts held (Note 15)	**(72,637)**	(44,428)
Net insurance service result	**181,322**	192,811
Investment and insurance finance result (Note 15)		
Investment income (loss), excluding segregated funds	**816,789**	(1,663,952)
Change in investment contracts, excluding segregated funds	**(28,171)**	10,331
Insurance finance (expense) income from insurance contracts issued, excluding segregated fund account balances	**(613,392)**	1,484,918
Reinsurance finance (expense) income from reinsurance contracts held, excluding segregated fund account balances	**(39,503)**	83,005
Investment income (loss) income related to segregated fund net assets	**735,834**	(353,668)
Insurance finance (expense) income of the segregated funds	**(735,834)**	353,668
Net investment and insurance finance result	**135,723**	(85,698)
Net insurance result	**317,045**	107,113
Non-insurance investment income (loss)		
Investment and other income (Note 7)	**171,985**	150,792
Share of (loss) income of associates (Note 6)	**(7,470)**	59,612
Fair value change in fair value through profit or loss investments	**947,572**	(766,786)
Non-insurance investment income (loss)	**1,112,087**	(556,382)
Expenses		
Operating (Note 18)	**128,764**	91,307
Interest expense	**25,922**	20,736
	154,686	112,043
Income (loss) before income taxes	**1,274,446**	(561,312)
Income taxes (Note 19)	**179,356**	(82,839)
Net income (loss)	**1,095,090**	(478,473)
Less: Net income (loss) attributable to the participating account	**22,102**	(5,874)
Non-controlling interests in net income (loss)	**139,811**	(147,035)
	161,913	(152,909)
E-L Financial shareholders' net income (loss)	**$ 933,177**	$ (325,564)
Earnings (loss) per share attributable to E-L Financial shareholders (Note 20)		
Basic	**$ 265.60**	$ (96.03)
Diluted	**$ 245.24**	$ (96.03)

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

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

	2023	2022 restated
Net income (loss)	**$ 1,095,090**	$ (478,473)
Other comprehensive income (“OCI”) (loss) (“OCL”), net of taxes		
Items that may be reclassified subsequently to net income:		
Share of (OCL) OCI of associates	**(3,355)**	8,638
Provision for taxes	**445**	(1,144)
Share of (OCL) OCI of associates	**(2,910)**	7,494
Items that will not be reclassified to net income:		
Net remeasurement of defined benefit plans	**841**	29,966
Provision for taxes	**(223)**	(7,901)
Net remeasurement of defined benefit plans	**618**	22,065
Share of OCI of associates	**619**	4,994
Provision for taxes	**(82)**	(662)
Share of OCI of associates	**537**	4,332
	1,155	26,397
Total (OCL) OCI	**(1,755)**	33,891
Comprehensive income (loss)	**1,093,335**	(444,582)
Less: Comprehensive income (loss) attributable to the participating account	**22,102**	(5,874)
Non-controlling interests in comprehensive income (loss)	**139,544**	(146,358)
	161,646	(152,232)
E-L Financial shareholders' comprehensive income (loss)	**$ 931,689**	$ (292,350)

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**
Restated balance as at January 1, 2023	**$ 364,064**	**$ 5,949,494**	**$ 24,247**	**$ 6,337,805**	**$ 1,030,156**	**$ 24,055**	**$ 7,392,016**
Net income	**—**	**933,177**	**—**	**933,177**	**139,811**	**22,102**	**1,095,090**
(OCL)	**—**	**—**	**(1,488)**	**(1,488)**	**(267)**	**—**	**(1,755)**
Comprehensive income (loss)	**—**	**933,177**	**(1,488)**	**931,689**	**139,544**	**22,102**	**1,093,335**
Dividends	**—**	**(68,514)**	**—**	**(68,514)**	**(13,615)**	**—**	**(82,129)**
Common share purchases (Note 16)	**(1,717)**	**(97,718)**	**—**	**(99,435)**	**—**	**—**	**(99,435)**
Acquisition of subsidiary shares	**—**	**12,236**	**—**	**12,236**	**(53,680)**	**—**	**(41,444)**
At December 31, 2023	**$ 362,347**	**$ 6,728,675**	**$ 22,759**	**$ 7,113,781**	**$ 1,102,405**	**$ 46,157**	**$ 8,262,343**

	E-L Financial shareholders' equity						
	Capital stock	Retained earnings	AOCI (AOCL)	Total	NCI	PAR	Total equity
Balance December 31, 2021 as previously reported	$ 366,663	$ 6,852,884	$ 40,705	$ 7,260,252	$ 1,279,377	$ 55,380	$ 8,595,009
Impact of initial application of IFRS 17, net of taxes	—	(359,768)	—	(359,768)	(2,172)	(27,951)	(389,891)
Impact of initial application of IFRS 9 overlay, net of taxes	—	50,084	(49,672)	412	2	2,500	2,914
Restated balance as at January 1, 2022	366,663	6,543,200	(8,967)	6,900,896	1,277,207	29,929	8,208,032
Net loss restated	—	(325,564)	—	(325,564)	(147,035)	(5,874)	(478,473)
OCI restated	—	—	33,214	33,214	677	—	33,891
Comprehensive (loss) income	—	(325,564)	33,214	(292,350)	(146,358)	(5,874)	(444,582)
Dividends	—	(143,999)	—	(143,999)	(38,302)	—	(182,301)
Common share purchases (Note 16)	(2,599)	(132,860)	—	(135,459)	—	—	(135,459)
Acquisition of subsidiary shares	—	8,717	—	8,717	(62,391)	—	(53,674)
Restated balance as at December 31, 2022	**$ 364,064**	**$ 5,949,494**	**$ 24,247**	**$ 6,337,805**	**$ 1,030,156**	**$ 24,055**	**$ 7,392,016**

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)

	2023	2022
Net inflow (outflow) of cash related to the following activities:		restated
Operating		
Net income (loss)	**$ 1,095,090**	$ (478,473)
Items not affecting cash resources:		
Changes in contract liabilities	**718,412**	(1,440,636)
Changes for reinsurance contracts held	**62,950**	(148,611)
Fair value change in fair value through profit or loss investments	**(1,290,054)**	2,663,088
Deferred taxes	**104,938**	(86,974)
Share of loss (income) of associates	**7,470**	(59,612)
Other items	**(46,773)**	(29,447)
	652,033	419,335
Net change in other assets and liabilities	**83,974**	(98,353)
	736,007	320,982
Financing		
Cash dividends to shareholders	**(64,425)**	(144,360)
Cash dividends by subsidiaries to non-controlling interests	**(13,718)**	(38,450)
Purchases of subsidiary shares	**(41,444)**	(53,671)
Share purchases (Note 15)	**(99,435)**	(135,459)
Increase in borrowings (Note 17)	**30,201**	100,000
Repayment of subordinated debt by Empire Life (Note 17)	**(200,000)**	—
Issuance of subordinated debt by Empire Life (Note 17)	**199,300**	—
Interest paid on borrowings	**(22,016)**	(19,296)
	(211,537)	(291,236)
Investing		
Purchases of investments	**(3,812,749)**	(3,984,932)
Proceeds from sale or maturity of investments	**3,404,289**	3,618,366
Net purchases of other assets	**(16,682)**	(19,779)
Dividends from associates	**38,587**	23,443
	(386,555)	(362,902)
Increase (decrease) in cash and cash equivalents	**137,915**	(333,156)
Cash and cash equivalents, beginning of the year	**302,946**	636,102
Cash and cash equivalents, end of the year	**$ 440,861**	$ 302,946

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

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

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 7, 2024.

2. Material Accounting Policies

(a) Basis of preparation

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board ("IASB") ("IFRS Accounting Standards").

IFRS 17 Insurance Contracts ("IFRS 17") replaces IFRS 4 Insurance Contracts ("IFRS 4") for annual periods beginning on or after January 1, 2023. The Company has restated comparative information for 2022 applying the transition provisions in IFRS 17. Details of the Company's material accounting policies are included in this note.

The IASB issued IFRS 9 Financial Instruments ("IFRS 9"), replacing IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 is effective for annual periods beginning on or after January 1, 2023.

All amounts included in the Consolidated Financial Statements are presented in thousands of Canadian dollars except for per share amounts and where otherwise stated.

(b) Basis 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.

(c) Estimates, assumptions and judgments

The preparation of consolidated financial statements requires management to make judgments and estimates and assumptions that affect application of accounting policies and 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 may differ from the Company's estimates thereby impacting the Consolidated Financial Statements. Information on Empire Life's use of estimates and assumptions related to measurement of insurance contract liabilities and investment contract liabilities are discussed in this note.

Insurance and reinsurance contracts held

The Company's subsidiary, Empire Life Insurance Company ("Empire Life") underwrites life, wealth and health insurance policies. Key assumptions and sources of estimation that can result in a material adjustment to the carrying amounts of assets and liabilities are discussed below. Empire Life bases assumptions and estimates on parameters available when the insurance and reinsurance contracts held are measured. Actuarial assumptions relate to events that are anticipated to occur, however, these may not be realized due to market changes, developing experience or circumstances arising that are unpredictable. Management applied judgement in determining the level of aggregation of information in which the disclosures are presented in Note 15 of the Consolidated Financial Statements.

Product guarantees for universal life, participating products and segregated funds are valued using stochastic models. Assumptions are discussed in more detail below and in note 23.

<u>Mortality rates (life insurance business)</u>

Current estimates are based on a combination of Empire Life and industry experience. Mortality projections are further adjusted for expected future mortality improvements. Assumptions are differentiated by policyholder gender, underwriting class and contract size.

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

Morbidity rates (health insurance business)

Morbidity rates relate to insurance contracts that have health risks. Morbidity refers to both the rates of accident or sickness and the rates of recovery from the accident or sickness. Assumptions are based on a combination of Empire Life and industry experience.

Longevity (immediate annuity business)

Assumptions are based on a combination of Empire Life experience and industry experience. An appropriate allowance is made for expected future mortality improvements.

Expenses

Expenses that are directly attributable to the fulfilment of insurance contracts are within the contract boundary and included in the measurement of the group of insurance contracts. These expenses include costs of administering policies in-force, renewal commissions, acquisition costs, general expenses, transactional taxes, investment income tax and an allocation of fixed and variable overhead expenses. Overhead expenses are allocated to groups of insurance contracts using methods that are systematic and rational. The current level of expenses is taken as an appropriate expense base, projections adjust for expected inflation. Expected inflation rates are based on management current estimates.

Policyholder behaviour

Policy lapse, surrender and premium payment assumptions (collectively policyholder behaviour) are based on Empire Life and industry experience.

Discount rates

IFRS 17 differentiates the requirements for discount rates for cash flows that do not vary based on the returns of any underlying items from cash flows that do vary based on the returns of any underlying items. For those that do not vary, cash flows are discounted using risk free rates, plus an illiquidity premium. For the observable period (30 years), risk free rates are determined by reference to the yields of highly liquid AAA-rated Canadian sovereign securities. The ultimate (year 70) risk free rate was determined to be 3.15%, with an ultimate illiquidity premium of 1.50% for both 2022 and 2023. The total discount rate between the observable and the ultimate periods were derived using linear interpolation.

Discount rates applied to cash flows that do not vary based on the returns of any underlying items use the following rates for discounting of expected future cash flows:

For contracts whose cash flows do not vary with the underlying items		
Portfolio duration	December 31, 2023	December 31, 2022
1 year	5.36 %	5.53 %
3 years	4.76 %	5.25 %
5 years	4.55 %	5.07 %
10 years	4.74 %	5.15 %
20 years	4.83 %	5.31 %
30 years	4.89 %	5.29 %
Ultimate (year 70)	4.65 %	4.65 %

The illiquidity premium, determined using guidance outlined in Canadian Institute of Actuaries (“CIA”) Standards of Practice, references observable market rates for corporate debt. Empire Life applies the same illiquidity premium to all groups of insurance contracts where the General Measurement Model (“GMM”) applies. It was determined that these insurance contracts were very illiquid, which is reflected in the illiquidity premium used.

Risk adjustment for non-financial risk

The risk adjustment ("RA") for non-financial risk represents the compensation that Empire Life requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as the entity fulfills insurance contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the current estimate amount.

Empire Life derives risk adjustment for non-financial risk using a margin for adverse deviation ("MfAD") approach. The approach adds a margin (conservatism) to each insurance risk (mortality, morbidity, longevity, expenses, policyholder behaviour) assumption. These MfADs are aggregated to derive Empire Life's total risk adjustment. The risk adjustment recognizes the benefits of diversification and is further adjusted to achieve the target confidence level.

The net direct and ceded risk adjustment for non-financial risk for Empire Life corresponds to a confidence level target range of 80% to 85% as at December 31, 2023 and December 31, 2022.

Amortization of the CSM

The contractual service margin ("CSM") is a component of the carrying amount of the asset or liability for a group of insurance contracts representing the expected future profits Empire Life will recognize as it provides insurance contract services under the insurance contracts in the group. An amount of the CSM for a given group of insurance contracts is recognized in insurance service revenue in each period to reflect the insurance services provided.

For universal life contracts, the coverage units are defined as the total current death benefit. Empire Life's position is that universal life products contain investment return services, whereas products with fixed Cash Surrender Values ("CSVs") do not contain investment return services. Hence, the coverage units for individual non-participating contracts with fixed or no CSVs, are the sum insured less the CSVs.

Coverage units for fixed life contingent payout annuities (immediate annuities) are the expected annualized payment amounts. For participating products, coverage units are the total death benefit amount which approximates the benefits provided under the insurance coverage and investment return service.

For contracts measured using the GMM, coverage units are discounted at locked-in rates in order to determine the CSM amortization.

Amortization of the segregated funds CSM's use fund values as the coverage units and incorporates adjustments that reflect the impact of economic returns.

The total coverage units of each group of insurance contracts are reassessed at the end of each reporting period to adjust for the reduction of remaining coverage for claims paid, expectations of lapses and cancellation of contracts in the period.

For reinsurance contracts held, the CSM amortization reflects the expected pattern of underwriting of the underlying contracts because the level of service provided depends on the number of underlying contracts in-force.

Accounting model eligibility

IFRS 17 requires the application of one of three models to groups of insurance contracts:

- General Measurement Model ("GMM");
- Variable Fee Approach ("VFA");
- Premium Allocation Approach ("PAA").

The GMM is the default measurement model under IFRS 17. The GMM applies to all individual non-participating business including fixed life-contingent annuities and universal life insurance contracts. The universal life business contains some features of risk pass through where the VFA model might apply, however, management determined that there was not a link to clearly identified pool of underlying items, therefore the GMM applies.

The VFA applies to all groups of insurance contracts that are substantially investment-related service contracts under which the policyholder receives a substantial share of the investment returns on the linked underlying items. The VFA applies to the segregated fund business and eligible participating policies. There was judgment involved in deciding to apply the VFA model to Empire Life's participating business. Empire Life's approach is to define the underlying as the entire participating account, including any surplus. The policyholders benefit from a substantial share of the return on these assets.

The PAA model is applicable when the coverage period of each contract in the group is one year or less or Empire Life reasonably expects that the resulting measurement of the liability for remaining coverage ("LRC") would not differ materially from that of applying the GMM. The PAA is therefore applied to Empire Life's short-term group insurance business as it does not differ materially from that of applying the GMM. Empire Life does not adjust the LRC to reflect the time value of money and effect of financial risk if at initial recognition it does not expect that the time between providing each part of the services and the related premium due date will be more than one year.

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.

Impairment - investment in associate

Investments in associate 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.

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.

(d) New and amended standards and interpretations

The Company adopted the amendments to IFRS Accounting Standards for IAS 1, Presentation of Financial Statements and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors. The adoption of these amendments did not have a material impact on the Company's financial statements. This note includes summaries of the nature of changes in accounting policies as a result of adopting IFRS 17 and IFRS 9 respectively.

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 17 Insurance Contracts

IFRS 17 was adopted on January 1, 2023 with transition date of January 1, 2022. The Company has restated comparative information for 2022 applying the transition provisions in IFRS 17. The nature of changes in accounting policies are summarized below:

Changes to classification and measurement

The adoption of IFRS 17 did not change the classification of the majority of Empire Life's insurance or investment contract liabilities. 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 and investment contract liabilities. The exception is deferred annuities which were classified as insurance contracts under IFRS 4 and are now classified as investment contracts under IFRS 9. IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by Empire Life.

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.
- Identifies and separates distinct investment components and distinct services other than insurance contract services from insurance contracts and accounts for them in accordance with other standards.
- Aggregates insurance contracts issued and reinsurance contracts held into portfolios of contracts which represent similar insurance risks to Empire Life and which are managed together. Portfolios of contracts consist of groups of insurance contracts which are separated at initial recognition between contracts expected to produce a loss (onerous contracts) and the remaining contracts. Each group contains contracts which are issued no more than one year apart except those transitioned to IFRS 17 under the Fair Value method.
- Recognizes each group of insurance contracts separately at initial recognition and measure each separately in each future accounting period.
- Recognizes and measures groups of insurance contracts at the risk-adjusted present value of the expected future cash flows that incorporates all available information about the fulfilment cash flows in a way that is consistent with observable market information.
- Establishes CSM, representing the unearned profit in the group of insurance contracts.
- Recognizes insurance service revenue from a group of insurance contracts over the period that insurance contract services are provided. If a group of insurance contracts is expected to be onerous (loss making, exclusive of ceded risks) over the remaining coverage period, losses are recognized immediately.
- Measures insurance contract liabilities as the total of the following measurement components:
    - probability weighted, discounted, future cash flows;
    - a risk adjustment for non-financial risk; and
    - CSM.

Changes to presentation and disclosure

IFRS 17 introduces changes to the way in which the Company is required to present and disclose financial results.

Under IFRS 17, a number of insurance-related assets and liabilities that were previously reported on the consolidated statements of financial position are now incorporated into the insurance contract liabilities caption. Examples include loans on policies, insurance receivables, insurance payables, policyholders' funds on deposit and provision for profit to policyholders.

Under IFRS 17 the changes to the consolidated statement of income are significant. The consolidated statement of income no longer reports gross and ceded premiums written, gross and ceded benefits and claims paid, change in insurance and reinsurance contract liabilities or commissions. Instead, it reports insurance service result comprising insurance revenue and insurance service expenses, net recovery (expense) from reinsurance contracts held, net investment results and net insurance finance result.

IFRS 17 requires additional detailed disclosures about amounts recognized in the financial statements, at a more granular level than under IFRS 4. This includes roll-forward schedules on insurance contract liabilities and reinsurance contracts held, as well as disclosure information on discount rates, new business, the expected emergence pattern of CSM and significant judgments made when applying IFRS 17. There are expanded disclosures about the nature and extent of risks from insurance, contracts issued and reinsurance contracts held.

Transition impact

IFRS 17 transition is applied using a full retrospective approach where practicable. Due to the lack of historical data, Empire Life applied the fair value approach in determining the transition values for all lines of business except for group insurance. Full retrospective approach was used for the Group insurance contracts which qualified for the PAA. Empire Life has derecognized any existing balances that would not exist had IFRS 17 always applied. Resulting net differences are recognized in equity.

Fair value approach

For all in-force business at transition, for each portfolio, Empire Life grouped insurance contracts from multiple cohorts into a single group for measurement purposes. Empire Life determined the CSM included in the LRC at the transition date as the difference between the fair value of the group of insurance contracts and the fulfilment cash flows ("FCFs") measured at January 1, 2022. In determining fair value, the Company applied the principles of IFRS 13 Fair Value Measurement.

For the application of the fair value approach, Empire Life has used reasonable and supportable information available at the transition date in order to:

- Identify groups of insurance contracts and whether they are within the scope of IFRS 17;
- Determine which measurement model (GMM, VFA, PAA) applies to each group of insurance contracts;
- Determine appropriate fulfilment cash flow assumptions and project them into the future: and
- Project policy values and regulatory capital amounts.

Empire Life used an income approach to calculate the fair value of the insurance contract liabilities at the transition date. CSM balances were derived separately for non-participating life, health, universal life, fixed life-contingent annuities, segregated funds and participating business.

