E-L Financial Corporation Limited

FIRST QUARTER REPORT
March 31, 2018

Financial Highlights

(Millions of dollars, except per share amounts)

Three months ended March 31		**2018**		2017
Shareholders' Net Income	**$**	**66**	$	264
Shareholders' Comprehensive Income	**$**	**56**	$	235
Common Shareholders' Equity	**$**	**5,301**	$	4,880
Basic Earnings per Common Share	**$**	**15.69**	$	66.26
Net Equity Value per Common Share [1]	**$**	**1,324.26**	$	1,217.64
Contribution to Shareholders' Net Income:				
E-L Corporate	**$**	**27**	$	214
Empire Life		**39**		50
	$	**66**	$	264
E-L Corporate				
Shareholders' Net Income	**$**	**27**	$	214
Investment and Other Income	**$**	**25**	$	24
Investments - Corporate	**$**	**4,873**	$	4,552
Empire Life				
Common Shareholders' Net Income	**$**	**39**	$	50
Net Premiums and Fee Income	**$**	**277**	$	264
Assets Under Management [1]	**$**	**17,273**	$	16,399
Life Insurance Capital Adequacy Test Total Ratio (%)		**177.5**		N/A
Minimum Continuing Capital and Surplus Requirements (%)		**N/A**		258.0

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

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Company's external auditors have not performed a review of these unaudited interim condensed consolidated financial statements of E-L Financial Corporation Limited.

REPORT ON E-L FINANCIAL CORPORATION LIMITED

The following Management's Discussion and Analysis ("MD&A") of the operating results and financial condition of E-L Financial Corporation Limited ("E-L Financial" or the "Company") for the first quarter of 2018 should be read in conjunction with the MD&A for the year ended December 31, 2017, the Company's annual audited consolidated financial statements and the notes related thereto, the quarterly unaudited interim condensed consolidated financial statements and notes contained in this report, as well as the Company's MD&A and unaudited interim condensed consolidated financial statements for the quarters of 2017. The unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Unless otherwise noted, both the consolidated financial statements and this MD&A are expressed in Canadian dollars.

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 average number of Common Shares and Series A Convertible Preference Shares outstanding for the period, adjusted for the Company's proportionate interest in its own common shares held indirectly through investments in associates.

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

Forward-looking statements and information

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

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

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

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

Non-GAAP measures

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

The MD&A contains reference to net equity value, net equity value per common share and growth in net equity value per common share. Net equity value per common share is described and reconciled to shareholders' equity on page 6. These terms do not have any standardized meaning according to IFRS and therefore may not be comparable to similar measures presented by other companies.

The MD&A also contains non-consolidated cash flow information of E-L Financial which is a non-GAAP presentation. The information is useful as it separates the Company's cash flows from the cash flows of its subsidiaries. This information is reconciled to the consolidated cash flows on page 8.

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

Return on common shareholders' equity is a profitability measure that presents the net income available to common shareholders as a percentage of the average capital deployed to earn the income.

Sources of earnings break down Empire Life earnings into several categories which are useful to assess the performance of the business. These categories include expected profit from in-force business, impact of new business, experience gains and losses, management actions and changes in assumptions, and earnings on surplus. The sources of earnings components are reconciled to Empire Life's net income on page 13 of this report.

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

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

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

(in millions of dollars)		**March 31 2018**		December 31 2017
General fund assets	**$**	**8,695.0**	$	8,712.6
Segregated fund assets		**8,405.4**		8,681.9
Total Empire Life assets		**17,100.4**		17,394.5
Mutual fund assets		**172.1**		183.7
Total assets under management	**$**	**17,272.5**	$	17,578.2

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 includes the oversight of investments in global equities held through direct and indirect holdings of common shares, investment funds, closed-end investment companies and other private companies. E-L Financial holds a 52.0% interest in a closed-end investment corporation, United Corporations Limited ("United") which is listed on the Toronto Stock Exchange. United is an investment vehicle for long-term growth through investments in common equities. The invested assets and operations of United are consolidated and included in the E-L Corporate segment. In addition, E-L Corporate has two significant investments in associates including a 36.7% interest in Algoma Central Corporation ("Algoma") and a 24.0% interest in Economic Investment Trust Limited ("Economic"). Algoma and Economic are accounted for using the equity method.