The weighted average cost of capital ("WACC"), Life Insurance Capital Adequacy Test ("LICAT") targets and underlying insurance assumptions used in applying the fair value approach were determined using market rates for a company of Empire Life's size and capital sources as at January 1, 2022, which were considered to be consistent with those of a market participant in Canada. Allowances were made for the uncertainty around changes to segregated fund regulatory capital requirements expected in 2025. The fair value calculations are based on a number of actuarial assumptions, including discount rates, and involves consideration of the most appropriate assumptions for use by a market participant. Empire assumed that the market participant would have the same characteristics (size, market, risk appetite) as itself. Projected cash flows use Empire Life's valuation assumptions.

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

The CSM at transition is as follows:

Transition CSM as at January 1, 2022 ($ millions)		
Gross	$	1,544
Ceded		(186)
Net	$	1,358

The total transition CSM is made up of approximately 40% wealth business (including segregated funds) and 60% individual life insurance.

IFRS 9 Financial Instruments

In 2014, the IASB issued IFRS 9, replacing IAS 39. IFRS 9 includes guidance on the classification and measurement of financial assets, including impairment requirements and a new general hedge accounting model. IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics and determines how a financial instrument is subsequently measured. The impairment model under IFRS 9 applies to all financial assets not measured at fair value through profit or loss ("FVTPL") and requires recognition of full lifetime expected credit losses if certain criteria are met.

Financial assets that would otherwise fall into a different category are permitted to be voluntarily designated at FVTPL. This designation is irrevocable and can only be applied if reliable fair values are available and when doing so eliminates or significantly reduces a measurement inconsistency that would otherwise arise from measuring assets and liabilities on different bases.

Changes to classification and measurement

IFRS 9 includes three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and FVTPL. IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity investments, loans and receivables, and available-for-sale ("AFS") financial assets. Financial assets are measured at initial recognition at fair value, and are classified and subsequently measured at FVTPL, FVOCI or amortized cost based on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the assets.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9 are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification. IFRS 9 maintains the IAS 39 classification for financial liabilities that may be measured at either amortized cost or FVTPL.

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

The following table provides the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of financial assets and liabilities as at January 1, 2023, as well as the impacts of IFRS 9 on January 1, 2023, including any reclassification and measurement changes.

Empire Life's financial instruments	IAS 39 Classifications	IFRS 9 Classifications	Carrying amount as at December 31, 2022 (IAS 39) [1]	Impact of classification and measurement	Carrying amount as at January 1, 2023 (IFRS 9)
Cash and cash equivalents	FVTPL	FVTPL	$ 175,523	$ —	$ 175,523
Short-term investments [2]	AFS	FVTPL	592	—	592
Short-term investments	FVTPL	FVTPL	8,439	—	8,439
Bonds [2]	AFS	FVTPL	1,682,445	—	1,682,445
Bonds	FVTPL	FVTPL	5,062,312	—	5,062,312
Preferred shares [3]	AFS	FVTPL	17,238	(17,238)	—
Preferred shares	FVTPL	FVTPL	384,927	17,238	402,165
Common shares [3]	AFS	FVTPL	41,064	(41,064)	—
Common shares	FVTPL	FVTPL	789,569	41,064	830,633
Derivative assets	FVTPL	FVTPL	9,776	—	9,776
Mortgages	Loans and receivables	FVTPL	113,901	—	113,901
Loans [4][5]	Loans and receivables	FVTPL	50,036	—	50,036
Segregated fund assets	FVTPL	FVTPL	8,565,675	—	8,565,675
Total Empire Life financial assets			$ 16,901,497	$ —	$ 16,901,497
Empire Life financial liabilities					
Accounts payable and other liabilities	Amortized cost	Amortized cost	$ 110,308	$ —	$ 110,308
Investment contract liabilities, excluding segregated fund account [6]	Amortized cost	FVTPL	27,246	307,418	334,664
Investment contract liabilities for account of segregated fund holders	FVTPL	FVTPL	—	286,727	286,727
Total Empire Life financial liabilities [7]			$ 137,554	$ 594,145	$ 731,699

[1] Amounts for the year ended December 31, 2022 include the impact of the overlay approach.

[2] Certain amounts classified as AFS under IAS 39 were reclassified to FVTPL under IFRS 9 because they do not pass the SPPI test or because doing so can eliminate or significantly reduced an accounting mismatch.

[3] Under IAS 39, certain preferred shares and common shares were classified as AFS. Under IFRS 9, these financial assets are classified as FVTPL and we have not elected to designate them as FVOCI.

[4] Certain balances, such as $59,979 in loans on policies, that were previously presented separately as financial instruments, are excluded from the above table and now included in the determination and reported balance of Insurance contract liabilities or reinsurance contracts held liabilities under IFRS 17.

[5] Certain non-current balances have been reclassified from accounts receivable.

[6] Deferred annuities of $291,293 were classified as insurance contracts under IFRS 4 and are now classified as investment contracts under IFRS 9.

[7] Investment contract liabilities for account of segregated fund holders $286,727 and are now classified as investment contracts under IFRS 9.

[8] Total financial liabilities excludes subordinated debt, which has had no impact from IFRS 9 and remains classified as amortized cost.

Impairment of Financial Assets

IFRS 9 replaces the ‘incurred loss’ impairment model in IAS 39 with a forward-looking ‘expected credit loss’ impairment model. The new impairment model applies to financial assets measured at amortized cost and FVOCI. After adoption of IFRS 9, the majority of the Company's financial assets are reported at FVTPL so the expected credit loss model does not have a significant impact.

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

Transition Impact

Except for the application of the overlay approach (see discussion below), changes in accounting policies resulting from the adoption of IFRS 9 were initially applied on January 1, 2023 without restatement of comparatives. In addition, the following assessments have been made on the basis of the facts and circumstances that existed at January 1, 2023:

- The determination of the business model within which a financial asset is held;
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

Overlay approach

As permitted, the Company has elected to apply the overlay approach which allows the classification and remeasurement requirements of IFRS 9 to be applied to all financial assets held in comparative periods, including those that were derecognized during that period, in order to reduce the volatility in profit or loss arising from the different effective dates of IFRS 9 and IFRS 17.

The overlay approach involves reclassifying between net income and other comprehensive income ("OCI"), for designated financial assets, the difference between the amount reported in the consolidated statements of income under IFRS 9 and the amount that would have been reported under the application of IAS 39. In determining this amount, the Company considered gains and losses on sales of securities, as well as impairment losses on equity instruments using accounting policies required by IAS 39. For financial assets in which the impairment requirements of IFRS 9 applies, the Company has elected to continue presenting in the comparative periods the loss allowance that was determined in accordance with IAS 39.

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

The following provides a summary of the impact from applying the overlay approach on the classification and measurement of financial assets the Company's insurance assets for the comparative year:

Investments - Insurance	IAS 39 Measurement	IFRS 9 Measurement	Original carrying amount as at December 31, 2021	Impact of overlay application	Adjusted carrying amount as at January 1, 2022
Financial assets impacted by the overlay application					
Short-term investments	AFS	FVTPL	$ 4,998	$ —	$ 4,998
Bonds (1)	AFS	FVTPL	1,891,988	—	1,891,988
Preferred shares (2)	AFS	FVTPL	8,044	—	8,044
Common shares (2)	AFS	FVTPL	57,725	—	57,725
Mortgages	Loans and receivables	FVTPL	153,564	5,094	158,658
Financial assets not impacted by the overlay application (3)					
Cash and cash equivalents	FVTPL	FVTPL	193,218	—	193,218
Short-term investments	FVTPL	FVTPL	3,649	—	3,649
Bonds	FVTPL	FVTPL	6,257,472	—	6,257,472
Preferred shares	FVTPL	FVTPL	433,295	—	433,295
Common shares	FVTPL	FVTPL	961,709	—	961,709
Segregated fund assets	FVTPL	FVTPL	9,257,298	—	9,257,298
Derivative assets	FVTPL	FVTPL	6,302	—	6,302
Loans	Loans and receivables	FVTPL	52,808	—	52,808
			$ 19,282,070	$ 5,094	$ 19,287,164

1) Certain bonds classified as AFS under IAS 39 were reclassified to FVTPL under IFRS 9 because they do not pass the IFRS 9 Solely Payments of Principal and Interest ("SPPI") test or because doing so can eliminate or significantly reduce an accounting mismatch.

(2) Under IAS 39, certain preferred shares and common shares were classified as AFS. Under IFRS 9, these financial assets are classified as FVTPL and we have not elected to designate them as FVOCI.

(3) Certain balances, such as Loans on policies, that were previously presented separately as financial instruments, are excluded from the above table and now included in the determination and reported balance of Insurance contract liabilities or Reinsurance contracts held liabilities under IFRS 17.

E-L Financial's Investments - Corporate will continue to be measured at FVTPL under IFRS 9 and are not impacted by the overlay application.

(e) Insurance contracts and reinsurance contracts held

Empire Life issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. Empire Life determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event had not occurred. Empire Life issues a broad suite of insurance contracts including life, health, wealth and group benefits solutions. IFRS 17 requires one of three accounting models to be applied to insurance contracts. Empire Life has applied the following models depending on the underlying contract type. Group benefits contracts generally apply the simplified PAA. Segregated fund contracts and participating insurance contracts containing direct participation features and are measured using the VFA. All other insurance contracts apply the GMM.

Separating components from insurance and reinsurance contracts held

Empire Life has assessed its insurance contracts and reinsurance contracts held products to determine whether they contain distinct components which must be accounted for under another IFRS Accounting

Standards rather than IFRS 17. After separating any distinct components, an entity must apply IFRS 17 to all remaining components of the (host) insurance contract.

Some insurance contracts issued by Empire Life include a surrender option under which the surrender value is paid to the policyholder on maturity or earlier lapse of the contract. These surrender options have been assessed to meet the definition of a non-distinct investment component under IFRS 17. IFRS 17 defines investment components as the amounts that an insurance contract requires an insurer to repay to a policyholder in all circumstances. For participating contracts the non-distinct investment component includes the CSV (including dividends on deposit) and the policyholder dividends. The policyholder account value is the non-distinct component for segregated fund contracts. Investment components which are highly interrelated with the insurance contract of which they form a part are considered non-distinct and are not separately accounted for. However, receipts and payments of the investment components are excluded from insurance service revenue and insurance service expenses. Differences between expected and actual cash surrender payouts flow through the CSM and, as such, impact future profitability.

Level of aggregation

IFRS 17 requires an entity to determine the level of aggregation for applying its requirements. The level of aggregation for Empire Life is determined by dividing business written into portfolios of contracts which have similar risks and are managed together. IFRS 17 also requires that no new groups contain contracts issued more than one year apart. Portfolios are further divided based on each contract's expected profitability at inception.

The direct insurance portfolios are divided into groups of insurance contracts:

- That are onerous at initial recognition
- That at initial recognition have no significant possibility of becoming onerous subsequently
- All other remaining contracts in the portfolio

Empire Life evaluates the expected profitability of each new contract issued by comparing its specific policy characteristics, including coverage, age, sex, amount and smoker status to a pre-defined modeled profitability of a similar contract. Empire Life has identified six portfolios of insurance contracts issued based on the fact that these portfolios contain products that are subject to similar risks and managed together. The expected profitability of these portfolios is based on the current actuarial valuation assumptions which includes existing and new business. For financial reporting, Empire Life has assigned portfolios to one of three reporting segments, namely, Individual Insurance, Wealth Management and Group Solutions.

For PAA business, groups of insurance contracts are assumed to not be onerous unless the facts and circumstances indicate otherwise.

The reinsurance contracts held portfolios are divided into similar groups as the direct insurance contracts, and follow the underlying direct contracts that they support:

- A group of insurance contracts on which there is a net gain on initial recognition
- A group of insurance contracts that have no significant possibility of a net gain arising subsequent to initial recognition
- A group of the remaining contracts in the portfolio

Empire Life has identified portfolios of reinsurance contracts held based products that are subject to similar risks and managed together. The expected profitability of these portfolios is based on the current actuarial valuation assumptions which includes existing and new business. For financial reporting, Empire Life has assigned portfolios to one of three reporting segments, namely, Individual Insurance, Wealth Management and Group Solutions.

Recognition

Empire Life recognizes groups of insurance contracts that it issues from the earliest of the following:

- The beginning of the coverage period of the group of insurance contracts; or
- The date when the first payment from a policyholder in the group becomes due; or
- For a group of onerous contracts, when a group becomes onerous

Empire Life recognizes a group of reinsurance contracts held from the beginning of the coverage period of the group or when the first underlying direct contract is recognized for proportionate reinsurance. Empire Life adds new contracts to the group when they are issued or initiated.

Contract boundary

Empire Life includes in the measurement of a group of insurance contracts all the expected future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which Empire Life can compel the policyholder to pay the premiums, or in which Empire Life has a substantive obligation to provide the policyholder with services.

For life contracts with renewal periods, Empire Life assesses whether premiums and related cash flows that arise from the renewed contract are within the contract boundary. Empire Life reassesses contract boundary of each group at the end of each reporting period.

Measurement models

Insurance contracts – initial measurement

Insurance contract liabilities under IFRS 17 include two components: an LRC and a liability for incurred claims (LIC). The LRC reflects Empire Life's obligation to pay valid claims for insured events that have not yet occurred.

The LIC reflects Empire Life's obligation to pay claims for insured events that have already occurred, including events that have occurred but for which claims have not been reported, and other incurred insurance expenses. At initial recognition of a group of insurance contracts, the LIC is nil as no insured events have occurred.

Outlined below are the requirements for initial measurement of the LRC for the three measurement models included in IFRS 17.

GMM and VFA

For non-onerous GMM and VFA insurance contracts, LRC of a group of insurance contracts as the total of:

- Fulfilment cash flows ("FCFs") which represent the present value of the expected future cash flows, and
- CSM representing the unearned profit Empire Life will recognize as it provides service to the insurance contracts in the group.

FCFs comprise unbiased and probability-weighted estimates of future cash flows, discounted to present value to reflect the time value of money and financial risks, plus risk adjustments for non-financial risk. The CSM on initial recognition is an amount that, unless the group of insurance contracts is onerous, results in no net income arising from initial recognition of the FCFs.

Empire Life's objective in estimating expected future cash flows is to determine the expected value, or the probability-weighted mean, of the full range of possible outcomes, considering all reasonable and supportable information available at the reporting date without undue cost or effort. Empire Life estimates expected future cash flows considering a range of scenarios which have commercial substance and give a good representation of possible outcomes. The cash flows from each scenario are probability-weighted and discounted using current assumptions.

When estimating expected future cash flows, Empire Life includes all cash flows that are within the contract boundary including:

- Premiums and related cash flows;
- Claims and benefits including reported claims not yet paid, incurred claims not yet reported and expected future claims:
    - Payments to policyholders resulting from embedded surrender value options;
    - An allocation of insurance acquisition cash flows attributable to the portfolio to which the contract belongs.
- Claims handling costs;
- Acquisition costs;
- Policy administration and maintenance costs, including recurring commissions that are expected to be paid to intermediaries;
- An allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts; and
- Investment and premium taxes.

Empire Life estimates the probabilities and amounts of future payments under existing contracts based on information obtained, including:

- Information about claims already reported by policyholders;
- Other information about the known or estimated characteristics of the insurance contracts;
- Historical data about the Empire Life's own experience, supplemented, when necessary, with data from other sources and adjusted to reflect current conditions; and
- Current pricing information.

Insurance acquisition cash flows arise from selling and underwriting activities required to initiate a group of contracts. The measurement of fulfilment cash flows includes insurance acquisition cash flows which are allocated as a portion of premium to profit or loss (through insurance service revenue) over the period of the contract in a systematic and rational way based on the passage of time. For policies accounted for under the GMM and VFA, acquisition costs are deferred and amortized into income using the same coverage units as the CSM amortization.

A loss component represents a notional record within the LRC of the losses attributable to each group of onerous insurance contracts (or contracts profitable at inception that have become onerous). For groups of contracts assessed as onerous on initial recognition, Empire Life recognizes a loss in insurance service expenses in the consolidated statements of income for the net outflow, resulting in the carrying amount of the liability for the group being equal to the FCFs and the CSM of the group being zero.

<u>PAA</u>

Measurement on initial recognition under the PAA consist of premiums received. If a group of PAA contracts is onerous on initial recognition, then Empire Life recognizes a loss in insurance service expenses and increases the LRC for the difference between the current estimates of the FCFs that relate to remaining coverage and the carrying amount of the LRC. Empire Life has selected the accounting policy option to expense acquisition costs as incurred when applying the PAA.

<u>Insurance contracts – subsequent measurement</u>

Subsequent measurement of the LRC included in the insurance contract liability is different depending on the measurement model being applied to the group of insurance contracts. Outlined below are the requirements for subsequent measurement of the LRC for the three IFRS 17 measurement models.

For all measurement models, the LIC is measured as cash flows for claims and expenses that relate to past service and have not yet been paid, including a risk adjustment for non-financial risk and the time value of money.

GMM

For a group of insurance contracts where the GMM applies, the carrying amount of the CSM of the group at the end of the reporting period equals the carrying amount at the beginning of the reporting period adjusted, as follows:

- The effect of any new contracts added to the group
- Interest accreted on the carrying amount of the CSM during the reporting period, measured at the discount rates at initial recognition
- The changes in FCFs relating to future service, except to the extent that:
  - Such increases in the FCFs exceed the carrying amount of the CSM, giving rise to a loss; or
  - Such decreases in the FCFs are allocated to the loss component of the LRC
- The amount recognized as insurance service revenue because of the transfer of services in the period, determined by the allocation of the CSM remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period.

The locked-in discount rate is set at the date of initial recognition for contracts that joined a group over a 12-month period. The discount rate used for accretion of interest on the CSM is determined using a bottom up approach at inception.

The changes in FCFs relating to future service that adjust the CSM comprise:

- Experience adjustments that arise from the difference between the premium receipts (and any related cash flows such as insurance acquisition cash flows and insurance premium taxes) and the estimate, at the beginning of the period, of the amounts expected. Differences in premiums received (or due) related to current or past services are recognized immediately in profit or loss while differences related to premiums received (or due) for future services are adjusted against the CSM.
- Changes in estimates of the present value of expected future cash flows in the LRC, except those relating to the time value of money and changes in financial risk (recognized in the statements of income rather than adjusting the CSM).
- Differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period
- Differences between any loan to a policyholder expected to become repayable in the period and the actual amount repaid in the period.
- Changes in the risk adjustment for non-financial risk that relate to future service.

Except for changes in the risk adjustment, adjustments to the CSM noted above are measured at the locked-in discount rates.

VFA

For a group of insurance contracts where the VFA applies, the carrying amount of the CSM of the group at the end of the reporting period equals the carrying amount at the beginning of the reporting period adjusted, as follows:

- The effect of any new contracts added to the group;
- The change in the entity's share of the fair value of underlying items, except to the extent a decrease exceeds the carrying amount of the CSM;
- The changes in FCFs relating to future service, except to the extent that:

    - Such increases in the FCFs exceed the carrying amount of the CSM, giving rise to a loss; or
    - Such decreases in the FCFs are allocated to the loss component of the LRC.

- The amount recognized as insurance service revenue because of the transfer of services in the period, determined by the allocation of the CSM remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period.

For VFA and GMM contracts, Empire Life chooses an accounting policy to not change the treatment of accounting estimates made in previous interim consolidated financial statements when applying IFRS 17 in subsequent Interim or annual consolidated financial statements. Therefore, the CSM at the end of the reporting period is the CSM at the beginning of the reporting period adjusted as described above, rather than the CSM at the beginning of the calendar year adjusted as described above.

For onerous VFA and GMM groups of contracts, the loss component is released based on a systematic allocation of the subsequent changes in the FCFs to: (i) the loss component; and (ii) the LRC excluding the loss component. The loss component is also updated for subsequent changes in estimates of the FCFs related to future service. The systematic allocation of subsequent changes to the loss component results in the total amounts allocated to the loss component being equal to zero by the end of the coverage period of a group of contracts (since the loss component will have been materialized in the form of incurred claims). Empire Life uses a systematic allocation percentage calculated as a ratio of the loss component amount expressed as a percentage of the liability for remaining coverage, where adjustments are made to include or exclude particular cash flows in the allocation.