The Company's investment in Empire Life (99.3% interest) is consolidated by E-L Financial. The Empire Life operating segment underwrites life and health insurance policies and provides segregated funds, mutual funds and annuity products.

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

Overview of results attributable to shareholders of E-L Financial

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

E-L Financial consolidated				
(millions of dollars)		**First quarter 2018**		**2017**
Contribution to net income				
E-L Corporate[1]	**$**	**27.1**	$	214.3
Empire Life[2]		**38.4**		49.8
Net income		**65.5**		264.1
Other comprehensive loss[2]		**(9.0)**		(29.2)
Comprehensive income	**$**	**56.5**	$	234.9

E-L Corporate				
(millions of dollars)		**First quarter 2018**		**2017**
Revenue				
Net gain on investments[3]	**$**	**22.3**	$	269.7
Investment and other income		**25.2**		24.3
Share of associates (loss) income		**(2.6)**		0.7
		44.9		294.7
Expenses				
Operating		**8.8**		6.6
Income taxes		**4.9**		38.8
Non-controlling interests		**4.1**		35.0
		17.8		80.4
Net income		**27.1**		214.3
Other comprehensive income (loss), net of taxes[1]		**0.1**		(38.1)
Comprehensive income	**$**	**27.2**	$	176.2

Empire Life				
(millions of dollars)		**First quarter 2018**		**2017**
Revenue				
Net premiums	**$**	**211.0**	$	202.4
Net (loss) gain on investments[3]		**(80.0)**		81.6
Investment income		**67.3**		64.6
Fee income		**65.5**		61.3
		263.8		409.9
Expenses				
Benefits and expenses		**207.1**		338.9
Income and other taxes		**16.1**		20.1
Non-controlling and participating policyholders' interests		**2.2**		1.1
		225.4		360.1
Net income		**38.4**		49.8
Other comprehensive (loss) income, net of taxes[2]		**(9.1)**		8.9
Comprehensive income	**$**	**29.3**	$	58.7

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

E-L Financial reported consolidated net income of $65.5 million or $15.69 per common share compared with $264.1 million or $66.26 per common share in 2017. The decrease in net income is primarily due to a lower net gain on investments in the E-L Corporate segment of $22.3 million in 2018 compared to $269.7 million in 2017. E-L Corporate's global investment portfolio yielded a pre-tax total return of 1% in the first quarter of 2018 compared to 6% in the prior year. The higher investment returns for the first quarter of 2017 were attributed to the strong performance of global equities whereas positive foreign currency movements offset negative investments returns for the first quarter of 2018.

The Empire Life segment reported net income of $38.4 million in 2018 compared to $49.8 million in 2017. The earnings for the first quarter of 2018 included growth from expected profit on in-force business in the Individual Insurance product line and higher experience gains in Individual Insurance and Employee Benefits product lines. The first quarter of 2017 included gains realized from management actions in the Individual Insurance product line. These gains were not realized in the first quarter of 2018.

Consolidated comprehensive income for 2018 was $56.5 million or $13.39 per common share compared to $234.9 million or $58.82 per common share in 2017. The movement in comprehensive income is mainly due to the reasons noted above.