PAA

For subsequent measurement of insurance contracts measured applying the PAA, the LRC is increased for any additional premiums received and decreased by amounts recognized as insurance service revenue for services provided during the period.

For onerous PAA groups of contracts, the LRC is adjusted to reflect reversals or increases in the loss component by comparing the current estimates of the FCFs that relate to remaining coverage and the carrying amount of the LRC. If a loss component did not exist on initial recognition but there are indications that a group of contracts is onerous on subsequent measurement, then Empire Life establishes the loss component using the same methodology as on initial recognition.

Reinsurance contracts held

The initial measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued, with the exception of the following:

- Measurement of the cash flows include an allowance on a probability-weighted basis for the effect of any non-performance by the reinsurers, including the effects of collateral and losses from disputes.
- Empire Life determines the risk adjustment for non-financial risk so that it represents the amount of risk being transferred to the reinsurer.
- Empire Life defers both profits and losses at initial recognition in the statement of financial position as a CSM and releases this to profit or loss as the reinsurer renders services.

For subsequent measurement of reinsurance contracts held, the carrying amount of the CSM of the group at the end of the reporting period equals the carrying amount at the beginning of the reporting period adjusted, as follows:

- The effect of any new contracts added to the group;
- Interest accretion on the carrying amount of the CSM;

- Income recognized in profit or loss in the period for the recovery of losses recognized on initial recognition of onerous underlying contracts (see below);
- Reversals of loss recovery components to the extent that the reversals are not changes in fulfilment cash flows of the reinsurance contract held (see below);
- The changes in FCFs relating to future service, except to the extent that the change results from a change in the fulfilment cash flows allocated to a group of underlying insurance contracts that does not adjust its CSM;
- The amount recognized in income due to services rendered in the period.

When a loss component is recognized on underlying insurance contracts, the CSM of the reinsurance contract held is adjusted to establish a loss-recovery component and a recovery is simultaneously recognized in profit or loss relating to the recovery of that loss. Empire Life calculates the loss-recovery component by multiplying the loss recognized on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts Empire Life expects to recover from the group of reinsurance contracts held. Where only some contracts in the onerous underlying group are covered by the group of reinsurance contracts held, Empire Life uses a systematic and rational method to determine the portion of losses recognized on the underlying group of insurance contracts to insurance contracts covered by the group of reinsurance contracts held.

Loss-recovery components are tracked, similar to the loss component, and determines the amounts that are subsequently presented in the consolidated statements of income within net reinsurance results. The loss recovery component is adjusted on subsequent measurement to reflect changes in the loss component of the onerous group of underlying contracts, however it cannot exceed the portion of the loss component of the onerous group of underlying contracts that Empire Life expects to recover from the reinsurance contracts held. On this basis, the loss-recovery component recognized at initial recognition is reduced to zero in line with reductions in the onerous group of underlying insurance contracts and is nil when loss component of the onerous group of underlying insurance contracts is nil.

Modification and derecognition

Empire Life derecognizes insurance contracts when the rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired), or the contract is modified such that the modification would result in a different insurance contract or a change in measurement model.

Reinsurance assets and liabilities held are derecognized when the contractual rights and obligations are extinguished or expire or when the contract is transferred to another party.

Presentation

The Company has presented separately in the statement of financial position the carrying amount of portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities.

Empire Life disaggregates the amounts recognized in the statements of income and other comprehensive income into an insurance service result, comprising insurance service revenue, insurance service expenses, insurance finance income or expenses and net expense from reinsurance contracts held. Empire Life chooses not to disaggregate insurance finance income or expenses between profit or loss and other comprehensive income and instead presents the total amount within net finance and investment result. Insurance finance income related to segregated fund account liabilities and the corresponding income on segregated fund assets are separately presented in the statement of income.

Empire Life disaggregates the change in risk adjustment for non-financial risk between the financial and non-financial portion and includes the non-financial change as part of risk adjustment movements in the insurance service result.

Empire Life separately presents income and expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

Insurance service revenue

Insurance service revenue from a group of insurance contracts is the amount that is earned in the period arising from:

- Expected future cash outflows in the period, including claims and directly attributable expenses expected to be incurred;
- Release of the risk adjustment for non-financial risk as risk expires throughout the term of the contract;
- CSM earned over the service period, based on coverage units for each period of service;
- Allocation of expected premium receipts from PAA contracts;
- Amortization of insurance acquisition cash flows; and
- Revenue excludes non-distinct investment components.

Insurance finance income or expense

For insurance contracts issued and reinsurance contracts held measured using the GMM, insurance finance income or expense comprise the change in the carrying amount of the group of insurance contracts arising from:

- The effect of the time value of money and changes in the time value of money; and
- The effect of financial risk and changes in financial risk.

For insurance contracts issued that are measured using the VFA, insurance finance income or expense includes the changes in the fair value of underlying items while changes in the effect of time value of money and financial risk not arising from underlying items adjusts the CSM.

Net recovery (expense) from reinsurance contracts held

The Company presents net recovery (expense) from reinsurance contracts held on the face of the consolidated statements of income as the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. Empire Life treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contracts held and excludes investment components and commissions from an allocation of reinsurance premiums presented on the face of the consolidated statements of income. Amounts relating to the recovery of losses relating to reinsurance of onerous direct contracts are included as amounts recoverable from the reinsurer.

Participating insurance policies

Empire Life maintains an account in respect of participating policies (“participating account”), separate from those maintained in respect of other policies, as required by sections 456-464 of the Insurance Companies Act (Canada) (“ICA”). 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 certain older plans paying dividends every five years as per contractual provisions. Participating policyholder dividends are projected in the FCFs of the insurance contract liabilities and are excluded from insurance service revenue and insurance service expenses.

At the end of the reporting period, all participating insurance contract liabilities, both guaranteed and discretionary, are held within insurance contract liabilities. Related participating policy reinsurance contracts held at the end of the reporting period are held within reinsurance contracts held assets or reinsurance contracts held liabilities. Net income attributable to the participating account is shown on the consolidated statements of income. Comprehensive income attributable to the participating account is shown on the consolidated statements of comprehensive income.

(f) Financial instruments

Financial assets and liabilities are recognized when Empire Life becomes a party to the contractual provision of the financial instrument.

Financial assets are classified and measured based on three categories: amortized cost, FVOCI and FVTPL. Financial liabilities are classified and measured based on two categories: amortized cost or FVTPL.

The classification and measurement of financial assets is based on the business model for managing these financial assets and their contractual cash flow characteristics:

- Assets held for the purpose of collecting contractual cash flows that represent solely payments of principal and interest ("SPPI") are measured at amortized cost;
- Assets held within a business model where assets are held for both the purpose of collecting contractual cash flows and selling financial assets prior to maturity, and the contractual cash flows represent solely payments of principal and interest, are measured at FVOCI; and
- Assets held within another business model or assets that do not have contractual cash flow characteristics that are SPPI are measured at FVTPL.

Financial assets are not reclassified subsequent to their initial recognition, unless there is a change in the business model in managing the financial asset that would cause Empire Life to reassess the classification of financial assets. Financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL. Refer to note 2 Investment contracts for additional details on the classification and measurement of our Investment contract liabilities.

Financial assets that would otherwise fall into a different category are permitted to be voluntarily designated at FVTPL. This designation is irrevocable and can only be applied if reliable fair values are available and when doing so eliminates or significantly reduces a measurement inconsistency that would otherwise arise from measuring assets and liabilities on different bases. Financial liabilities may also be designated at FVTPL when they are part of a portfolio which is managed on a fair value basis in accordance with Empire Life's risk management strategy and are reported internally on that basis.

Prior to January 1, 2023, with the exception of the overlay approach, most financial assets supporting insurance contract liabilities and investment contract liabilities are designated as FVTPL. These assets may be comprised of cash and cash equivalents, short-term investments, bonds and debentures, common and preferred shares, futures, forwards and options. Changes in the fair value of these financial assets are recorded in investment income in the consolidated statements of income in the period in which they occur.

All transactions are recorded on the trade date. Transaction costs are expensed for FVTPL instruments and capitalized for all others.

Fair value

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 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 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, short-term investments, government bonds, certain corporate and private bonds, loans, certain common shares (real estate limited partnership units) 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 the Company’s expectations about the assumptions market participants would use in pricing the asset or liability.

Cash and cash equivalents

Cash and cash equivalents 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.

Derivative financial instruments

Empire Life uses derivative financial instruments to manage exposure to foreign currency, equity and other market risks associated with certain assets and liabilities. Derivative financial assets and liabilities are classified as FVTPL. Therefore, they are initially 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 disclosed as Derivative assets while derivative financial instruments with a negative fair value are included in the reported balance of accounts payable and other liabilities. Changes in fair value are recorded in investment income in the consolidated statements of income.

Other

Trade accounts receivables are measured at amortized cost and presented as other assets. The simplified approach is used when calculating the expected credit loss for trade accounts receivables, which represents the lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. Historical experience, external indicators and forward-looking information is used to calculate the expected credit losses.

Accounts payable and other liabilities (excluding derivative liabilities) are measured at amortized cost. For these financial instruments, carrying value approximates fair value due to their short-term nature.

AFS instruments (IAS 39)

Prior to January 1, 2023, with the exception of the overlay approach, most financial assets supporting capital and surplus and participating account surplus were classified as AFS. These assets comprised of short-term investments, bonds and debentures or common and preferred shares. AFS assets were carried at fair value in the consolidated statements of financial position. Except for foreign currency gains and losses on monetary AFS assets and impairment losses, any changes in the fair value were recorded, net of income taxes, in other comprehensive income ("OCI"). Gains and losses realized on sale or maturity of AFS assets were reclassified from OCI to realized gain (loss) on AFS assets in the consolidated statements of income.

<u>AFS debt instruments</u>

Prior to January 1, 2023, 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 was recognized through net income. Impairment losses previously recorded in net income were reversed if the fair value subsequently increases and can be objectively related to an event occurring after the impairment loss was recognized.

<u>AFS equity instruments</u>

Prior to January 1, 2023, objective evidence of impairment of an equity instrument existed if there had been a significant or prolonged decline in the fair value of the investment below its cost or if there was a significant adverse change in the technological, market, economic or legal environment in which the issuer operated or the issuer was experiencing financial difficulties.

The accounting for an impairment that was recognized in net income is the same as described for AFS debt instruments above with the exception that impairment losses previously recognized in net income cannot be subsequently reversed through net income. Any subsequent increase in value is recorded in OCI.

Policy loans and insurance receivables (IAS 39)

Prior to January 1, 2023, with the exception of the overlay approach, loans and receivables include insurance and trade accounts receivables. These assets were recorded at amortized cost, using the effective interest rate method, net of provisions for impairment losses, if any. Mortgages were secured by real estate and in most instances, loans are secured by policy values. Loans and receivables were defined as non-derivative financial assets with fixed or determinable payments that are not quoted in active markets. Loans on policies are included in insurance contract cash flows under IFRS 17.

Prior to January 1, 2023, mortgages and loans were individually evaluated for impairment in establishing the allowance for impairment.

Objective evidence of impairment exists if there was no longer reasonable assurance of full collection of loan principal or loan interest related to a mortgage or loan. Events and conditions considered in determining if there was objective evidence of impairment included the value of the security underlying the mortgage or loan, geographic location, industry classification of the borrower, an assessment of the financial stability and credit worthiness of the borrower, repayment history or an assessment of the impact of current economic conditions. If objective evidence of impairment was found, allowances for credit losses are were established to adjust the carrying value of these assets to their net recoverable amount and the impairment loss was recorded in net income. If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be objectively related to an event occurring after the impairment was recognized, the impairment loss was reversed by adjusting the allowance account and the reversal is recognized in net income.

Derecognition

A financial asset is derecognized when the contractual rights to its 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 have been retained, the assets are derecognized if the asset is not controlled through rights to sell or pledge the asset.

Security 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.

(g) Investment contracts

Investment contracts include products that do not involve the transfer of significant insurance risk, either at inception or during the life of the investment contract. For Empire Life, these products are limited to certain segregated funds, deferred annuities and term certain annuities that provide for income payments for a specified period of time.

Investment contract liabilities are designated at FVTPL. As Empire Life’s segregated fund products have fair values dependent on the fair value of underlying financial assets, the designation at FVTPL will eliminate the accounting mismatch that would otherwise arise from measuring the assets or liabilities or recognizing the gains or losses on them on different bases. Deferred annuity products are designated at FVTPL as they are managed on a fair value basis, in accordance with the Empire Life's risk management strategy, and are reported internally on that basis. Similarly, Empire Life’s term certain annuity products are designated at FVTPL.

Prior to January 1, 2023, under IAS 39, investment contract liabilities are measured at amortized cost or FVTPL. Investment contracts recorded at amortized cost 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 expected future cash flows using the financial liability’s original effective interest rate. Any adjustment is immediately recognized in the consolidated statements of income. If investment contracts have fair values dependent on the fair value of underlying financial assets, then they are designated at inception at FVTPL to eliminate the accounting mismatch that would otherwise arise from measuring the assets or liabilities or recognizing the gains or losses on them on different bases. Deposits and withdrawals are recorded in investment contract liabilities on the consolidated statements of financial position.

(h) 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.

For monetary and non-monetary financial assets classified as FVTPL and amortized cost, translation differences are recognized in the consolidated statements of income.

(i) Comprehensive income

Comprehensive income consists of net income and OCI. OCI includes items that will not be reclassified to net income (i.e. remeasurements of post-employment benefit liabilities).

Prior to January 1, 2023, with the exception of the overlay approach, OCI includes items that may be reclassified subsequently to net income, which included unrealized fair value change on AFS investments, net of amounts reclassified to net income and the amortization of loss on derivative investments designated as cash flow hedges.

(j) 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 segregated fund's investment performance. Segregated fund assets are not available to pay liabilities of Empire Life’s general fund. The assets of these segregated funds are carried at their period-end fair values based on quoted market prices or, where quoted market prices are not readily available, on prevailing market prices for instruments with similar characteristics and risk profiles or by using internal or external valuation models with observable market-based inputs. Empire Life provides minimum guarantees on certain segregated fund contracts, these include death, maturity and withdrawal benefit guarantees. Empire Life presents an insurance contract liability for account of segregated fund holders equal to the fair value of the assets and any benefit guarantees are presented as a separate line on the statement of financial position within insurance contract liabilities, excluding segregated fund account balances.

Empire Life earns a fee for the management of these segregated funds which is included in the determination of expected future cash flows.

(k) Investment income

Changes in the fair value of financial assets are recorded in the consolidated statements of income in the period in which they occur.

Fee income, earned from policy administration and distribution service is recognized on an accrual basis for investment contracts issued.

Interest income, excluding amounts from segregated funds, 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, excluding amounts from segregated funds, is recognized when the right to receive payment is established, which is usually the ex-dividend date.

Net investment and insurance finance result

Empire Life’s interest income, dividend income and the changes in insurance assets are reported on the investment income, excluding segregated funds line in the consolidated statements of income.

Non-insurance investment income

Non-insurance investment income includes both E-L Corporate’s investment and other income, share of income (loss) from associates and fair value changes in FVTPL, and Empire Life’s fee income and non-insurance interest and dividend incomes. Non-insurance investment income is reported separately in the consolidated statements of income.

(l) Income taxes

Income tax expense for the period is comprised of current and deferred tax. Tax is recognized in the consolidated statements of income except to the extent that it relates to items recognized in OCI or directly in equity. In these cases, the tax is recognized 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 the amount 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 tax and 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 their 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.

On January 1, 2022, Empire Life recorded a deferred tax asset on transition to IFRS 17 in the amount of $138,700. During 2022, all of the restatements related to the adoption of IFRS 17 were treated as temporary differences and reflected in the net deferred tax asset balance.

The federal tax legislation related to the adoption of IFRS 17 became effective January 1, 2023. The transition adjustment was calculated at this date and taken over five years.

(m) Property and equipment

Property and equipment comprises own use land, buildings, 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.

(n) Intangible assets

Intangible assets include customer and distributor relationships, 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 allocated between insurance service expenses and 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.

(o) 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 cannot be reversed in future periods.

Impairment assessment involves significant judgments and use of a variety of forward-looking inputs, estimates, and assumptions, including but not limited to factors such as discount rates, projected cash flow patterns, expenses, and external market and competitive environment. Due to these uncertainties, the actual experience may differ materially from the results obtained from impairment assessment modelling.

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

(p) Investment in associates

Associates are 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 Company’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 the consolidated statements of comprehensive income. The Company determines at each reporting date whether there is any objective evidence that each investment in associates 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 associates 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.

(q) 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 statements 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 statements of income.

(r) Employee benefits

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

Pension benefits

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

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

The defined contribution component of the Plan is a component under which the Company pays fixed contributions into a separate entity. 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.

Other post-employment benefits

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

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.

Restricted Share Units and Deferred Share Units awards

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.

(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 Net 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 Accounts payable and other liabilities. The interest expense is allocated between insurance service expense and operating expenses. The depreciation on the corresponding right-of-use asset is allocated between insurance service expense and operating expenses.

The Company has elected to apply the option to recognize lease payments for short-term and low value assets on a straight-line basis over the lease term.

(u) 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.

(v) 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.

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

3. Operating segments

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

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

Year ended December 31, 2023	**E-L Corporate**	**Empire Life**	**Total**
Net insurance result	$ —	$ 317,045	$ 317,045
Non-insurance investment income	1,081,386	30,701	1,112,087
Total expenses	(42,546)	(112,140)	(154,686)
Income before income taxes	1,038,840	235,606	1,274,446
Income taxes	(133,706)	(45,650)	(179,356)
Net income	905,134	189,956	1,095,090
Less: NCI and PAR	127,442	34,471	161,913
Segment shareholders' net income	$ 777,692	$ 155,485	$ 933,177

Year ended December 31, 2022 - restated	E-L Corporate	Empire Life	Total
Net insurance result	$ —	$ 107,113	$ 107,113
Non-insurance investment (loss) income	(580,566)	24,184	(556,382)
Total expenses	(38,279)	(73,764)	(112,043)
(Loss) income before income taxes	(618,845)	57,533	(561,312)
Income taxes	81,117	1,722	82,839
Net (loss) income	(537,728)	59,255	(478,473)
Less: NCI and PAR	(157,594)	4,685	(152,909)
Segment shareholders' net (loss) income	$ (380,134)	$ 54,570	$ (325,564)

	E-L Corporate	**Empire Life**	**Total**
December 31, 2023			
Segment assets [1]	$ 7,095,050	$ 18,664,543	$ 25,759,593
Segment liabilities	$ 720,847	$ 16,776,403	$ 17,497,250
December 31, 2022 - restated			
Segment assets [1]	$ 6,189,314	$ 17,557,672	$ 23,746,986
Segment liabilities	$ 582,760	$ 15,772,210	$ 16,354,970

[1] Segment assets include investments in associates of $428,975 (December 31, 2022 - $473,008).

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

The following table shows the interest and dividend income received during the year:

Year ended December 31, 2023	**E-L Corporate**	**Empire Life**	**Total**
Interest income received	$ 4,640	$ 256,610	$ 261,250
Dividend income received	127,050	56,724	183,774
Total	$ 131,690	$ 313,334	$ 445,024
December 31, 2022			
Interest income received	$ 2,257	$ 224,779	$ 227,036
Dividend income received	117,449	49,857	167,306
Total	$ 119,706	$ 274,636	$ 394,342

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 2023	December 31 2022
Preferred shares	$ 1,434	$ 2,887
Common shares and units		
Canada	973,176	897,353
U.S.	3,742,971	3,008,409
Europe and United Kingdom	1,148,099	944,971
Other	727,143	725,619
Total common shares and units	6,591,389	5,576,352
Total	$ 6,592,823	$ 5,579,239

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, 2023 and December 31, 2022 all of the invested assets have been classified as FVTPL.

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, 2023
Asset category	Quoted Prices (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
Preferred shares	$ 376	$ —	$ 1,058	$ 1,434
Common shares and units				
Canada	79,017	—	894,159	973,176
U.S.	3,435,885	—	307,086	3,742,971
Europe and United Kingdom	1,022,200	—	125,899	1,148,099
Other	659,601	—	67,542	727,143
Total common shares and units	5,196,703	—	1,394,686	6,591,389
Total	$ 5,197,079	$ —	$ 1,395,744	$ 6,592,823

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

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				
Canada	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

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, 2023 or December 31, 2022.

Included in Level 2 is the Company's investment in a pooled funds which at December 31, 2023 had a carrying value of $nil (December 31, 2022 - $64,432).

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 $121,080 (2022 - $103,510).

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

	2023	2022
Balance - January 1	$ 1,193,201	$ 1,177,419
Net fair value change	82,739	(29,347)
Sales and distributions	(11,541)	(14,916)
Purchases	131,345	60,045
Balance - December 31	$ 1,395,744	$ 1,193,201

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

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

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, 2023 the Company had loaned securities with a fair value of $606,157 (2022 - $798,580) and received approximately $636,475 (2022 - $838,540) in collateral.

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

5. Investments – insurance

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

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

Fair value				As at December 31, 2023
Asset category	Quoted Prices (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
Short-term investments	$ —	$ 4,957	$ —	$ 4,957
Bonds	—	7,427,458	28,725	7,456,183
Preferred shares	519,359	—	—	519,359
Common shares	686,225	79,260	11,292	776,777
Derivative assets	2,641	11,184	—	13,825
Mortgages	—	98,679	—	98,679
Loans	—	47,165	—	47,165
Total	$ 1,208,225	$ 7,668,703	$ 40,017	$ 8,916,945

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
Short-term investments	$ —	$ 9,031	$ —	$ 9,031
Bonds	—	6,744,757	—	6,744,757
Preferred shares	299,524	102,641	—	402,165
Common shares	687,798	142,835	—	830,633
Derivative assets	7,604	2,172	—	9,776
Mortgages	—	113,901	—	113,901
Loans	—	50,036	—	50,036
Total	$ 994,926	$ 7,165,373	$ —	$ 8,160,299

Level 2 investments use fair values based on quoted prices for similar assets or liabilities in active markets, valuation that is based on significant observable inputs, or inputs that are derived principally from or corroborated with observable market data through correlation or other means. The fair value of mortgages and loans have been calculated by discounting cash flows of each mortgage or loan at a discount rate appropriate to its remaining term to maturity. The discount rates are determined based on regular competitive rate surveys.

Included in Level 3 are investments in notes, common shares and units of certain limited partnerships. The fair value of limited partnership investments are based on fair values determined and reported by the respective investment managers, which are principally based on net asset value ("NAV"). The financial statements used in calculating the NAV are generally audited annually. We review the NAV of the limited partnership investments and perform analytical and other procedures to ensure the fair value is reasonable.

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

The classification of a financial instrument into a level is based on the lowest level of input that is significant to the determination of the fair value. There were no transfers between Level 1 and Level 2 during the year ended December 31, 2023, during the fourth quarter of 2023 there was a transfer between Level 2 and Level 3. There were no transfers between Level 1, Level 2 and Level 3 during the year ended December 31, 2022.

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

For the year ended	December 31, 2023
Balance - January 1	$ —
Transfer-in	40,666
Purchases	536
Sales	(72)
Net fair value change	(1,113)
Balance - December 31	$ 40,017

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, 2023			December 31, 2022		
	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
Equity options	765,152	2,835	—	430,061	6,268	—
Over-the-counter						
Foreign currency forwards	204,756	6,243	—	172,979	19	32
Cross currency swaps	66,484	4,747	672	44,943	2,481	1,388
Total	$ 1,036,392	$ 13,825	$ 672	$ 705,829	$ 9,776	$ 3,613

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.

Securities lending

The Company has a securities lending agreement with its custodian. Under this agreement, the custodian may lend securities from the Company's portfolio to other institutions, as approved by the Company, for periods of time. In addition to a fee, the Company receives collateral which exceeds the market value of the loaned securities, which is retained by the Company until the underlying security has been returned to the Company. 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 this securities lending agreement.

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

As at December 31, 2023 and December 31, 2022, the aggregate fair values of the Company's securities loaned and the collateral received were as follows:

As at	December 31, 2023			December 31, 2022		
	General Funds	Segregated Funds	Total	General Funds	Segregated Funds	Total
Value of securities loan	$ 1,421,820	$ 1,479,136	$ 2,900,956	$ 1,183,898	$ 1,839,056	$ 3,022,954
Value of collateral received	$ 1,450,283	$ 1,510,186	$ 2,960,469	$ 1,207,628	$ 1,877,197	$ 3,084,825

For analysis of the risks arising from financial instruments, refer to Note 23 – Empire Life risk management.

6. Investments in associates

Investments in associates by operating segment are as follows:

	2023	2022
E-L Corporate	$ 394,083	$ 443,192
Empire Life	34,892	29,816
Total	$ 428,975	$ 473,008

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.

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.

	2023			2022		
	Ownership	Carrying value	Fair value	Ownership	Carrying value	Fair value
Algoma	36.6 %	$ 211,407	$ 211,407	37.2 %	$ 267,931	$ 257,647
Economic	24.9 %	182,676	182,676	24.7 %	175,261	175,261
Total		$ 394,083	$ 394,083		$ 443,192	$ 432,908

Ownership of Algoma decreased during the year due to common shares issued from the conversion of Algoma's debentures into common shares. This was partially offset by shares repurchased through Algoma's normal course issuer bid program.

Economic completed a substantial issuer bid in both fiscal 2023 and 2022, which resulted in Economic taking up 37,611 (2022 - 103,007) of the company's outstanding common share. Combined with the shares repurchased under Economic's normal course issuer bid in 2023, E-L Financial's effective ownership has increased to 24.9% at December 31, 2023 from 24.7% at December 31, 2022.

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

The following table details the movement during the year:

	2023	2022
Balance, beginning of the year	$ 443,192	$ 394,362
Income recorded in the statements of income:		
Share of income	55,836	37,602
Net (impairment) reversal	(64,606)	20,544
	(8,770)	58,146
Share of other comprehensive (loss) income	(2,736)	13,632
	(11,506)	71,778
Dividends received during the year	(37,603)	(22,948)
Balance, end of the year	$ 394,083	$ 443,192

The E-L Corporate's associates are measured using the equity method. As at December 31, 2023, the fair value of the investments in associates was $394,083 (2022 - $432,908). 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, 2023, an impairment provision of $64,606 (2022 - a reversal of $20,544) has been recorded in net income. The recoverable amount was based on quoted market prices, which are classified as Level 1 in the fair value measurement hierarchy.

Financial information

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

	Algoma		**Economic**	
	December 31 2023	December 31 2022	December 31 2023	December 31 2022
Cash and cash equivalents	$ 32,831	$ 141,968	$ 13,119	$ 12,831
Other current assets	128,560	108,362	1,187,983	1,086,430
Non-current assets	1,182,765	1,115,367	—	—
	1,344,156	1,365,697	1,201,102	1,099,261
Current liabilities	147,187	150,828	347	14,784
Non-current liabilities	418,660	488,845	93,260	75,600
	565,847	639,673	93,607	90,384
Net assets	$ 778,309	$ 726,024	$ 1,107,495	$ 1,008,877

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

	Algoma		Economic	
Twelve months ended December 31	2023	2022	2023	2022
Revenue	$ 721,220	$ 677,942	$ 162,420	$ (17,010)
Net income (loss)	$ 82,870	$ 119,966	$ 137,812	$ (17,459)
Other comprehensive income	(7,480)	36,637	—	—
Total comprehensive income (loss)	$ 75,390	$ 156,603	$ 137,812	$ (17,459)

At December 31, 2023, Algoma has financial commitments of $640,781 (2022 - $300,029).

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

	Algoma		Economic		Total	
	2023	2022	2023	2022	2023	2022
Dividends received	$ 29,271	$ 9,615	$ 8,332	$ 13,333	$ 37,603	$ 22,948

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. Non-insurance - Investment and other income

Non-insurance investment and other income is comprised of the following:

	2023	2022
		restated
Interest income	$ 2,507	$ 1,460
Fee income	30,701	24,184
Dividend income	134,289	122,137
Other	4,488	3,011
Total	$ 171,985	$ 150,792

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

8. Insurance finance and investment result

Insurance finance and investment result is comprised of the following:

	2023	2022
		restated
Net investment result, excluding segregated funds		
Interest and other investment income	$ 397,297	$ 358,991
Change in fair value of investments	419,492	(2,022,943)
Investment income (loss), excluding segregated funds	816,789	(1,663,952)
Change in investment contracts	(28,171)	10,331
Net investment result, excluding segregated funds	788,618	(1,653,621)
Insurance finance (expense) income from insurance contracts, excluding segregated fund account balances		
Interest accreted	(179,411)	(113,687)
Effect of changes in interest rates and other financial assumptions	(364,332)	1,484,067
Changes in fair value of underlying items in insurance contracts with direct participation features	(69,649)	114,538
Insurance finance (expense) income from insurance contracts, excluding segregated fund account balances	(613,392)	1,484,918
Finance income (expense) from reinsurance contracts held		
Interest accreted	4,409	4,024
Effect of changes in interest rates and other financial assumptions	(43,912)	78,981
Reinsurance finance (expense) income from reinsurance contracts held	(39,503)	83,005
Investment income (loss) related to segregated fund net assets		
Insurance income (loss) on investments related to segregated fund net assets, insurance contracts	711,118	(342,957)
Investment income (loss) on investments related to segregated fund net assets, investment contracts	24,716	(10,711)
Investment income (loss) related to segregated fund net assets	735,834	(353,668)
Changes in underlying items of the segregated funds		
Insurance finance (expenses) income, insurance contracts segregated fund account balances	(711,118)	342,957
Change in investment contracts, segregated fund account balances	(24,716)	10,711
Insurance finance (expense) income	(735,834)	353,668
Net investment and insurance finance result	$ 135,723	$ (85,698)

With regards to general fund assets and liabilities, the duration of insurance contract liability cash flows is greater than the assets supporting them. Hence, the liabilities are generally more sensitive to interest rate changes than the assets. Changes in equity values and other non-fixed income assets that are not passed through to policyholders generally have an impact on investment income with no offsetting change in insurance finance expense.

Amounts related to changes in investment contracts, which includes deferred annuities and guaranteed annuities, arise from discount rates that include a provision to reflect the Company's own credit risk and an illiquidity adjustment.

With regards to VFA contracts (participating insurance and segregated funds), the change in the underlying items would be recognized both as insurance finance income (or expense) and investment income, with offsetting impacts. For these contracts, changes in the effect of time value of money and financial risk not arising from underlying items adjusts the CSM and are not included in the insurance finance income (expense) amounts presented in the table above.

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

9. 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:

	2023	2022
Cash	$ 161,640	$ 205,733
Cash equivalents	279,221	97,213
Total	$ 440,861	$ 302,946

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, 2023	$ 161,640	$ 279,221	$ 440,861
December 31, 2022	$ 205,733	$ 97,213	$ 302,946

10. Other assets

Other assets are comprised of the following:

	2023	2022 restated
Accrued investment income	$ 53,125	$ 51,349
Income taxes receivable	748	69,554
Property and equipment	13,914	14,678
Intangible assets	61,511	60,571
Goodwill	24,950	24,465
Net post-employee benefit asset (Note 14)	19,302	16,278
Other	22,912	29,257
Total	$ 196,462	$ 266,152

The amount of other assets that the Company expects to receive within the next 12 months is $76,785 (2022 - $150,160). In the absence of an active market for post-employment benefit liabilities, the actuarially determined value provides a reasonable approximation of fair value.

11. Other liabilities

Other liabilities are comprised of the following:

	2023	2022 restated
Accounts payable	$ 83,884	$ 107,920
Income and other taxes payable	19,937	—
Other	27,214	21,141
Total	$ 131,035	$ 129,061

12. 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.

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

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.

13. Segregated funds

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

	December 31, 2023			December 31, 2022		
	Insurance Contracts	Investment Contracts	Total	Insurance Contracts	Investment Contracts	Total
Cash	$ 9,897	$ 402	$ 10,299	$ 7,344	$ 393	$ 7,737
Short-term investments	627,676	14,345	642,021	564,500	14,648	579,148
Bonds	1,690,358	131,286	1,821,644	1,651,525	102,993	1,754,518
Common and preferred shares	6,157,983	253,647	6,411,630	6,046,280	254,978	6,301,258
	8,485,914	399,680	8,885,594	8,269,649	373,012	8,642,661
Add other assets	28,734	216	28,950	14,533	827	15,360
Less: segregated funds held within general fund investments	(7,363)	(94,457)	(101,820)	(5,234)	(87,112)	(92,346)
Total	$ 8,507,285	$ 305,439	$ 8,812,724	$ 8,278,948	$ 286,727	$ 8,565,675

All segregated fund assets are categorized as FVTPL.

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, 2023			December 31, 2022		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Cash	$ 10,299	$ —	$ 10,299	$ 7,737	$ —	$ 7,737
Short-term investments	—	642,021	642,021	—	579,148	579,148
Bonds	—	1,821,644	1,821,644	—	1,754,518	1,754,518
Common and preferred shares	6,411,630	—	6,411,630	6,301,258	—	6,301,258
Total	$ 6,421,929	$ 2,463,665	$ 8,885,594	$ 6,308,995	$ 2,333,666	$ 8,642,661

There were no transfers between Level 1 and Level 2 during the year ended December 31, 2023 or during the year ended December 31, 2022. There were no level 3 investments as at December 31, 2023 or December 31, 2022.

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

The following table presents the change in segregated funds:

	December 31 2023	December 31 2022
		restated
Segregated funds - beginning of the year	$ 8,565,675	$ 9,257,298
Additions to segregated funds:		
Amount received from policyholders	887,284	872,244
Interest	88,396	77,045
Dividends	196,582	178,688
Other income	28,349	23,332
Net realized gains on sale of investments	238,020	102,624
Net unrealized increase in fair value of investments	184,487	—
	1,623,118	1,253,933
Deductions from segregated funds:		
Amounts withdrawn or transferred by policyholders	1,117,282	964,437
Net unrealized decrease in fair value of investments	—	735,370
Management fees and other operating costs	249,302	250,261
	1,366,584	1,950,068
Net change in segregated funds held within general fund investments	(9,485)	4,512
Segregated funds - end of the year	$ 8,812,724	$ 8,565,675

14. Employee benefit plans

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

	Pension Benefit Plans		Other Post-Employment Benefits Plans	
	2023	2022	2023	2022
Present value of obligations	$ (230,387)	$ (213,821)	$ (7,006)	$ (6,785)
Fair value of plan assets	256,695	236,884	—	—
Post-employment benefit surplus (liability)	$ 26,308	$ 23,063	$ (7,006)	$ (6,785)

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 (Note 10).

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	2023	2022	2023	2022
Opening defined benefit obligation	$ 213,821	$ 268,203	$ 6,785	$ 8,843
Current service cost	3,639	6,035	—	—
Interest expense	10,874	8,051	341	253
Decrease in net income before tax	14,513	14,086	341	253
Remeasurements				
Loss (gain) from changes in financial assumptions	10,501	(57,211)	454	(1,718)
Actuarial loss (gain) from member experience	79	5,129	(222)	(162)
Change in effect of asset limit	—	(4,296)	—	—
Decrease (increase) in OCI before tax	10,580	(56,378)	232	(1,880)
Employee contributions	1,271	1,290	—	—
Benefits paid	(9,798)	(13,380)	(352)	(431)
Closing defined benefit obligation	$ 230,387	$ 213,821	$ 7,006	$ 6,785

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

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	2023	2022
Fair value of defined benefit assets at beginning of year	$ 236,884	$ 251,073
Interest income	12,279	7,772
Administrative expense	(399)	(349)
Increase in net income before tax	11,880	7,423
Remeasurements		
Return on plan assets, excluding amounts included in interest income	9,748	(17,510)
Increase (decrease) in OCI before tax	9,748	(17,510)
Employer contributions	6,710	7,988
Employee contributions	1,271	1,290
Benefits paid	(9,798)	(13,380)
Fair value of defined benefit assets at end of year	$ 256,695	$ 236,884

The actual return on defined benefit assets net of administrative expense, for the year ended December 31, 2023 was a gain of $20,088 (2022 - loss of $9,914). Defined benefit plan expense is recognized and allocated between insurance service expenses and non-insurance expenses. Remeasurements in the defined benefit plan are included in OCI. Allocated between insurance service expenses and non-insurance expenses is $4,014 (2022 - $2,964) of employer contributions 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, 2024 are approximately $7,644 (2022 - $7,413).

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			
	2023		2022	
Equity				
Canadian	$ 41,750	16 %	$ 40,021	17 %
Foreign	97,033	38 %	94,008	40 %
Total Equity	138,783	54 %	134,029	57 %
Debt				
Canadian	98,482	38 %	70,250	30 %
Foreign	2,214	1 %	—	— %
Total Debt	100,696	39 %	70,250	30 %
Cash, cash equivalent, accruals	3,711	1 %	4,252	2 %
Mutual Funds	—	— %	14,835	6 %
Other	13,505	6 %	13,518	5 %
Total fair value of assets	$ 256,695	100 %	$ 236,884	100 %

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

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

The following weighted average assumptions were used in actuarial calculations:

	Pension Benefit Plans		Other Post-Employment Benefits Plans	
	2023	2022	2023	2022
Defined benefit obligation as at December 31:				
Discount rate - defined benefit obligation	4.7 %	5.3 %	4.7 %	5.3 %
Discount rate - net interest	5.3 %	3.2 %	5.3 %	3.0 %
Rate of compensation increase (3% after 2023)	4.0 %	5.0 %	n/a	n/a
Assumed health care cost trend rates at December 31:				
Initial health care cost trend rate	n/a	n/a	5.3 %	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:

	2023	2022
Males aged 65 at measurement date	22.29	22.21
Females aged 65 at measurement date	24.95	24.88
Males aged 40 at measurement date	23.40	24.04
Females aged 40 at measurement date	25.96	26.54

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.

During 2023, 430 RSUs and 203 DSUs were granted and 560 RSUs were paid out during the year. At December 31, 2023 $1,784 (2022 - $1,465) was recognized as other liabilities and $319 (2022 - $215) as an operating expense for these awards.