Net equity value per share

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)		**Q1 2018**		Q4 2017		Q1 2017
E-L Financial shareholders' equity	**$**	**5,600.5**	$	5,552.9	$	5,180.2
Less: First preference shares		**(300.0)**		(300.0)		(300.0)
		5,300.5		5,252.9		4,880.2
Adjustments for investments in associates not carried at fair value:						
Carrying value		**(325.8)**		(330.1)		(305.0)
Fair value [1]		**354.6**		381.1		323.2
		28.8		51.0		18.2
Non-controlling interest and deferred tax		**(6.2)**		(11.5)		(3.9)
		22.6		39.5		14.3
Net equity value	**$**	**5,323.1**	$	5,292.4	$	4,894.5
Common Shares [2] outstanding at year end		**4,019,667**		4,019,667		4,019,667
Net equity value per Common Share [2]	**$**	**1,324.26**	$	1,316.64	$	1,217.64

[1] Based on quoted market prices

[2] Common Shares includes Series A Convertible Preference Shares

Growth in net equity value

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

Annual	Net equity value*	Growth*
	$	%
2008	551.59	(17.8)
2009	681.51	23.6
2010	747.28	9.7
2011	642.98	(13.9)
2012	740.49	15.2
2013	872.45	28.0
2014	970.65	11.3
2015	1,089.23	12.3
2016	1,159.26	6.8
2017	1,316.64	14.0
Year to date		
March 31, 2018	**1,324.26**	**0.7**
Compounded annual growth in net equity value*		
2008 - 2017 - 10 years		7.7
1969 - 2017 - Since inception		12.7

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

Summary of quarterly results

The following table summarizes the quarterly results:

(millions of dollars, except per share amounts)	**2018**	2017				2016		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue								
Net (loss) gain on investments (1)	**$ (57.7)**	$ 526.9	$ (239.9)	$ 208.7	$ 351.2	$ (308.4)	$ 292.4	$ 298.7
Net premium income	**211.0**	210.0	217.4	204.4	202.5	222.4	218.7	210.6
Investment and other income	**158.0**	173.4	157.5	174.6	150.1	150.0	141.2	158.7
Associates (2)	**(2.6)**	13.6	9.4	12.1	0.7	(31.3)	16.9	8.6
Total	**$ 308.7**	$ 923.9	$ 144.4	$ 599.8	$ 704.5	$ 32.7	$ 669.2	$ 676.6
Net income (3)	**$ 65.5**	$ 257.1	$ 49.4	$ 97.5	$ 264.1	$ 100.1	$ 191.3	$ 103.2
Earnings per common share								
- basic	**$ 15.69**	$ 64.47	$ 11.60	$ 23.84	$ 66.26	$ 24.49	$ 47.72	$ 25.28
- diluted	**$ 15.15**	$ 58.80	$ 11.31	$ 22.30	$ 60.41	$ 22.77	$ 43.52	$ 23.48

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

Quarterly trend analysis

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

Revenue for the first quarter of 2018 decreased from both the prior quarter and the first quarter of 2017 mainly due to the impact of lower net investment gains for E-L Corporate and Empire Life. The decrease in net investment gains in 2018 is due to lower equity returns and the impact of movements in long term interest rates.

Net premium income for the quarter increased compared to the prior and first quarter of 2017 due to growth across all product lines.

Liquidity and capital resources

Consolidated cash flows

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

Three months ended March 31 (millions of dollars)	E-L Financial (non-consolidated)	United	Empire Life	Consolidation adjustments	**E-L Financial**	
					2018	2017
Cash flows from:						
Operating activities	$ (11.0)	$ 8.5	$ 66.9	$ (3.2)	**$ 61.2**	$ 92.4
Financing activities	(9.8)	(3.7)	(6.8)	2.9	**(17.4)**	(16.1)
Investing activities	9.6	(5.3)	(114.4)	0.3	**(109.8)**	(70.6)
(Decrease) increase in cash and cash equivalents	(11.2)	(0.5)	(54.3)	—	**(66.0)**	5.7
Cash and cash equivalents, at the beginning of the period	25.2	19.6	294.2	—	**339.0**	419.9
Cash and cash equivalents, at the end of the period	$ 14.0	$ 19.1	$ 239.9	$ —	**$ 273.0**	$ 425.6

The decrease in cash provided from operating activities in the first quarter of 2018 relative to 2017, reflects the decrease in cash earnings during 2018 compared to the prior year along with changes in working capital levels.