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

15. Insurance contracts and reinsurance contracts held assets/liabilities

Assets and liabilities

The breakdown of groups of insurance contracts and reinsurance contracts held, that are in an asset position and those in a liability position is set out in the table below:

	December 31, 2023			December 31, 2022 - restated			January 1, 2022 restated		
	(Assets)	**Liabilities**	**Total**	(Assets)	Liabilities	Total	(Assets)	Liabilities	Total
Insurance contracts									
Insurance contracts not measured under PAA, excluding segregated fund account balances	$ —	$ 6,311,068	$ 6,311,068	$ —	$ 5,791,737	$ 5,791,737	$ —	$ 7,238,640	$ 7,238,640
Insurance contracts measured under PAA	—	397,366	397,366	—	353,641	353,641	—	359,830	359,830
Insurance contracts, excluding segregated fund account balances	—	6,708,434	6,708,434	—	6,145,378	6,145,378	—	7,598,470	7,598,470
Insurance contracts for segregated fund account balances	—	8,507,285	8,507,285	—	8,278,948	8,278,948	—	8,947,820	8,947,820
Total insurance contracts	—	15,215,719	15,215,719	—	14,424,326	14,424,326	—	16,546,290	16,546,290
Less insurance contracts measured under PAA	—	(397,366)	(397,366)	—	(353,641)	(353,641)	—	(359,830)	(359,830)
Total insurance contracts not measured under PAA	$ —	$14,818,353	$14,818,353	$ —	$14,070,685	$14,070,685	$ —	$16,186,460	$16,186,460
Reinsurance contracts held									
Reinsurance contracts held not measured under PAA	$ (113,071)	$ 253,230	$ 140,159	$ (150,168)	$ 217,056	66,888	$ (132,336)	$ 338,922	206,586
Reinsurance contract held measured under PAA	(168,288)	—	(168,288)	(159,876)	—	(159,876)	(150,963)	—	(150,963)
Total reinsurance contracts held	**$ (281,359)**	**$ 253,230**	**$ (28,129)**	$ (310,044)	$ 217,056	$ (92,988)	$ (283,299)	$ 338,922	$ 55,623

Effect on measurement components of insurance contracts initially recognized in the period

The components of new business for insurance contracts issued applying the VFA or the GMM are disclosed in the table below. There were no insurance contracts acquired in a business combination or portfolio transfer in 2023 or 2022:

	December 31, 2023			December 31, 2022 - restated		
	Non-onerous contracts issued	**Onerous contracts issued**	**Total**	Non-onerous contracts issued	Onerous contracts issued	Total
Insurance contracts initially recognized in the period						
Insurance acquisition cash outflows	$ 94,724	$ 67,368	$ 162,092	$ 100,300	$ 44,844	$ 145,144
Claims and other cash outflows	262,938	151,487	414,425	345,049	90,677	435,726
Estimates of the present value of future cash outflows	357,662	218,855	576,517	445,349	135,521	580,870
Estimates of the present value of future cash inflows	(434,162)	(255,842)	(690,004)	(544,602)	(152,214)	$ (696,816)
Risk adjustment for non-financial risk	39,392	56,572	95,964	60,605	26,075	$ 86,680
Contractual service margin	37,108	—	37,108	38,648	—	$ 38,648
Increase in insurance contract liabilities from contracts recognized in the year	**$ —**	**$ 19,585**	**$ 19,585**	**$ —**	**$ 9,382**	**$ 9,382**

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

Analysis by measurement component for insurance contracts

The tables below present the net asset or liability for insurance contracts issued showing estimates of the present value of expected future cash flows, risk adjustment and CSM by product line.

As at December 31, 2023	**Estimates of present value of future cash flows**	**Risk adjustment for non-financial risk**	**Contractual service margin**		
			Fair value approach	**Post transition**	**Total**
Insurance contracts					
Insurance contracts not measured under PAA, excluding segregated fund account balances					
Wealth Management	$ (316,719)	$ 81,186	$ 718,604	$ 40,162	$ 523,233
Group Solutions	4,580	227	—	—	4,807
Individual Insurance	4,052,159	1,025,096	658,104	47,669	5,783,028
Total	**3,740,020**	**1,106,509**	**1,376,708**	**87,831**	**6,311,068**
Insurance contracts for segregated fund account balances					
Wealth Management	8,489,371	—	—	—	8,489,371
Individual Insurance	17,914	—	—	—	17,914
Total	**8,507,285**	**—**	**—**	**—**	**8,507,285**
Total Insurance contracts not measured under PAA	**$ 12,247,305**	**$ 1,106,509**	**$ 1,376,708**	**$ 87,831**	**$ 14,818,353**

As at December 31, 2022 restated	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin		
			Fair value approach	Post transition	Total
Insurance contracts					
Insurance contracts not measured under PAA, excluding segregated fund account balances					
Wealth Management	$ (333,408)	$ 56,239	$ 766,220	$ 25,034	$ 514,085
Group Solutions	5,197	196	—	—	5,393
Individual Insurance	3,447,753	879,168	922,995	22,342	5,272,258
Total	3,119,542	935,603	1,689,215	47,376	5,791,736
Insurance contracts for segregated fund account balances					
Wealth Management	8,260,834	—	—	—	8,260,834
Individual Insurance	18,114	—	—	—	18,114
Total	8,278,948	—	—	—	8,278,948
Total Insurance contracts not measured under PAA	$ 11,398,490	$ 935,603	$ 1,689,215	$ 47,376	$ 14,070,684

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

The tables below present a roll-forward of the net asset or liability for insurance contracts issued showing estimates of the present value of future cash flows, risk adjustment and CSM. These tables exclude insurance contracts measured using the PAA.

For the year ended December 31, 2023	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin		Total
			Fair value approach	Post transition	
Insurance contracts at beginning of year					
Insurance contract liabilities	$ 3,119,542	$ 935,603	$ 1,689,215	$ 47,376	$ 5,791,736
Insurance contract liabilities for segregated fund account balances	8,278,948	—	—	—	8,278,948
Net insurance contract beginning of year	**11,398,490**	**935,603**	**1,689,215**	**47,376**	**14,070,684**
Changes that relate to current services					
CSM recognized for services provided			(176,342)	(6,505)	(182,847)
Change in risk adjustment for non-financial risk for risk expired		(53,408)			(53,408)
Experience adjustments	13,568				13,568
Changes that relate to future services					
Contracts initially recognized in the period	(113,487)	95,964	—	37,108	19,585
Changes in estimates that adjust the CSM	116,231	39,324	(163,681)	8,126	—
Changes in estimates that do not adjust the CSM	3,383	(19,951)			(16,568)
Changes that relate to past services					
Adjustments to liabilities for incurred claims	(802)	43	—	—	(759)
Insurance service result	**18,893**	**61,972**	**(340,023)**	**38,729**	**(220,429)**
Insurance finance expenses, excluding segregated fund account balances	453,336	108,934	27,516	1,726	591,512
Insurance finance expenses segregated fund account balances	711,118				711,118
Total changes in the statement of (loss) income	**1,183,347**	**170,906**	**(312,507)**	**40,455**	**1,082,201**
Cash flows					
Premiums received	872,649				872,649
Claims and other expenses paid	(547,837)				(547,837)
Insurance acquisition cash flows	(176,563)				(176,563)
Total cash flows	**148,249**				**148,249**
Movements related to insurance contract liabilities for segregated fund account balances	(482,781)				(482,781)
Net insurance contracts at end of year	**$ 12,247,305**	**$ 1,106,509**	**$ 1,376,708**	**$ 87,831**	**$ 14,818,353**
Insurance contracts at end of year					
Insurance contract liabilities	$ 3,740,020	$ 1,106,509	$ 1,376,708	$ 87,831	$ 6,311,068
Insurance contract liabilities for segregated fund account balances	8,507,285	—	—	—	8,507,285
Net insurance contracts at end of year	**$ 12,247,305**	**$ 1,106,509**	**$ 1,376,708**	**$ 87,831**	**$ 14,818,353**

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

For the year ended December 31, 2022 - restated	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin		Total
			Fair value approach	Post transition	
Insurance contracts at beginning of year					
Insurance contract liabilities	$ 4,503,851	$ 1,190,973	$ 1,543,816	$ —	$ 7,238,640
Insurance contract liabilities for segregated fund account balances	8,947,820	—	—	—	8,947,820
Net insurance contract beginning of year	13,451,671	1,190,973	1,543,816	—	16,186,460
Changes that relate to current services					
CSM recognized for services provided			(182,808)	(2,082)	(184,890)
Change in risk adjustment for non-financial risk for risk expired		(49,774)			(49,774)
Experience adjustments	13,776				13,776
Changes that relate to future services					
Contracts initially recognized in the period	(115,946)	86,680	—	38,648	9,382
Changes in estimates that adjust the CSM	(256,905)	(51,176)	297,714	10,367	—
Changes in estimates that do not adjust the CSM	(63)	(6,248)			(6,311)
Changes that relate to past services					
Adjustments to liabilities for incurred claims	(185)	12	—	—	(173)
Insurance service result	(359,323)	(20,506)	114,906	46,933	(217,990)
Insurance finance (income) expenses, excluding segregated fund account balances	(1,257,299)	(234,864)	30,493	443	(1,461,227)
Insurance finance income segregated fund account balances	(342,957)				(342,957)
Total changes in the statement of (loss) income	(1,959,579)	(255,370)	145,399	47,376	(2,022,174)
Cash flows					
Premiums received	830,212				830,212
Claims and other expenses paid	(437,005)				(437,005)
Insurance acquisition cash flows	(160,894)				(160,894)
Total cash flows	232,313				232,313
Movements related to insurance contract liabilities for segregated fund account balances	(325,915)				(325,915)
Net insurance contracts at end of year	$ 11,398,490	$ 935,603	$ 1,689,215	$ 47,376	$ 14,070,684
Insurance contracts at end of year					
Insurance contract liabilities	$ 3,119,542	$ 935,603	$ 1,689,215	$ 47,376	$ 5,791,736
Insurance contract liabilities for segregated fund account balances	8,278,948	—	—	—	8,278,948
Net insurance contracts at end of year	$ 11,398,490	$ 935,603	$ 1,689,215	$ 47,376	$ 14,070,684

Analysis of contractual service margin for insurance contracts by product line

For the year ended		**December 31, 2023**			December 31, 2022 - restated	
	Wealth Management	**Individual Insurance**	**Total**	Wealth Management	Individual Insurance	Total
Contractual service margin at beginning of year	$ 791,254	$ 945,337	$ 1,736,591	$ 567,288	$ 976,528	$ 1,543,816
CSM recognized for services provided	(100,360)	(82,487)	(182,847)	(98,995)	(85,895)	(184,890)
Contracts initially recognized in the period	13,920	23,188	37,108	20,500	18,148	38,648
Changes in estimates that adjust the CSM	53,223	(208,778)	(155,555)	301,942	6,139	308,081
Interest accretion	729	28,513	29,242	519	30,417	30,936
Contractual service margin at end of year	**$ 758,766**	**$ 705,773**	**$ 1,464,539**	$ 791,254	$ 945,337	$ 1,736,591

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

Total changes in estimates that adjust the CSM include $71,000 (2022 $281,000) of changes in the effect of time value of money and financial risk relating to contracts measured using the VFA in the Company's Wealth Management and Individual Insurance product lines.

Changes in estimates that adjust the CSM also include assumption updates that relate to:

- Lapse impacts and updates to the Segregated fund and Universal life products;
- Expense assumptions to reflect the Company's experience with respect to inflation and changes to operations; and
- Mortality updates to future mortality experience, which was unfavourable to the CSM for the Individual life line of business, partially offset by similar updates for the Fixed annuity business

Analysis by remaining coverage and incurred claims for insurance contracts

The table below present a roll-forward of the net asset or liability for all insurance contracts issued showing liabilities for remaining coverage and liability for incurred claims by product line. These tables include insurance contracts measured using the PAA.

As at December 31, 2023	Remaining coverage		Incurred claims			Total
				Contracts using PAA		
	Excluding loss component	Loss component	Contracts not using PAA	Estimate of PV of future cash flows	Risk adjustment	
Insurance contracts						
Wealth Management	$ 8,981,914	$ 1,448	$ 29,242	$ —	$ —	$ 9,012,604
Group Solutions	(7,685)	—	—	375,077	34,781	402,173
Individual Insurance	5,666,506	5,629	128,807	—	—	5,800,942
Total insurance contracts	**$14,640,735**	**$ 7,077**	**$ 158,049**	**$ 375,077**	**$ 34,781**	**$15,215,719**

As at December 31, 2022 - restated	Remaining coverage		Incurred claims			Total
				Contracts using PAA		
	Excluding loss component	Loss component	Contracts not using PAA	Estimate of PV of future cash flows	Risk adjustment	
Insurance contracts						
Wealth Management	$ 8,748,487	$ —	$ 26,432	$ —	$ —	$ 8,774,919
Group Solutions	(6,945)	—	—	332,098	33,882	359,035
Individual Insurance	5,148,630	3,794	137,948	—	—	5,290,372
Total insurance contracts	$13,890,172	$ 3,794	$ 164,380	$ 332,098	$ 33,882	$14,424,326

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

The table below present a roll-forward of the net asset or liability for all insurance contracts issued showing liabilities for remaining coverage and liability for incurred claims. These tables include insurance contracts measured using the PAA.

For the year ended December 31, 2023	Remaining coverage		Incurred claims			Total
				Contracts using PAA		
	Excluding loss component	Loss component	Contracts not using PAA	Estimate of PV of future cash flows	Risk adjustment	
Insurance contracts at beginning of year						
Insurance contract liabilities	$ 5,611,224	$ 3,794	$ 164,380	$ 332,098	$ 33,882	$ 6,145,378
Insurance contract liabilities for segregated fund account balances	$ 8,278,948	$ —	$ —	$ —	$ —	$ 8,278,948
Net insurance contract at beginning of year	**13,890,172**	**3,794**	**164,380**	**332,098**	**33,882**	**14,424,326**
Insurance service revenue						
Contracts under fair value approach	(634,813)					(634,813)
Contracts post transition	(690,695)					(690,695)
Insurance service expenses						—
Incurred claims and other expenses		(334)	434,736	601,482	—	1,035,884
Amortization of insurance acquisition cash flows	35,524					35,524
Losses and reversal of losses on onerous contracts		3,016				3,016
Adjustments to liabilities for incurred claims			—	(1,651)	(1,224)	(2,875)
Investment components	(106,770)		106,770			—
Insurance service result	**(1,396,754)**	**2,682**	**541,506**	**599,831**	**(1,224)**	**(253,959)**
Insurance finance expenses, excluding segregated fund account balances	590,951	601	—	19,717	2,123	613,392
Insurance finance expenses segregated fund account balances	711,118					711,118
Total changes in the statement of (loss) income	**(94,685)**	**3,283**	**541,506**	**619,548**	**899**	**1,070,551**
Cash flows						
Premiums received	1,504,592					1,504,592
Claims and other expenses paid			(547,837)	(576,569)		(1,124,406)
Insurance acquisition cash flows	(176,563)					(176,563)
Total cash flows	**1,328,029**		**(547,837)**	**(576,569)**		**203,623**
Movements related to insurance contract liabilities for segregated fund account balances	(482,781)		—			(482,781)
Net insurance contract at end of year	**$14,640,735**	**$ 7,077**	**$ 158,049**	**$ 375,077**	**$ 34,781**	**$15,215,719**
Insurance contracts at end of year						
Insurance contract liabilities	$ 6,133,450	$ 7,077	$ 158,049	$ 375,077	$ 34,781	$ 6,708,434
Insurance contract liabilities for segregated fund account balances	8,507,285	—	—	—	—	8,507,285
Net insurance contract at end of year	**$14,640,735**	**$ 7,077**	**$ 158,049**	**$ 375,077**	**$ 34,781**	**$15,215,719**

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

For the year ended December 31, 2022 - restated	Remaining coverage		Incurred claims			Total
				Contracts using PAA		
	Excluding loss component	Loss component	Contracts not using PAA	Estimate of PV of future cash flows	Risk adjustment	
Insurance contracts at beginning of year						
Insurance contract liabilities	$ 7,133,726	$ —	$ 98,749	$ 332,151	$ 33,844	$ 7,598,470
Insurance contract liabilities for segregated fund account balances	8,947,820	—	—	—	—	8,947,820
Net insurance contract at beginning of year	16,081,546	—	98,749	332,151	33,844	16,546,290
Insurance service revenue						
Contracts under fair value approach	(623,380)					(623,380)
Contracts post transition	(631,969)					(631,969)
Insurance service expenses						—
Incurred claims and other expenses		(104)	405,620	555,774	—	961,290
Amortization of insurance acquisition cash flows	24,992					24,992
Losses and reversal of losses on onerous contracts		3,071				3,071
Adjustments to liabilities for incurred claims			—	26,064	2,693	28,757
Investment components	(97,016)		97,016			—
Insurance service result	(1,327,373)	2,967	502,636	581,838	2,693	(237,239)
Insurance finance (income) expenses, excluding segregated fund account balances	(1,462,032)	827	—	(21,058)	(2,655)	(1,484,918)
Insurance finance income segregated fund account balances	(342,957)					(342,957)
Total changes in the statement of (loss) income	(3,132,362)	3,794	502,636	560,780	38	(2,065,114)
Cash flows						
Premiums received	1,427,797					1,427,797
Claims and other expenses paid			(437,005)	(560,833)		(997,838)
Insurance acquisition cash flows	(160,894)					(160,894)
Total cash flows	1,266,903	—	(437,005)	(560,833)		269,065
Movements related to insurance contract liabilities for segregated fund account balances	(325,915)		—			(325,915)
Net insurance contract at end of year	$13,890,172	$ 3,794	$ 164,380	$ 332,098	$ 33,882	$14,424,326
Insurance contracts at end of year						
Insurance contract liabilities	$ 5,611,224	$ 3,794	$ 164,380	$ 332,098	$ 33,882	$ 6,145,378
Insurance contract liabilities for segregated fund account balances	8,278,948	—	—	—	—	8,278,948
Net insurance contracts at end of year	$13,890,172	$ 3,794	$ 164,380	$ 332,098	$ 33,882	$14,424,326

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

Insurance service revenue

For the year ended		December 31, 2023		December 31, 2022 restated
Insurance service revenue				
Contracts not measured under the PAA				
Amounts relating to changes in liabilities for remaining coverage				
CSM recognized for services provided	$	182,848	$	184,890
Change in risk adjustment for non-financial risk for risk expired		53,284		49,730
Expected claims and other insurance service expenses		415,177		391,808
Recovery of insurance acquisition cash flows		35,524		24,992
Total		**686,833**		**651,420**
Contracts measured under the PAA		638,675		603,929
Total insurance service revenue	**$**	**1,325,508**	**$**	**1,255,349**

Expected remaining CSM recognition for insurance contracts

	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	More than 10 years	Total
December 31, 2023	**$ 150,637**	**$ 136,156**	**$ 123,865**	**$ 111,999**	**$ 101,043**	**$ 366,474**	**$ 474,365**	**$1,464,539**
December 31, 2022	$ 171,216	$ 155,474	$ 141,915	$ 129,078	$ 117,001	$ 430,019	$ 591,888	$1,736,591

Effect on measurement components of reinsurance contracts held initially recognized in the period

For the year ended		December 31, 2023		December 31, 2022 restated
New business reinsurance contracts held				
Estimates of present value of cash outflows	$	203,826	$	177,055
Estimates of present value of cash inflows		(192,384)		(168,940)
Risk adjustment for non-financial risk		(45,207)		(39,626)
Contractual service margin		25,000		25,714
Amount included in reinsurance contacts held (assets) liabilities for the year		**(8,765)**		**(5,797)**

Analysis by measurement component for reinsurance contracts held

The tables below present the net asset or liability for reinsurance contracts held showing estimates of the present value of future cash flows, risk adjustment and CSM by product line.

As at December 31, 2023		Estimates of present value of future cash flows		Risk adjustment for non-financial risk		Contractual service margin				Total
						Fair value approach		Post transition		
Reinsurance contracts held										
Reinsurance contracts held not measured under PAA										
Wealth Management	$	(12,364)	$	(603)	$	945	$	—	$	(12,022)
Individual Insurance		602,699		(400,031)		(95,529)		45,042		152,181
Total	**$**	**590,335**	**$**	**(400,634)**	**$**	**(94,584)**	**$**	**45,042**	**$**	**140,159**

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

As at December 31, 2022 - restated	Estimates of present value of future cash	Risk adjustment for non-financial risk	Contractual service margin		Total
			Fair value approach	Post transition	
Reinsurance contracts held					
Reinsurance contracts held not measured under PAA					
Wealth Management	$ (14,136)	$ (730)	$ 1,232	$ —	$ (13,634)
Individual Insurance	618,123	(343,812)	(214,397)	20,608	80,522
Total	$ 603,987	$ (344,542)	$ (213,165)	$ 20,608	$ 66,888

The tables below present a roll-forward of the net asset or liability for reinsurance contracts held showing estimates of the present value of future cash flows, risk adjustment and CSM. These tables exclude reinsurance contracts held measured using the PAA.

For the year ended December 31, 2023	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin		Total
			Fair value approach	Post transition	
Reinsurance contracts held at beginning of year					
Reinsurance contracts held (assets)	$ 343,690	$ (264,761)	$ (249,563)	$ 20,466	$ (150,168)
Reinsurance contract held liabilities	260,297	(79,781)	36,398	142	217,056
Net reinsurance contracts held at beginning of year	**603,987**	**(344,542)**	**(213,165)**	**20,608**	**66,888**
Changes that relate to current services					
CSM recognized for services provided			22,797	(3,721)	19,076
Risk adjustment recognized for non-financial risk expired		21,510			21,510
Experience adjustments	16,491				16,491
Changes that relate to future services					
Contracts initially recognized in the period	11,442	(45,207)	—	25,000	(8,765)
Changes in estimates that adjust the CSM	(109,634)	10,346	100,461	(1,173)	—
Changes in estimates that adjust recoveries of losses on onerous underlying contracts	4,147	(295)			3,852
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM			1,448	2,568	4,016
Changes that relate to past services					
Changes in amounts recoverable arising from changes in liability for incurred claims	3,781	—			3,781
Reinsurance service result	**(73,773)**	**(13,646)**	**124,706**	**22,674**	**59,961**
Reinsurance finance (income) expenses	96,785	(42,446)	(6,125)	1,760	49,974
Total changes in the statement of income (loss)	**23,012**	**(56,092)**	**118,581**	**24,434**	**109,935**
Cash flows					
Premiums paid	(127,090)				(127,090)
Amounts received	90,426				90,426
Total cash flows	**(36,664)**				**(36,664)**
Net reinsurance contracts at end of year	**$ 590,335**	**$ (400,634)**	**$ (94,584)**	**$ 45,042**	**$ 140,159**
Reinsurance contracts held at end of year					
Reinsurance contracts held (assets)	$ 338,565	$ (318,235)	$ (178,218)	$ 44,817	$ (113,071)
Reinsurance contract held liabilities	251,770	(82,399)	83,634	225	253,230
Net reinsurance contracts held at end of year	**$ 590,335**	**$ (400,634)**	**$ (94,584)**	**$ 45,042**	**$ 140,159**

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

For the year ended December 31, 2022 - restated	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin		Total
			Fair value approach	Post transition	
Reinsurance contracts held (excluding PAA contracts)					
Reinsurance contracts held (assets) at beginning of year	$ 408,519	$ (300,711)	$ (240,144)	$ —	$ (132,336)
Reinsurance contract held liabilities at beginning of year	388,181	(103,581)	54,322	—	338,922
Net reinsurance contracts held at beginning of year	796,700	(404,292)	(185,822)	—	206,586
Changes that relate to current services					
CSM recognized for services received			22,917	(1,143)	21,774
Risk adjustment recognized for non-financial risk expired		18,368			18,368
Experience adjustments	(2,922)				(2,922)
Changes that relate to future services					
Contracts initially recognized in the period	8,115	(39,626)	—	25,714	(5,797)
Changes in estimates that adjust the CSM	59,510	(8,646)	(44,729)	(6,135)	—
Changes in estimates that adjust recoveries of losses on onerous underlying contracts	486	(36)			450
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM			505	1,676	2,181
Changes that relate to past services					
Changes in amounts recoverable arising from changes in liability for incurred claims	—	—			—
Reinsurance service result	65,189	(29,940)	(21,307)	20,112	34,054
Reinsurance finance (income) expenses	(176,589)	89,690	(6,036)	496	(92,439)
Total changes in the statement of (loss) income	(111,400)	59,750	(27,343)	20,608	(58,385)
Cash flows					
Premiums paid	(177,060)				(177,060)
Amounts received	95,747				95,747
Total cash flows	(81,313)				(81,313)
Net reinsurance contracts held at end of year	$ 603,987	$ (344,542)	$ (213,165)	$ 20,608	$ 66,888
Reinsurance contracts held (excluding PAA contracts)					
Reinsurance contracts held (assets) at end of year	$ 343,690	$ (264,761)	$ (249,563)	$ 20,466	$ (150,168)
Reinsurance contract held liabilities at end of year	260,297	(79,781)	36,398	142	217,056
Net reinsurance contracts held at end of year	$ 603,987	$ (344,542)	$ (213,165)	$ 20,608	$ 66,888

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

Analysis of contractual service margin for reinsurance contracts held by product line

For the year ended	December 31, 2023			December 31, 2022 - restated		
	Wealth Management	**Individual Insurance**	**Total**	Wealth Management	Individual Insurance	Total
Contractual service margin at beginning of year	$ 1,232	$ (193,789)	$ (192,557)	$ 252	$ (186,074)	$ (185,822)
CSM recognized for services received	(267)	19,343	19,076	(149)	21,923	21,774
Contracts initially recognized in the period	—	25,000	25,000	—	25,714	25,714
Changes in estimates that adjust the CSM	(59)	99,347	99,288	1,113	(51,977)	(50,864)
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM	—	4,016	4,016	—	2,181	2,181
Interest accretion	39	(4,404)	(4,365)	16	(5,556)	(5,540)
Contractual service margin at end of year	**$ 945**	**$ (50,487)**	**$ (49,542)**	$ 1,232	$ (193,789)	$ (192,557)

Analysis by remaining coverage and incurred claims for reinsurance contracts held

The tables below present a roll-forward of the net asset or liability for all reinsurance contracts held showing (assets) liabilities for remaining coverage and amounts recoverable on incurred claims by product line.

As at December 31, 2023	**Remaining coverage**		**Incurred claims**			**Total**
				Contracts using PAA		
	Excluding loss recovery component	**Loss recovery component**	**Contracts not using PAA**	**Estimate of PV of future cash flows**	**Risk adjustment**	
Reinsurance contracts held						
Wealth Management	$ (16,608)	$ —	$ 4,586	$ —	$ —	$ (12,022)
Group Solutions	(4,375)	—	—	(154,192)	(14,096)	(172,663)
Individual Insurance	153,437	(2,539)	5,658	—	—	156,556
Total insurance contracts	**$ 132,454**	**$ (2,539)**	**$ 10,244**	**$ (154,192)**	**$ (14,096)**	**$ (28,129)**

As at December 31, 2022 - restated	Remaining coverage		Incurred claims			Total
				Contracts using PAA		
	Excluding loss recovery component	Loss recovery component	Contracts not using PAA	Estimate of PV of future cash flows	Risk adjustment	
Reinsurance contracts held						
Wealth Management	$ (22,412)	$ —	$ 8,778	$ —	$ —	$ (13,634)
Group Solutions	—	—	—	(145,837)	(14,039)	(159,876)
Individual Insurance	80,109	(2,789)	3,202	—	—	80,522
Total insurance contracts	$ 57,697	$ (2,789)	$ 11,980	$ (145,837)	$ (14,039)	$ (92,988)

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

The tables below present a roll-forward of the net asset or liability for all reinsurance contracts held showing (assets) liabilities for remaining coverage and amounts recoverable on incurred claims.

For the year ended December 31, 2023	Remaining coverage		Incurred claims			Total
				Contracts using PAA		
	Excluding loss recovery component	Loss recovery component	Contracts not using PAA	Estimate of PV of future cash flows	Risk adjustment	
Reinsurance contracts held (assets) liabilities at beginning of year						
Reinsurance contracts held (assets)	$ (147,379)	$ (2,789)	$ —	$ (145,837)	$ (14,039)	$ (310,044)
Reinsurance contracts held liabilities	205,076	—	11,980	—	—	217,056
Net reinsurance contract held (assets) liabilities at beginning of year	**57,697**	**(2,789)**	**11,980**	**(145,837)**	**(14,039)**	**(92,988)**
Allocation of premiums paid						
Contracts under fair value approach	141,464					141,464
Contracts post transition	157,089					157,089
Amounts recoverable from reinsurers						
Amounts recoverable for claims and other expenses incurred in the period		1,408	(95,943)	(136,325)	—	(230,860)
Changes in amounts recoverable from changes in liability for incurred claims			3,781	1,177	882	5,840
Changes in fulfilment cash flows which relate to onerous underlying contracts		(896)				(896)
Net income or expense from reinsurance contracts held	**298,553**	**512**	**(92,162)**	**(135,148)**	**882**	**72,637**
Reinsurance finance income (expenses)	50,236	(262)	—	(9,532)	(939)	39,503
Total changes in the statement of operations	**348,789**	**250**	**(92,162)**	**(144,680)**	**(57)**	**112,140**
Cash flows						
Premiums paid	(274,032)					(274,032)
Amounts received			90,426	136,325		226,751
Total cash flows	**(274,032)**	**—**	**90,426**	**136,325**	**—**	**(47,281)**
Net reinsurance contracts held liabilities (assets) at end of year	**$ 132,454**	**$ (2,539)**	**$ 10,244**	**$ (154,192)**	**$ (14,096)**	**$ (28,129)**
Reinsurance contracts held (assets) liabilities at end of year						
Reinsurance contracts held (assets)	$ (114,315)	$ (2,539)	$ 3,783	$ (154,192)	$ (14,096)	$ (281,359)
Reinsurance contracts held liabilities	246,769	—	6,461	—	—	253,230
Net reinsurance contract held (assets) liabilities at end of year	**$ 132,454**	**$ (2,539)**	**$ 10,244**	**$ (154,192)**	**$ (14,096)**	**$ (28,129)**

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

For the year ended December 31, 2022 - restated	Remaining coverage		Incurred claims			Total
				Contracts using PAA		
	Excluding loss recovery component	Loss recovery component	Contracts not using PAA	Estimate of PV of future cash flows	Risk adjustment	
Reinsurance contracts held (assets) liabilities at beginning of year						
Reinsurance contracts held (assets)	$ (132,335)	$ —	$ —	$ (136,674)	$ (14,290)	$ (283,299)
Reinsurance contracts held liabilities	317,203	—	21,719	—	—	338,922
Net reinsurance contract held (assets) liabilities at beginning of year	184,868	—	21,719	(136,674)	(14,290)	55,623
Allocation of premiums paid						
Contracts under fair value approach	138,191					138,191
Contracts post transition	153,107					153,107
Amounts recoverable from reinsurers						
Amounts recoverable for claims and other expenses incurred in the period		443	(105,486)	(120,427)	—	(225,470)
Changes in amounts recoverable from changes in liability for incurred claims			—	(17,505)	(729)	(18,234)
Changes in fulfilment cash flows which relate to onerous underlying contracts		(3,166)				(3,166)
Net income or expense from reinsurance contracts held	291,298	(2,723)	(105,486)	(137,932)	(729)	44,428
Reinsurance finance income (expenses)	(92,261)	(66)	—	8,342	980	(83,005)
Total changes in the statement of income (loss)	199,037	(2,789)	(105,486)	(129,590)	251	(38,577)
Cash flows						
Premiums paid	(326,208)					(326,208)
Amounts received			95,747	120,427		216,174
Total cash flows	(326,208)	—	95,747	120,427	—	(110,034)
Net reinsurance contracts held liabilities (assets) at end of year	$ 57,697	$ (2,789)	$ 11,980	$ (145,837)	$ (14,039)	$ (92,988)
Reinsurance contracts held (assets) liabilities at end of year						
Reinsurance contracts held assets	$ (147,379)	$ (2,789)	$ —	$ (145,837)	$ (14,039)	$ (310,044)
Reinsurance contracts held liabilities	205,076	—	11,980	—	—	217,056
Net reinsurance contract held liabilities/(assets) at end of year	$ 57,697	$ (2,789)	$ 11,980	$ (145,837)	$ (14,039)	$ (92,988)

Expected remaining CSM recognition for reinsurance contracts held

	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	More than 10 years	Total
December 31, 2023	**$ (9,277)**	**$ (8,223)**	**$ (7,244)**	**$ (6,311)**	**$ (5,424)**	**$ (15,374)**	**$ 2,311**	**$ (49,542)**
December 31, 2022	$ (22,658)	$ (20,648)	$ (18,658)	$ (16,802)	$ (14,986)	$ (51,078)	$ (47,727)	$ (192,557)

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

16. Capital stock

		2023		2022	
	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	3,461,722	62,346	3,557,090	64,063
Total			$ 362,347		$ 364,064

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, 2023 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.

(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.

(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 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.

Normal course issuer bid

On March 6, 2023, the Company obtained approval from the TSX to renew its normal course issuer bid ("NCIB") to purchase up to 177,854 common shares between March 9, 2023 and March 8, 2024. 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.

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

During 2023, 4,700 common shares (2022 - 40,660) were purchased under the NCIB at an average price of $900.78 per share (2022 - $872.05) for a total consideration of $4,234 (2022 - $35,458).

Substantial issuer bid

On November 7, 2023 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 December 31, 2023 the Company had taken up and paid for 90,668 common shares at a price of $1,050.00 per common share. The Common Shares acquired under the SIB represent an aggregate purchase price of $95,201. As required by security legislation, the Company suspended any purchases of common shares under the NCIB during the SIB.

The total amount paid to purchase common 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.

In the prior year, the Company completed an 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 movement in common share capital is as follows:

		2023		2022
Common shares	Number of shares	Share capital	Number of shares	Share capital
Balance, beginning of the period	3,557,090	$ 64,063	3,701,376	$ 66,662
Repurchase and cancellation of shares:				
NCIB	(4,700)	(84)	(40,660)	(733)
SIB	(90,668)	(1,633)	(103,626)	(1,866)
Balance, end of the period	3,461,722	$ 62,346	3,557,090	$ 64,063

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

Dividends

Dividends declared during the year were as follows:

		2023		2022
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 $3.75 per share[(1)]		52,964		36,170
Special cash dividend, $nil (2022 - $25.00) per share		—		92,279
Total	$	68,514	$	143,999

[(1)] At the March 2, 2023 meeting, the Board of Directors approved an increase to the Company's quarterly dividend from $2.50 to $3.75 per common share effective for dividends payable on April 17, 2023.

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 $51,531 (2022 - $125,175).

The following dividends were declared by the Board of Directors at their meeting on March 7, 2024, with a record and payable date of March 28, 2024 and April 17, 2024, 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.

The dividends declared at the March 7, 2024 meeting will be recorded in the first quarter of 2024.

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

17. Borrowings

The table below presents the debt obligations of the Company:

As at December 31	Interest rate	Earliest par call or redemption date	Maturity	2023 Carrying value	2023 Fair value	2022 Carrying value	2022 Fair value
Empire Life							
Series 2017-1[1]	3.664 %	03/15/23	2028	$ —		$ 199,964	
Series 2021-1[2]	2.024 %	09/24/26	2031	199,435		199,165	
Series 2023-1[3]	5.503 %	01/13/28	2033	199,462		—	
Total subordinated debt				$ 398,897	$ 385,674	$ 399,129	$ 374,616
E-L Corporate							
Senior unsecured notes[4]	4.000 %		2050	$ 199,271	$ 171,804	$ 198,786	$ 155,164
Margin loan[5]				95,201	95,201	55,000	55,000
Operating facility[6]				40,000	40,000	50,000	50,000
Total borrowings				$ 733,369	$ 692,679	$ 702,915	$ 634,780

(1) All of the outstanding Series 2017-1 Unsecured Debentures were redeemed on March 15, 2023.

(2) Unsecured Debentures due 2031. From September 24, 2026, interest is payable at 0.67% over CDOR.

(3) Unsecured Debentures due 2033. From January 13, 2028, interest is payable at 2.26% over CORRA.

(4) 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.

(5) The margin loan is pledged with investments from the Investment - corporate portfolio as collateral under this loan. Interest on the loan accrues at the Bank of Canada overnight rate plus 75 basis points.

(6) The operating facility is pledged with 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.

18. Operating expenses

Operating expenses include the following:

	2023	2022 restated
Salary and benefits expense	$ 63,888	$ 36,948
Rent, maintenance and amortization of right-of-use assets	9,766	11,372
Professional services	10,653	7,148
Amortization of assets	9,116	3,466
Other	35,341	32,373
Total	$ 128,764	$ 91,307

19. Income taxes

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

	2023	2022 restated
Income taxes at statutory rate	$ 337,446	$ (148,817)
Variance as a result of:		
Tax-paid dividends	(22,967)	(20,125)
Non-taxable portion of investment gains	(131,693)	94,032
Other	(3,430)	(7,929)
Income tax expense	$ 179,356	$ (82,839)

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

The current enacted corporate tax rates as they impact the Company in 2023 stand at 26.5% (2022 - 26.5%).

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

	2023	2022 restated
Current	$ 74,418	$ 4,135
Deferred	104,938	(86,974)
Income tax expense	$ 179,356	$ (82,839)

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:

	2023	2022 restated
Deferred tax asset [1]		
Investments	973	(1,545)
Insurance contract liabilities	91,150	94,051
Post-employment benefit plans	(3,798)	(2,981)
Other	1,119	98
Total	$ 89,444	$ 89,623

[1] Of the above total, $89,444 (2022 - $37,050) is expected to be paid more than one year after the reporting date.

	2023	2022 restated
Deferred tax liabilities [1]		
Investments	$ (354,977)	$ (250,468)
Losses recoverable in future years	—	—
Other	3,408	3,027
Total	$ (351,569)	$ (247,441)

[1] Of the above total, $311,879 (2022 - $293,112) is expected to be paid more than one year after the reporting date.

The net movement on the deferred income tax are as follows:

	2023	2022 restated
Deferred income tax net liability - beginning of year	$ (157,818)	$ (235,091)
Deferred income tax (expense) benefit :		
Statement of income	(104,938)	86,974
Other comprehensive income	140	(9,707)
Other	491	6
Net change	$ (262,125)	$ (157,818)

During 2023, the Company and its subsidiaries paid income tax installments and assessments totaling $32,327 (2022 - $38,836) and (refund) paid income taxes totaling $(25,645) (2022 - $38,374).

20. Earnings per share

Earnings per share has been calculated by dividing consolidated net 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 3,550,301 (2022 - 3,645,914) less 95,340 (2022 - 93,852) in reciprocal holdings, which is the Company's proportionate interest in its own common shares held indirectly through its associate, Economic.

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

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

		2023		2022
Basic earnings per common share:				restated
Net income available to shareholders	$	933,177	$	(325,564)
Less: Dividends on First Preference shares		(15,550)		(15,550)
Net income after dividends on First Preference shares	$	917,627	$	(341,114)
Weighted average number of common shares outstanding [(1)]		3,454,961		3,552,062
Basic earnings per common share from net income	$	265.60	$	(96.03)
Diluted earnings per common share:				
Net income available to shareholders	$	933,177	$	(325,564)
Weighted average number of common shares outstanding [(1)]		3,454,961		3,552,062
Dilutive effect of the conversion of First Preference Shares into common shares		350,274		348,051
Weighted average number of diluted common shares outstanding [(1)]		3,805,235		3,900,113
Diluted earnings per common share from net income	$	245.24	$	(96.03)

[(1)] Net of reciprocal holdings

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, 2023, E-L Corporate has $254,185 (2022 - $156,020) in unfunded commitments in limited partnerships.

Empire Life has $4,141 as of December 31, 2023 (2022 - $5,543) in unfunded commitments as at December 31, 2023. These outstanding commitments are payable at any time up to and including December 31, 2033.

22. E-L Corporate risk management

The objective of E-L Corporate'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 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, based on the market prices 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 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 investment return and future investment activity assumptions; 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.

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

E-L Corporate owns investments in global equities and fixed income securities directly and indirectly through 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.

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:

As at	December 31, 2023	December 31, 2022
Cash and cash equivalents	$ 93,154	$ 127,423
Preferred shares	1,434	2,887
Accrued investment income	4,960	3,929
Total	$ 99,548	$ 134,239

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.

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.

E-L Corporate's liquidity is comprised of $93,154 in cash and cash equivalents at December 31, 2023 (2022 - $127,423).

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

Market 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.

E-L Corporate is not subject to significant interest rate risk, as its only fixed-interest investments and loan payable are short term in nature.

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.

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.

		2023		2022
	Effect on shareholders' net income	Effect on shareholders' OCI	Effect on shareholders' net income	Effect on shareholders' OCI
Corporate Investments:				
Investments - corporate				
10% fluctuation	$ 494,954	$ nil	$ 417,261	$ nil
20% fluctuation	$ 989,908	$ nil	$ 834,522	$ nil
Investments in associates				
10% fluctuation	$ 19,063	$ nil	$ 17,921	$ nil
20% fluctuation	$ 38,126	$ nil	$ 35,842	$ nil

Concentration of common equity holdings

E-L Corporate has a $955,334 (2022 - $786,898) investment in an exchange traded fund which tracks the S&P 500 index representing 14% of E-L Corporate's total investments.