The decrease in financing activity cash flows during 2018 relative to 2017 was partly due to interest paid on $200 million of subordinated debt issued by Empire Life in September 2017.

The decrease in cash from investing activities during 2018 relative to 2017 was primarily due to the timing of investing the proceeds of $100 million preferred shares issued by Empire Life in November 2017.

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).

Three months ended March 31 *(millions of dollars)*	**2018**	2017
Cash flows from:		
Operating activities		
Dividends from subsidiaries	**$ 1.9**	$ 1.3
Dividends and interest	**14.4**	11.6
Expenses and taxes, net of other income	**(27.3)**	(7.0)
	(11.0)	5.9
Financing activities		
Cash dividends	**(8.9)**	(8.9)
Interest paid on borrowings	**(0.4)**	—
Purchases of subsidiary shares	**(0.5)**	—
	(9.8)	(8.9)
Investing activities		
Purchases of investments	**(134.9)**	(769.7)
Proceeds from sales of investments	**124.0**	724.8
Net sales of short-term investments	**18.1**	64.1
Dividends from associates	**2.4**	2.9
	9.6	22.1
Decrease in cash and cash equivalents	**(11.2)**	19.1
Cash and cash equivalents, at the beginning of the period	**25.2**	31.9
Cash and cash equivalents, at the end of the period	**$ 14.0**	$ 51.0

Operating cash flows for 2017 increased relative to the prior period reflecting changes in working capital.

On November 1, 2017, the Company drew on a margin loan to purchase $100,000 Series 3 Preferred Shares from Empire Life. The Preferred Shares are eliminated on consolidation.

During the first quarter of 2017, for diversification reasons, E-L Financial reallocated the assets managed by one of the global investment managers. This resulted in higher investment portfolio turnover in 2017 compared to the current year.

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

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".

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

		First quarter
(millions of dollars)	**2018**	**2017**
Revenue		
Net gain on investments	**$ 22.3**	$ 269.7
Investment and other income	**25.2**	24.3
Share of associates (loss) income	**(2.6)**	0.7
	44.9	294.7
Expenses		
Operating	**8.8**	6.6
Income taxes	**4.9**	38.8
Non-controlling interests	**4.1**	35.0
	17.8	80.4
Net income	**27.1**	214.3
Other comprehensive income (loss), net of taxes	**0.1**	(38.1)
Comprehensive income	**$ 27.2**	$ 176.2

Investments - corporate

Investments - corporate includes investments in equities and short-term fixed-income investments. At March 31, 2018, investments - corporate had aggregate investments of $4.9 billion, comprised primarily of common shares and units of investment funds, compared to aggregate investments at December 31, 2017 of $4.9 billion. The fair value of investments - corporate is summarized in the table below:

(millions of dollars)	**March 31 2018**	December 31 2017
Short-term investments	**$ 3.1**	$ 21.2
Preferred shares	**1.1**	1.1
Derivative asset	**0.7**	0.2
Common shares and units		
Canadian and U.S.	**2,777.2**	2,784.0
Europe	**1,052.1**	1,054.6
Other *	**1,039.2**	992.1
Total	**4,868.5**	4,830.7
Total invested assets	**$ 4,873.4**	$ 4,853.2

* Other investments includes equities and investment funds with exposure to Emerging Markets of $476.0 (December 31, 2017 - $459.9) and Japan of $449.4 (December 31, 2017 - $421.8).

The decrease in E-L Corporate's net income for the first quarter of 2017 compared to the prior year is primarily attributable to a reduction in net investment gains on the global investment portfolio. For the first quarter of 2018, E-L Corporate had a net gain on investments of $22.3 million compared to $269.7 million for the same period in 2017, resulting in a positive pre-tax total return on investments of approximately 1% in 2018 compared to 6% return in the prior year. The decrease in the net gain on investments was due to lower equity market returns partially offset by the foreign currencies strengthening against the Canadian dollar in the first quarter of 2018.