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 approximately $291,741 (2022 – $235,083) affect on shareholders' net income and $8,075 (2022 – $11,403) on other comprehensive income.

23. Empire Life risk management

Empire Life is exposed to risks arising from its investing activities and its insurance operations. The following sections describe some of the principal risks and associated risk management strategies for the risks related to market, liquidity, credit and product.

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 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 variable, 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 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, CSM, Equity 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. Amounts disclosed in this note do not incorporate an adjustment for non-controlling interests. References in this note to the Board of Directors, Committees, and policies are for those of Empire Life.

Market risk

Market risk is the risk of loss arising from adverse changes in market rates and prices such as interest rates, prices of equities, real estate and other securities, credit spreads, foreign exchange rates and inflation.

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 Empire Life's investment portfolio. Under the Canadian insurance accounting and regulatory regime, Empire Life's results for any period reflect equity market values and interest rates at the end of the period through mark-to-market accounting. Consequently, a decline in public equity market values or changes in interest rates or spreads could result in material changes to net income attributed to shareholders, increases to regulatory capital requirements and reduction in Empire Life's capital adequacy ratios. Empire Life buys investment quality bonds to support, to a very large extent, the liabilities under the insurance and annuity policies of Empire Life. Empire Life's investment strategy also includes the use of publicly-listed common stocks or exchange-traded funds ("ETFs") to support the liabilities under its insurance policies. Cash flows arising from these investments are intended to match the liquidity requirements of Empire Life's policies, within the limits prescribed by Empire Life. However, if Empire Life does not achieve the expected returns underlying the pricing of its products, its net income may be adversely affected.

Furthermore, a decrease in the fair value of Empire Life's common stock portfolio results in reduced shareholders' equity, reduced participating account surplus and a reduced LICAT ratio. Regulatory pressure to increase capital escalates as the LICAT ratio approaches OSFI's supervisory minimum. Net income would also be reduced if the declines in value are realized through dispositions.

Empire Life manages this risk exposure mainly through investment limits and oversight of its investment managers by the Chief Investment Officer, Chief Actuary, the Asset Management Committee, and the Investment Committee of the Board. The Investment Committee actively monitors the investment portfolio and asset mix.

Empire Life's general fund investments are subject to limits established by the Insurance Companies Act and to investment guidelines established by the Investment Committee of the Board. The investment guidelines are designed to limit overall market risk by defining investment objectives, eligible investments, diversification criteria, exposure, concentration and asset quality limits for eligible investments by product line. On at least a quarterly basis, management and Empire Life's investment managers report to the Investment Committee, and through the Investment Committee to the Board, on the performance of general and segregated funds and compliance with the investment guidelines.

Empire Life has an Asset Management Committee, which meets regularly and reports at least quarterly to the Investment Committee of the Board. The mandate of the Asset Management Committee includes monitoring the position of Empire Life's investments in relation to its liabilities within Empire Life's various product lines. The process is designed so that assets supporting insurance contract liabilities align with 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. Investments and asset/liability management guidelines, which are reviewed regularly with the Investment Committee, have been established to govern these activities.

Empire Life has established a Capital Management Policy, capital management levels that exceed regulatory minimums and Financial Condition Testing ("FCT") that takes into account the potential effect of adverse risk scenarios (including adverse market conditions and adverse interest rates) on Empire Life's capital position and liquidity. Management monitors its LICAT ratio on a regular basis and reports at least quarterly to the Board on Empire Life's LICAT ratio.

For Empire Life, the most significant market risks are equity risk, interest rate risk and foreign exchange risk.

a) Equity risk

Empire Life's investment portfolio consists primarily of bonds and equity securities and the fair value of its investments varies according to changes in general economic and securities market conditions, including volatility and declines in equity markets. Equity market volatility could occur as a result of general market volatility or as a result of specific social, political or economic events. A decline in securities markets could have an adverse impact on the return on assets backing capital, capital adequacy, and the management fees collected on segregated fund contracts and on index funds within universal life contracts and insurance contract liabilities and capital requirements, particularly in respect of segregated fund guarantees.

The risk of fluctuation of the market value of Empire Life's segregated funds and mutual 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, the majority 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 ratio 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 employs put options and futures on key equity indices. Improper use of these instruments could have an adverse impact on net income. 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)

Empire Life has an Equity Risk Hedging Policy to support general fund economic hedging programs. The policy outlines objectives, risk limits and authorities associated with its economic hedging activities. Management monitors its economic hedging activities on a regular basis and reports, at least quarterly, to the Risk and Capital Committee of the Board on the status of the economic hedging program.

Empire Life uses stochastic models to monitor and manage risk associated with segregated fund guarantees and establishes policyholder liabilities in accordance with IFRS 17 and the CIA Standards of Practice. Product development and pricing policies also require consideration of portfolio risk and capital requirements in the design, development and pricing of the products. The Chief Actuary reports quarterly to the Risk and Capital Committee of the Board on the nature and value of Empire Life's segregated fund guarantee liabilities, including capital requirements.

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 its equity market sensitivity. The amounts in the following table include the effect of Empire Life's general fund equity risk economic hedging program (described above). 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. CSM sensitivity included in the following table relates to insurance contracts measured applying the VFA.

The impacts of one-time changes in equity markets are found below:

As at December 31, 2023	**CSM**				**Profit or loss before tax**				**Total equity**			
	10% Increase	10% Decrease	20% Increase	20% Decrease	10% Increase	10% Decrease	20% Increase	20% Decrease	10% Increase	10% Decrease	20% Increase	20% Decrease
Insurance and reinsurance contracts held	$ 99,702	$(116,002)	$ 186,603	$(254,170)	$(37,983)	$ 34,751	$(76,011)	$ 67,366	$(27,963)	$ 25,583	$(55,959)	$ 49,595
Financial assets (equities)	—	—	—	—	66,274	(61,315)	134,072	(109,796)	48,791	(45,140)	98,704	(80,832)
Total	$ 99,702	$(116,002)	$ 186,603	$(254,170)	$ 28,291	$ (26,564)	$ 58,061	$ (42,430)	$ 20,828	$ (19,557)	$ 42,745	$ (31,237)

As at December 31, 2022	CSM				Profit or loss before tax				Total equity			
	10% Increase	10% Decrease	20% Increase	20% Decrease	10% Increase	10% Decrease	20% Increase	20% Decrease	10% Increase	10% Decrease	20% Increase	20% Decrease
Insurance and reinsurance contracts held	$ 110,588	$(125,176)	$ 208,342	$(270,626)	$(30,046)	$ 36,260	$(64,790)	$ 68,039	$(22,120)	$ 26,695	$(47,699)	$ 50,090
Financial assets (equities)	—	—	—	—	69,407	(65,319)	141,915	(121,527)	51,098	(48,088)	104,478	(89,468)
Total	$ 110,588	$(125,176)	$ 208,342	$(270,626)	$ 39,361	$ (29,059)	$ 77,125	$ (53,488)	$ 28,978	$ (21,393)	$ 56,779	$ (39,378)

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

The following table identifies the concentration of Empire Life's common equity holdings in Empire Life's investment portfolios (excluding segregated funds):

As at	December 31 2023	December 31 2022
Holdings of common equities in the 10 issuers to which Empire Life had the greatest exposure	$ 439,222	$ 574,892
Percentage of total cash and investments	5 %	7 %
Exposure to the largest single issuer of common equities	$ 244,095	$ 348,714
Percentage of total cash and investments	3 %	4 %

b) Interest rate risk

Interest rate risk arises when economic losses are incurred due to the need to reinvest or divest during periods of changing interest rates. Changes in interest rates, as a result of the general market volatility or as a result of specific social, political or economic events, could have an adverse effect on Empire Life's business and profitability.

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. 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 net income.

The products offered within the Empire Life's Individual Insurance product line and Segregated Funds included in the Wealth Management product line are more exposed to interest rate risk due to the longer term nature of the products. Products offered in the Group product line are less sensitive to interest rates due to their short term nature.

The following table outlines the impact on Empire Life's CSM, Profit and Equity resulting from specific changes in interest rates as at December 31, 2023 and December 31, 2022 assuming all other variables remain constant.

As at December 31, 2023	**CSM**				**Profit or loss before tax**				**Total equity**			
	50 bps Increase	50 bps Decrease	100 bps Increase	100 bps Decrease	50 bps Increase	50 bps Decrease	100 bps Increase	100 bps Decrease	50 bps Increase	50 bps Decrease	100 bps Increase	100 bps Decrease
Insurance and reinsurance contracts held	$ 64,397	$ (77,504)	$116,996	$(167,980)	$411,218	$(463,998)	$772,718	$(989,627)	$302,739	$(341,596)	$568,875	$(728,563)
Financial assets (equities)	—	—	—	—	(438,553)	488,904	(831,057)	1,032,770	(322,863)	359,931	(611,824)	760,325
Total	$ 64,397	$ (77,504)	$116,996	$(167,980)	$(27,335)	$ 24,906	$(58,339)	$ 43,143	$(20,124)	$ 18,335	$(42,949)	$ 31,762

As at December 31, 2022	CSM				Profit or loss before tax				Total equity			
	50 bps Increase	50 bps Decrease	100 bps Increase	100 bps Decrease	50 bps Increase	50 bps Decrease	100 bps Increase	100 bps Decrease	50 bps Increase	50 bps Decrease	100 bps Increase	100 bps Decrease
Insurance and reinsurance contracts held	$ 64,245	$ (77,459)	$116,935	$(167,137)	$353,297	$(402,866)	$668,025	$(859,807)	$260,097	$(296,590)	$491,800	$(632,990)
Financial assets (equities)	—	—	—	—	(380,665)	423,340	(722,195)	893,067	(280,246)	311,663	(531,680)	657,476
Total	$ 64,245	$ (77,459)	$116,935	$(167,137)	$(27,368)	$ 20,474	$(54,170)	$ 33,260	$(20,149)	$ 15,073	$(39,880)	$ 24,486

For insurance contracts with a fund component, the computation of insurance contract liabilities takes into account projected investment income net of investment expenses from the assets supporting insurance contract liabilities, and investment income expected to be earned on re-investments.

In order to match the savings component of insurance contract liabilities that vary with a variety of indices and currencies, Empire Life maintains certain equity, bond and currency financial instruments as part of its general fund assets. Asset-liability mismatch risk for these liabilities is monitored regularly.

Interest rate risk in Empire Life's investment portfolio is managed through Investment Committee established limits and regular reporting by management to the Investment Committee and the Board. Empire Life’s investment guidelines establish investment objectives and eligible interest rate sensitive investments, as well as establish diversification criteria, exposure, concentration and asset quality limits for these investments. The Asset Management Committee oversees sensitivity to interest rates. The objective is to maximize investment yields while managing the default, liquidity and reinvestment risks at acceptable levels and within risk tolerances. Product development and pricing policies and practices also require consideration of interest rate risk in the design, development and pricing of the products.

c) Foreign exchange risk

Foreign exchange rate risk arises when the fair value of cash flows of a financial instrument fluctuate due to changes in exchange rates. This can create an adverse effect on earnings and equity when measured in Empire Life’s functional currency. As at December 31, 2023 and December 31, 2022, Empire Life has minimal exposure to currency risk.

Empire Life uses derivative instruments, including futures contracts and foreign currency forward contracts, to manage foreign exchange risks. 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.

Empire Life has a Foreign Exchange Risk Management Policy which outlines objectives, risk limits and authority associated with any foreign exchange rate exposure. Oversight and management of this policy falls under the responsibility of the Asset Management Committee, which reports exposures and any breaches to the Risk and Capital Committee of the Board.

Liquidity risk

Liquidity risk is the risk that an entity will not be able to fund all cash outflow commitments or obligations as they fall due or that, in order to fund commitments, an entity may have to sell assets at depressed prices resulting in losses at time of sale. Cash outflows could be in the form of benefit payments to policyholders, expenses, asset purchases and interest on debt. The majority of Empire Life’s obligations relate to its insurance contract liabilities, the duration of which varies by product line and expectations relating to key policyholder actions or events (i.e., cash withdrawal, mortality, and morbidity). The remaining obligations of Empire Life relate to the subordinated debt (refer to Note 16 Borrowings) and the Limited Recourse Capital Notes), and to ongoing operating expenses as they fall due, which are expected to settle in a very short period of time.

Empire Life maintains a liquidity policy requiring an assessment of Empire Life’s liquidity risk and specific procedures so that liquidity needs are met in order to support all financial commitments and obligations as they become due. Compliance with the policy is monitored by the Asset Management Committee and exposures and breaches are reported to the Investment Committee of the Board. Empire Life's current liquidity positions as at December 31 is noted below. Based on Empire Life’s historical cash flows and current financial performance, management believes that the cash flows from Empire Life’s operating activities will continue to provide sufficient liquidity for Empire Life to satisfy policyholder commitments, debt service obligations and to pay other expenses.

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

The following tables show details of the expected maturity profile of Empire Life's undiscounted obligations with respect to its financial liabilities and estimated cash flows of insurance contract liabilities. Subordinated debt that are not due at a single maturity date are included in the tables in the year of final maturity. Actual maturities could differ from contractual maturities because of the borrower’s right to call or extend prepay obligations, with or without prepayment penalties. Insurance contract liability cash flows include estimates related to the timing and payment of death and disability claims, policy maturities, annuity payments, policyholder dividends, amounts on deposit, commission and premium taxes offset by contractual future premiums and fees on in-force business. Recoverables from reinsurance agreements are also reflected. These estimated cash flows are based on the probability weighted current estimate assumptions, with a risk adjustment for non-financial risk, used in the determination of insurance contract liabilities. Due to the use of assumptions, actual cash flows will differ from these estimates. Liability for remaining coverage for groups measured under the PAA has been excluded from this analysis.

As at							December 31, 2023
	1 year or less	2 years	3 years	4 year	5 years	Over 5 years	Total
Insurance contract liabilities	$ (39,635)	$ (31,230)	$ 8,515	$ 51,043	$ 85,836	$ 30,082,705	$ 30,157,234
Investment contract liabilities	2,704	7,764	9,442	9,767	10,792	60,324	100,793
Segregated fund liabilities	(166,380)	(142,845)	(124,112)	(108,005)	(95,112)	630,674	(5,780)
Total	$ (203,311)	$ (166,311)	$ (106,155)	$ (47,195)	$ 1,516	$ 30,773,703	$ 30,252,247

As at							December 31, 2022 - restated
	1 year or less	2 years	3 years	4 year	5 years	Over 5 years	Total
Insurance contract liabilities	$ (40,413)	$ (15,973)	$ (11,593)	$ 28,336	$ 67,964	$ 28,041,558	$ 28,069,879
Investment contract liabilities	2,427	(2,394)	12,219	13,353	13,687	451,124	490,416
Segregated fund liabilities	(167,801)	(146,559)	(128,837)	(114,308)	(101,536)	662,776	3,735
Total	$ (205,787)	$ (164,926)	$ (128,211)	$ (72,619)	$ (19,885)	$ 29,155,458	$ 28,564,030

As at					December 31, 2023
	1 year or less	1 - 5 years	5 - 10 years	Over 10 years	Total
Insurance contract liabilities	$ 181,283	$ 335,277	$ 31,557	$ 8,932	$ 557,049
Subordinated debt	17,188	274,937	231,405	—	523,530
Preferred shares	6,187	120,108	—	—	126,295
Limited recourse capital notes	7,250	43,449	234,386	—	285,085
Accounts payable and other liabilities	133,661	—	—	—	133,661
Total	$ 345,569	$ 773,771	$ 497,348	$ 8,932	$ 1,625,620

As at					December 31, 2022 - restated
	1 year or less	1 - 5 years	5 - 10 years	Over 10 years	Total
Insurance contract liabilities	$ 139,281	$ 200,875	$ 25,732	$ 6,673	$ 372,561
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	$ 497,630	$ 364,436	$ 815,255	$ 6,673	$ 1,683,994

Empire Life maintains a portion of its investments in cash, cash equivalents and short-term investments to meet its short-term funding requirements. As at December 31, 2023, 3.7% (2022 2.2%) 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)

Liquidity position

Empire Life maintains a high level of liquid assets so that cash demands can be readily met. Empire Life's liquidity position is as follows:

As at		December 31, 2023		December 31, 2022
				restated
Cash and cash equivalents and short-term investments	$	352,664	$	184,554
Canadian federal and provincial bonds		3,345,471		2,916,849
Other readily marketable bonds and stocks		5,406,848		5,060,706
Total liquid assets		9,104,983		8,162,109
Liabilities				
Demand liabilities [1] with fixed values		1,038,114		915,899
Demand liabilities with market value adjustments		1,376,074		1,178,857
Total liquidity needs	$	2,414,188	$	2,094,756

[1] Demand liabilities consist of CSVs plus funds on deposit less policy loans.

Credit risk

Credit risk is the possibility of loss from amounts either owed by financial counterparties, such as debtors, reinsurers and other financial institutions, or in connection with issuers of securities held in an asset portfolio. Empire Life is subject to credit risk which arises from debtors or counterparties who are unable to meet their obligations under debt or derivative instruments. This credit risk is derived primarily from investments in bonds, debentures, preferred shares, cash and cash equivalents, mortgages and from reinsurers under reinsurance agreements.

Empire Life manages this risk by applying its investment guidelines and reinsurance risk management policy established by the Investment Committee and Risk and Capital Committee of the Board respectively. The investment guidelines establish minimum credit ratings for issuers of bonds, debentures and preferred share investments, and provide for concentration limits by issuer of such debt instruments. Management and Board Committees review credit quality relative to investment purchases and also monitor the credit quality of invested assets over time. Management reports regularly to the Investment Committee of the Board on the credit risk to which the portfolio is exposed. The Reinsurance Risk Management Policy (along with supporting material in the Product Design and Pricing Risk Management Policy) establishes reinsurance objectives and limits and requires ongoing evaluation of reinsurers for financial soundness.

Credit risk analysis includes the consideration of credit spreads. From an investment perspective, when buying credit, Empire Life is guided by two principles; first that there is a high likelihood of return of principal and second that there is an acceptable return on investment. Empire Life looks to obtain a risk/reward balance that aligns with its objectives and risk philosophy. When determining Insurance contract liabilities, credit spreads and changes in credit spreads are reflected in the interest rate assumption.

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

Empire Life has the following assets that are exposed to credit risk:

As at	December 31, 2023	December 31, 2022
		restated
Cash and cash equivalents	$ 347,707	$ 175,523
Short-term investments	4,957	9,031
Bonds	7,456,183	6,744,757
Preferred shares	519,359	402,165
Derivative assets	13,825	9,776
Mortgages	98,679	113,901
Loans	47,165	50,036
Accrued investment income	49,068	48,645
Trade accounts receivable	4,423	8,506
Total	$ 8,541,366	$ 7,562,340

In addition to the assets disclosed above, Empire Life is exposed to credit risk for loans on policies and insurance receivables which are presented within insurance contract liabilities in the amount of $63,770 (2022 - $59,979) and $35,305 (2022 - $32,471 restated) respectively. Mortgages, loans on policies and loans are fully or partially secured.

Concentration of credit risk for financial instruments

Concentration of credit risk arises from exposures to a single debtor, a group of related debtors or groups of debtors that have similar credit risk characteristics, such as groups of debtors in the same economic or geographic regions or in similar industries. The following tables provide the carrying values of bonds and debentures by industry sector.

a) Bonds and debentures

The concentration of Empire Life’s bond portfolio by investment grade is as follows:

As at	December 31, 2023		December 31, 2022	
Empire Life	Fair value	%	Fair value	%
AAA	$ 303,418	4 %	$ 351,680	5 %
AA	1,967,382	26 %	1,537,528	23 %
A	3,048,351	41 %	3,078,452	45 %
BBB	2,081,353	28 %	1,731,033	26 %
BB (and lower ratings)	55,679	1 %	46,064	1 %
Total	$ 7,456,183	100 %	$ 6,744,757	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 the 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.

Provincial bonds represent the largest concentration in the bond portfolio, as follows:

As at	December 31, 2023	December 31, 2022
Provincial bond holdings	$ 3,148,856	$ 2,730,730
Percentage of total bond holdings	42.2 %	40.5 %

The following table profiles the bond portfolio by contractual maturity, using the earliest contractual maturity date:

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

As at	December 31, 2023		December 31, 2022	
	Fair value	%	Fair value	%
1 year or less	$ 54,742	1 %	$ 393,179	6 %
1 - 5 years	334,167	4 %	816,633	12 %
5 - 10 years	248,349	3 %	504,238	7 %
Over 10 years	6,818,925	92 %	5,030,707	75 %
Total	$ 7,456,183	100 %	$ 6,744,757	100 %

The following table discloses Empire Life's holdings of fixed income securities in the 10 issuers (excluding the federal government) to which Empire Life has the greatest exposure, as well as exposure to the largest single issuer of corporate bonds.

As at	December 31, 2023	December 31, 2022
Holdings of fixed income securities* in the 10 issuers (excluding federal governments) to which Empire Life had the greatest exposure	$ 3,992,543	$ 3,384,587
Percentage of the segment's total cash and investments	43 %	41 %
Exposure to the largest single issuer of corporate bonds	$ 367,246	$ 167,572
Percentage of the segment's total cash and investments	4 %	2 %

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

b) Derivative financial instruments by counterparty credit rating

Credit risk from derivative transactions is generated by the potential for the counterparty to default on its contractual obligations when one or more transactions have a positive market value to Empire Life. Therefore, derivative-related credit risk is represented by the positive fair value of the instrument and is normally a small fraction of the contract's notional amount.

The following table summarizes derivative financial instruments with a positive fair value by counterparty rating.

As at	December 31, 2023	December 31, 2022
Credit rating		
AA	$ 6,151	$ 1,385
BBB+	4,228	—
Total	10,379	1,385
Derivatives without counterparty credit risk	3,446	8,391
Total derivative assets	$ 13,825	$ 9,776

c) Credit risk for reinsurance

Empire Life reinsures excess risks with Canadian registered reinsurance companies. Empire Life enters into reinsurance agreements only with reinsurance companies that have an independent credit rating of "A-" or better. The following table summarizes the potential maximum exposure to loss of reinsurance assets, by the rating assigned to the reinsurers by external rating agencies.

As at	December 31, 2023			December 31, 2022		
Credit rating	Reinsurance assets	Collateral from reinsurers	Net exposure	Reinsurance assets	Collateral from reinsurers	Net exposure
A	$ 28,129	$ —	$ 28,129	$ 92,988	$ —	$ 92,988
Total	$ 28,129	$ —	$ 28,129	$ 92,988	$ —	$ 92,988

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

d) Preferred shares

Empire Life's preferred share investments are all issued by Canadian companies, with 1% rated as P1 (2022 – 1%), 99% rated as P2 (2022 – 99%) and the remaining 0% rated as P3 (2022 - 03%).

e) Mortgages

Empire Life's mortgages in the province of Ontario represent the largest concentration with $98,679 or 100% (2022 – $119,556 or 100%) of the total mortgage portfolio.

Product risk

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

(millions of dollars)	Wealth Management		Group Solutions		Individual Insurance		Total	
For the year ended December 31	2023	2022	2023	2022	2023	2022	2023	2022
Insurance service revenue	$ 234.8	$ 233.9	$ 638.7	$ 603.9	$ 452	$ 417.5	$ 1,325.5	$ 1,255.3
Net expense from reinsurance	0.3	2.8	(17.2)	(13.1)	(55.7)	(34.1)	(72.6)	(44.4)
Total	$ 235.1	$ 236.7	$ 621.5	$ 590.8	$ 396.3	$ 383.4	$ 1,252.9	$ 1,210.9

Product risk is the risk that actual experience related to claims, benefit payments, expenses, cost of embedded product options and cost of guarantees associated with products, does not emerge as expected. Empire Life is exposed to various categories of product risk as a result of the business it writes, including: mortality, policyholder behaviour (termination/surrender or lapse), expenses, morbidity, longevity (collectively also referred to as insurance risk), 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 FCT analysis.

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

The tables below provide sensitivities to changes in insurance variables impacting profit before tax, equity and CSM both gross and net of reinsurance.

							December 31, 2023
	Change in assumptions	Impact on profit before tax gross of reinsurance	Impact on profit before tax net of reinsurance	Impact on equity gross of reinsurance	Impact on equity net of reinsurance	Impact on CSM before tax gross of reinsurance	Impact on ceded CSM before tax
Mortality	+2%	$ 6,123	$ 265	$ 4,508	$ 195	$ (78,805)	$ 50,402
Morbidity	+5%	$ (4,339)	$ (2,631)	$ (3,194)	$ (1,937)	$ (15,483)	$ 6,587
Longevity	-2%	$ —	$ —	$ —	$ —	$ (6,268)	$ 187
Expenses	+5%	$ 799	$ 889	$ 588	$ 655	$ (12,425)	$ (299)
Lapse and surrenders rate	+/-10%	$ 7,095	$ 2,794	$ 5,224	$ 2,057	$ (193,608)	$ 38,936

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

December 31, 2022 - restated

	Change in assumptions	Impact on profit before tax gross of reinsurance	Impact on profit before tax net of reinsurance	Impact on equity gross of reinsurance	Impact on equity net of reinsurance	Impact on CSM before tax gross of reinsurance	Impact on ceded CSM before tax
Mortality	+2%	$ 11,122	$ 793	$ 8,188	$ 584	$ (75,638)	$ 48,868
Morbidity	+5%	$ (2,470)	$ (1,541)	$ (1,818)	$ (1,134)	$ (15,132)	$ 6,428
Longevity	-2%	$ —	$ —	$ —	$ —	$ 6,195	$ (3,037)
Expenses	+5%	$ 1,534	$ 1,534	$ 1,130	$ 1,129	$ (12,454)	$ (143)
Lapse and surrenders rate	+/-10%	$ 33,661	$ 22,145	$ 24,781	$ 16,303	$ (192,917)	$ 51,341

The computation of insurance contract liabilities and related reinsurance contracts held requires “probability weighted current 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 premium taxes. Due to the long-term risks and measurement uncertainties inherent in the life insurance business, a risk adjustment for non-financial risk is calculated separately for each variable and included in insurance contract liabilities. The effect of the risk adjustment for non-financial risk is to increase insurance contract liabilities over the probability weighted current estimate assumptions.

Insurance contract liability assumptions are reviewed and updated at least annually by Empire Life’s Appointed Actuary. Details related to the changes in assumptions are discussed with the Audit Committee of the Board. The methods for arriving at the most material of these assumptions are outlined below.

Mortality assumptions

Empire Life carries out an annual mortality study. The valuation mortality assumptions are based on a combination of Empire Life and 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, an increase in the probability weighted current estimate mortality assumption would increase insurance contract benefits thereby decreasing the CSM. For annuity business, lower mortality (or higher longevity) is financially adverse so a decrease in the current estimate mortality assumption would increase insurance contract benefits thereby decreasing the CSM.

Policyholder behaviour (termination or lapse)

Policy termination (lapse) and surrender assumptions are based on a combination of Empire Life's own internal termination studies and recent 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 10.0% adverse change in the lapse assumption would result in an increase to insurance contract benefits thereby decreasing the CSM. 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

Insurance contract liabilities provide for the future expense of administering policies in-force, renewal commissions, general expenses and premium taxes. 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 reducing the CSM.

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 Empire Life and 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 morbidity is a significant assumption, a 5% adverse change in the assumption would result in an increase to policyholder liabilities thereby reducing the CSM.

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, 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 insurance contract liabilities in accordance with standards set forth by the IASB and CIA Standards of Practice. Experience studies (both Company-specific and industry level) are factored into ongoing valuation, renewal and new business processes so that insurance contract 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 principles for prudent 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
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 which governs each of its major product lines. This policy is established by the 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 recommends changes to these retention limits for approval by the Board.

Reinsurance held 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 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 product categories, 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 product risk for Empire Life, which it deems acceptable. Empire Life does not have any assumed reinsurance business.

Segregated fund guarantee risk

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

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, 2023, consisted of the Company's shareholders' equity of $7,113,781 (2022 - $6,337,805), non-controlling interests in subsidiaries of $1,102,405 (2022 - $1,030,156) and participating account surplus of $46,157 (2022 - $24,055).

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

Empire Life manages its regulatory capital in order to meet the regulatory capital adequacy requirements of the *Insurance Companies Act* as established and monitored by OSFI. OSFI has implemented the Life Insurance Capital Adequacy Test ("LICAT") framework to monitor capital adequacy. Under this framework, the Company's capital adequacy is measured as a ratio of available capital plus surplus allowance and eligible deposits divided by a base solvency buffer. OSFI has established a Supervisory Target Total Ratio of 100% and a Supervisory Target Core Ratio of 70%. As at January 1, 2022, December 31, 2022 and December 31, 2023, the Company was in compliance with the applicable regulatory capital ratios.

25. Related party transactions

The Company has investments in related parties which includes investments in associates of 394,083 (2022 - $443,192) and investments in other related parties within investments - corporate of $1,099,815 (2022 - $1,019,022). 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 $592 (2022 - $577) from related parties during the year.

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

		2023		2022
Salaries and other benefits	$	4,954	$	4,565
Post-employment benefits		328		356
Total	$	5,282	$	4,921

26. Subsidiaries

The principal subsidiaries are:

i) E-L Financial Services Limited (100.0% owned), whose operating subsidiary is Empire Life (99.5% (2022 - 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.

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. ("TSFI"). Total consideration for the 100% acquisition of TSFI was paid with $57,910 in cash. The purchase price is primarily comprised of goodwill and intangible assets, including customer relationships, distributor relationships, and non-competition agreements.

ii) United (56.6% (2022 - 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.

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

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

	Empire Life		United	
	2023	2022	2023	2022
		restated		
NCI percentage	0.5 %	0.6 %	43.4 %	45.1 %
Cash and cash equivalents	$ 347,707	$ 175,523	$ 33,815	$ 57,133
Investments	8,916,945	8,160,299	2,098,679	1,772,619
Deferred tax	89,444	89,623	—	—
Segregated funds	8,812,724	8,565,675	—	—
Other	497,723	566,552	4,765	12,329
Total assets	18,664,543	17,557,672	2,137,259	1,842,081
Insurance and investment contract liabilities, excluding segregated fund account balances	(7,198,454)	(5,810,714)	—	—
Reinsurance liabilities	(253,230)	(217,056)	—	—
Deferred tax	—	—	(46,802)	(5,692)
Subordinated debt	(398,897)	(399,129)	—	—
Insurance and investment contract liabilities for segregated fund account balances	(8,812,724)	(8,565,675)	—	—
Other	(113,098)	(779,636)	(51,403)	(56,572)
Total liabilities	(16,776,403)	(15,772,210)	(98,205)	(62,264)
Net assets	1,888,140	1,785,462	2,039,054	1,779,817
Participating account surplus	(46,157)	(24,055)	—	—
Other equity instruments	(196,664)	(196,664)	(7,747)	(7,747)
Net assets available to common shareholders	$ 1,645,319	$ 1,564,743	$ 2,031,307	$ 1,772,070
NCI - common shareholders	$ 9,998	$ 10,354	$ 887,996	$ 815,391
NCI - other equity instruments	196,664	196,664	7,747	7,747
Total NCI	$ 206,662	$ 207,018	$ 895,743	$ 823,138

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

	Empire Life		United	
For the year ended	2023	2022	2023	2022
		restated		
Net insurance service result	$ 181,322	$ 192,811		
Net investment and insurance finance result	135,723	(85,698)		
Net insurance result	317,045	107,113		
Non-insurance investment income (loss)	30,701	24,184	$ 381,004	$ (384,236)
Net income (loss)	189,956	59,255	317,005	(348,149)
Other comprehensive (loss) income	(572)	24,542	—	—
Total comprehensive income (loss)	$ 189,384	$ 83,797	$ 317,005	$ (348,149)
Total comprehensive income (loss) allocated to NCI	$ 6,179	$ 7,719	$ 133,365	$ (154,077)
Dividends and distributions declared to NCI	$ 5,760	$ 5,771	$ 7,855	$ 32,531

The following table summarizes the cash flows:

	Empire Life		United	
Summarized cash flows	2023	2022	2023	2022
Cash flows from operating activities	$ 630,270	$ 299,969	$ 30,659	$ 10,287
Cash flows from investing activities	$ (357,786)	$ (223,950)	$ 13,892	$ 57,436
Cash flows from financing activities	$ (100,300)	$ (93,714)	$ (67,869)	$ (72,440)

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.

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

Summary of Consolidated Results (unaudited)

	December 31 2023	December 31 2022
Net insurance result	**$ 317,045**	$ 107,113
Non-insurance investment income	**1,112,087**	(556,382)
Total expenses	**(154,686)**	(112,043)
Income before income taxes	**1,274,446**	(561,312)
Income taxes	**(179,356)**	82,839
Net income	**1,095,090**	(478,473)
Less: Participating account surplus and non-controlling interest portion of income	**161,913**	(152,909)
E-L Financial shareholders’ net (loss) income	**$ 933,177**	$ (325,564)
Net income (loss) per share - basic	**$ 265.60**	$ (96.03)

	December 31 2023	December 31 2022
Assets		restated
Cash and cash equivalents	**$ 440,861**	$ 302,946
Investments - corporate	**6,592,823**	5,579,239
Investments - insurance	**8,916,945**	8,160,299
Investments in associates	**428,975**	473,008
Reinsurance contracts held assets	**281,359**	310,044
Other assets	**196,462**	266,152
Deferred tax asset	**89,444**	89,623
Segregated fund assets	**8,812,724**	8,565,675
Total assets	**$ 25,759,593**	$ 23,746,986
Liabilities		
Insurance contract liabilities, excluding segregated fund account balances	**6,708,434**	6,145,378
Reinsurance contracts held	**253,230**	217,056
Investment contract liabilities, excluding segregated fund account balances	**490,020**	334,664
Deferred tax liabilities	**351,569**	247,441
Dividends payable	**16,869**	12,780
Other liabilities	**131,035**	129,061
Borrowings	**733,369**	702,915
Total liabilities, excluding those for account of segregated fund holders	**8,684,526**	**7,789,295**
Insurance contract liabilities for segregated fund account balances	**8,507,285**	8,278,948
Investment contract liabilities for segregated fund account balances	**305,439**	286,727
Insurance and investment contract liabilities for account of segregated fund holders	**8,812,724**	**8,565,675**
Total liabilities	**$ 17,497,250**	**$ 16,354,970**
Equity		
Capital stock	**$ 362,347**	$ 364,064
Retained earnings	**6,728,675**	5,949,494
Accumulated other comprehensive income (loss)	**22,759**	24,247
Total E-L Financial shareholders' equity	**7,113,781**	6,337,805
Non-controlling interests in subsidiaries	**1,102,405**	1,030,156
PAR account	**46,157**	24,055
Total equity	**8,262,343**	7,392,016
Total liabilities and equity	**$ 25,759,593**	$ 23,746,986

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

Summary of Empire Life (unaudited)

	2023	2022 restated
Net insurance service result		
Insurance revenue	$ 1,325,508	$ 1,255,349
Insurance service expenses	(1,071,549)	(1,018,110)
Insurance service results	253,959	237,239
Net expense from reinsurance contracts held	(72,637)	(44,428)
Net insurance service result	181,322	192,811
Investment and insurance finance result		
Investment income (loss), excluding segregated funds		
Investment income	816,789	(1,663,952)
Change in investment contracts	(28,171)	10,331
Net investment result, excluding segregated funds	788,618	(1,653,621)
Insurance finance (expense) income, excluding segregated funds account balances		
Insurance contracts issued	(613,392)	1,484,918
Reinsurance contracts held	(39,503)	83,005
Net insurance finance (expense) income, excluding segregated funds	(652,895)	1,567,923
Segregated funds net investment and finance result		
Investment income (loss) on investments for segregated fund account balances	(735,834)	353,668
Insurance finance income (expense) for segregated fund account balances	735,834	(353,668)
Segregated funds net investment and insurance finance result	—	—
Net investment and insurance finance result	135,723	(85,698)
Other income and expenses		
Fee and other income	30,701	24,184
Non-insurance operating expenses	(95,525)	(62,116)
Interest expenses	(16,615)	(11,648)
Total other income and expenses	(81,439)	(49,580)
Net income before taxes	235,606	57,533
Income taxes	(45,650)	1,722
Net income after taxes	189,956	59,255
Less: net income (loss) attributable to the participating account	(22,102)	5,874
Shareholders' net income	167,854	65,129
Less: non-controlling interests in net income	(12,369)	(10,559)
Net contribution to E-L Financial	155,485	54,570
Assets including segregated funds	18,664,543	17,557,672

IFRS 17 Insurance Contracts (“IFRS 17”) replaces IFRS 4 Insurance Contracts (“IFRS 4”) for annual periods beginning on or after January 1, 2023. In accordance with the accounting change, the Company has restated comparative information for 2022 applying the transition provisions in IFRS 17. Details of the transition are included in Note 2 - Significant accounting policies.

(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	Insurance Revenues	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)
2023	25,759,593	1,325,508	2,573,318	7,113,781	931,689	265.17

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 IFRS Accounting Standards

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

2013 - The Dominion of Canada General Insurance Company was sold

2023 - IFRS 17 Insurance Contracts ("IFRS 17") replaced IFRS 4 Insurance Contracts ("IFRS 4") resulting in net premiums under IFRS 4 being replaced with insurance revenues

Glossary of Terms

Accumulated Other Comprehensive Income (“AOCI” (“AOCL”))
A separate component of shareholders’ equity and policyholders’ account which includes remeasurement of post-employment benefit liabilities and certain OCI (OCL) amounts from 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 AFS under IAS 39 or that are not classified as loans and receivables, held to maturity investments, or held for trading under IAS 39. Prior to the adoption of IFRS 9, most financial assets allocated to Empire Life’s Capital and Surplus segment were classified as AFS under IAS 39.

Canadian Institute of Actuaries (“CIA”)

The CIA is the qualifying and governing body of the actuarial profession in Canada. The CIA develops and upholds rigorous standards, shares its risk management expertise, and advances actuarial science to improve lives in Canada and around the world. Its more than 6,000 members apply their knowledge of math, statistics, data analytics, and business in providing services and advice of the highest quality to help Canadian people and organizations face the future with confidence.

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.

Contractual Service Margin (“CSM”)

A component of the carrying amount of the asset or liability for a group of insurance contracts representing the unearned profit the entity will recognize as it provides insurance contract services under the insurance contracts in the group.

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 Credit Loss (“ECL”)
An expected loss amount as a result of credit deterioration of the party that has been issued the credit.

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.

Fulfilment Cash Flow (“FCF”)

An explicit, unbiased and probability-weighted estimate (ie expected value) of the present value of the future cash outflows minus the present value of the future cash inflows that will arise as the entity fulfils insurance contracts, including a risk adjustment for non-financial risk.

International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”)

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.

Other Comprehensive Income (“OCI”) Loss (“OCL”)

Under IAS 39 unrealized gains and losses, primarily on financial assets supporting the Capital and Surplus segment, were recorded as Other Comprehensive Income (“OCI”) or Other Comprehensive Loss (“OCL”). When these assets were sold or written down the resulting gain or loss was reclassified from OCI to net income. Upon the Company’s adoption of IFRS 9, these assets were designated at FVTPL so unrealized gains and losses are now immediately recognized in 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 mandate of OSFI is to regulate and supervise federally regulated financial institutions and pension plans in Canada to contribute to public confidence in the financial system.

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.

Risk Adjustment (“RA”)

The compensation an entity requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as the entity fulfills insurance contracts.

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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. Peter Levitt
E-L Financial Corporation Limited
165 University Avenue, 10th Floor
Toronto, Ontario
M5H 3B8
Email: Peter@LevittAdvisory.ca
Phone: (647) 236-1064

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.