Investment returns in Canada, the U.S. and Europe were flat during the first quarter of 2018. In other geographic region's, which includes investments in Japan and emerging markets, the portfolio earned a 4% return for the period.

Share of associates (loss) income

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

		First quarter		
(millions of dollars)		**2018**		2017
Algoma	**$**	**(2.2)**	$	(5.9)
Economic		**(0.4)**		6.6
	$	**(2.6)**	$	0.7

E-L Financial's share of Algoma's loss for the first quarter of 2018 was $2.2 million compared to $5.9 million in the prior year. Results for the first quarter typically reflect a loss due to the closing of the canal system and the winter weather conditions on the Great Lakes – St. Lawrence Waterway. The reduction in loss for the first quarter of 2018 was primarily due to a foreign currency exchange gain in the period.

The Company's share of Economic's net income for the first quarter of 2017 decreased over the prior year as a result of lower equity market returns partially offset by the positive impact of the foreign currencies strengthening against the Canadian dollar in the first quarter of 2018. Economic's global investment portfolio had a quarterly pre-tax return, gross of fees, of 1.0% in the first quarter of 2017 compared to a return of 5.2% for the same period in 2017.

(millions of dollars)		**March 31, 2018**				December 31, 2017		
	Ownership		**Carrying value**		**Fair value**		Carrying value	Fair value
Algoma	**36.7%**	**$**	**179.5**	**$**	**202.2**	$	181.9	$ 226.8
Economic	**24.0%**		**146.3**		**152.4**		148.2	154.3
Total		**$**	**325.8**	**$**	**354.6**	$	330.1	$ 381.1

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

Risk management

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

Market risk

Market risk is the most significant risk impacting E-L Corporate as its investing activities are influenced by market price, foreign currency and interest rate risk. As the Company's investment portfolio is represented by Canadian and global equities, the value of its investments will vary from day to day depending on a number of market factors including economic conditions, global events, market news, and on the performance of the issuers of the securities in which the Company invests. Changes in foreign currency exchange rates will also affect the value of investments of non-Canadian dollar securities. As of March 31, 2018, 44% (December 31, 2017 - 44%) of the investment - corporate including cash and cash equivalents was denominated in U.S. dollars, 11% (December 31, 2017 - 11%) in Euros and 9% (December 31, 2017 - 9%) in the Japanese Yen representing the largest foreign currency exposures.

Credit risk

In addition to the discussion of risks included in this MD&A, a comprehensive discussion of the material risks that impact the Company is included in the Annual Information Form which is available at www.sedar.com. Disclosures regarding E-L Corporate's financial instruments, including financial risk management, are included in Notes 3, 5 and 9 to the consolidated financial statements.

Outlook

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

REPORT ON EMPIRE LIFE

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

Empire Life reported first quarter common shareholders' net income of $38.7 million for 2018, compared to $50.2 million for first quarter 2017. The earnings for the first quarter of 2018 included growth from expected profit on in-force business in the Individual Insurance product line and higher experience gains in Individual Insurance and Employee Benefits product lines. The first quarter of 2017 included gains realized from management actions in the Individual Insurance product line. These gains were not realized in the first quarter of 2018. Return on common shareholders' equity ("ROE") for first quarter 2018 was 10.8% compared to 15.7% in 2017.

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:

		First quarter		
(millions of dollars)		**2018**		2017
Empire Life common shareholders' net income	**$**	**38.7**	$	50.2
Non-controlling interests		**0.3**		0.4
Net income, contribution to E-L Financial	**$**	**38.4**	$	49.8
Empire Life return on common shareholders' equity (quarterly annualized)		**10.8%**		15.7%

The following table provides a breakdown of the sources of earnings for the first quarter:

Sources of Earnings		**First quarter**		
(millions of dollars)		**2018**		2017
Expected profit on in-force business	**$**	**49.0**	$	43.3
Impact of new business		**(3.6)**		(4.8)
Experience gains (losses)		**4.4**		(0.4)
Management actions and changes in assumptions		**—**		29.6
Earnings on operations before income taxes		**49.8**		67.7
Earnings on surplus		**4.5**		1.8
Income before income tax		**54.3**		69.5
Income taxes		**12.3**		17.2
Empire Life's shareholders' net income		**42.1**		52.3
Dividends on preferred shares (1)		**3.4**		2.1
Empire Life common shareholders' net income	**$**	**38.7**	$	50.2

(1) First quarter 2018 includes $2.1 million (March 31, 2017 - $nil) preference share dividends to E-L Financial

The expected profit on in-force business for the first quarter increased by 13.1% primarily due to growth in the Individual Insurance product line and higher fee income in the Wealth Management product line.

The impact of new business was primarily driven by lower new business expenses related to the Individual Insurance product line, partially offset by the sales mix for segregated fund business in the Wealth Management product line relative to 2017.

The experience gains for the first quarter of 2018 benefited from favourable mortality and surrender experience on the Individual Insurance product line relative to 2017, and improved health and long-term disability claims in the Employee Benefits product line. In the first quarter of 2017, the Wealth Management product line experienced higher investment gains relative to 2018.

Management actions in the first quarter of 2017 were related to Individual Insurance product line primarily resulted from improved matching of assets and liabilities. There was an increase of investment in real estate limited partnership units which resulted in a gain from updating insurance contract liabilities.

Earnings on surplus increased primarily due to lower expenses from Empire Life's hedging program and higher assets in surplus in 2018.

Results by Major Product Line

Empire Life has three major product lines (Wealth Management, Employee Benefits and Individual Insurance) and maintains distinct accounts for Capital and Surplus. A discussion of each product line's 2018 net income compared to 2017 is shown in the Product Line Results sections later in this report.

The following tables provide a summary of Empire Life results by major product line for the three months ended March 31 for 2018 and 2017. A discussion of results is provided in the Product Line section of the MD&A (figures in MD&A may differ due to rounding):

Three months ended March 31	**Wealth Management**		**Employee Benefits**		**Individual Insurance**		**Capital & Surplus**		**Total**	
(millions of dollars)	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Revenue										
Net premium	**$ 31.8**	$ 27.6	**$ 85.6**	$ 83.6	**$ 93.6**	$ 91.2	**$ —**	$ —	**$ 211.0**	$ 202.4
Fee income	**62.7**	58.5	**2.6**	2.6	**0.1**	0.2	**—**	—	**65.4**	61.3
Investment income	**9.4**	9.7	**0.9**	0.9	**42.1**	41.6	**14.9**	12.3	**67.3**	64.6
Net (losses) gains on investments [(1)]	**(5.0)**	16.2	**(0.4)**	1.0	**(70.7)**	69.0	**(3.9)**	(4.6)	**(80.0)**	81.6
	98.9	112.0	**88.8**	88.1	**65.1**	202.0	**11.1**	7.7	**263.8**	409.8
Expenses										
Benefits and expenses	**73.4**	74.3	**74.9**	81.2	**51.8**	178.0	**6.1**	4.3	**206.2**	337.8
Income and other taxes	**6.5**	9.4	**5.4**	3.3	**4.3**	7.8	**0.7**	0.6	**17.0**	21.1
	79.9	83.7	**80.3**	84.5	**56.1**	185.8	**6.9**	4.9	**223.2**	358.9
Net income after tax	**$ 19.0**	$ 28.3	**$ 8.5**	$ 3.5	**$ 9.0**	$ 16.2	**$ 4.2**	$ 2.8	**$ 40.6**	$ 50.9
Participating policyholders' portion									**(1.5)**	(1.4)
Dividends on preferred shares									**3.4**	2.1
Empire Life's common shareholders' net income									**38.7**	50.2
Non-controlling interests in net income									**0.3**	0.4
Net income attributable to owners of E-L Financial									**$ 38.4**	$ 49.8

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

Product Line Results - Wealth Management

		First quarter		
(millions of dollars)		**2018**		**2017**
Fixed Annuities				
Assets under management	**$**	**952.2**	$	956.3
Gross sales		**31.8**		27.7
Net sales		**(7.0)**		(10.6)
Segregated Funds				
Assets under management		**8,385.8**		8,239.7
Gross sales		**268.2**		300.2
Net sales		**(35.3)**		27.4
Fee income		**61.8**		57.4
Mutual Funds				
Assets under management		**172.1**		190.9
Gross sales		**5.7**		9.0
Net sales		**(7.9)**		(2.3)
Fee income		**0.7**		0.7
Net income after tax	**$**	**19.0**	$	28.3

Fixed annuities assets under management decreased by 0.4% during the last 12 months due to higher redemptions and net investment loss. The demand for fixed deferred and immediate annuities increased in 2018 with gross sales up 15.2% year over year, despite the aggressive competitive rates in the market.

Segregated fund assets under management increased by 1.8% during the last 12 months primarily due to stock market increase for the period. For the first quarter of 2018, gross sales were down 10.6% compared to 2017, primarily due to less demand for the Guaranteed Minimum Withdrawal Benefit ("GMWB") product. On October 23, 2017, Empire Life launched a new version of its GMWB product which is more capital efficient than the previous product, resulting in overall lower costs for the consumer. Fee income has increased by 7.6% primarily due to higher average assets under management, relative to the same period in 2017.

Mutual fund assets decreased by 9.9% during the last 12 months due to lower than anticipated mutual fund sales combined with the closure of three mutual funds in the third quarter of 2017. Empire Life continues to explore various strategic alternatives with respect to its mutual fund business.

The following table provides a breakdown of the sources of earnings for the first quarter for Wealth Management:

Sources of Earnings - Wealth Management				**First quarter**
(millions of dollars)		**2018**		2017
Expected profit on in-force business	**$**	**28.2**	$	27.2
Impact of new business		**(2.3)**		(0.8)
Experience (losses) gains		**(0.4)**		11.4
Earnings on operations before income taxes		**25.5**		37.8
Income taxes		**6.5**		9.4
Empire Life's shareholders' net income	**$**	**19.0**	$	28.3

The expected profit on in-force business for the first quarter of 2018 increased primarily from higher fee income on higher segregated fund assets under management. The impact of new business was primarily driven by the sales mix for segregated fund business. The experience gains for the first quarter of 2018 were lower than 2017 as prior year gains were primarily related to investment gains on assets matching fixed annuities.

Product Line Results - Employee Benefits

		First quarter	
(millions of dollars)		**2018**	2017
Selected financial information			
Annualized premium sales	**$**	**26.4**	$ 8.1
Net premium		**85.6**	83.6
Net income after tax	**$**	**8.5**	$ 3.5

Annualized premium sales were higher in the first quarter of 2018 primarily due to a large block transfer from a new strategic distribution partner, in addition to the continued growth of the small to medium-sized business owner market. Over the last two years, Empire Life has entered into a number of strategic partnerships to expand market share.

Net premiums increased by 2.3% for the same period. Empire Life continues to focus on profitable sales in the employee benefits market where price competition continues for all major product lines.

The following table provides a breakdown of the sources of earnings for the first quarter for Employee Benefits:

Sources of Earnings - Employee Benefits		First quarter	
(millions of dollars)		**2018**	2017
Expected profit on in-force business	**$**	**5.6**	$ 5.4
Impact of new business		**(2.6)**	(1.8)
Experience gains		**8.8**	1.1
Earnings on operations before income taxes		**11.8**	4.7
Income taxes		**3.3**	1.2
Empire Life's shareholders' net income	**$**	**8.5**	$ 3.5

Expected profit for the first quarter has slightly increased from prior year due to the growth of net premiums. The increase in new business expense was mainly due to higher sales as discussed above. Experience gains improved in the first quarter of 2018 primarily related to improved health and long-term disability claims relative to 2017. As Empire Life balances claims management with customer experience, it cannot predict whether claims improvement will continue.

Product Line Results - Individual Insurance

(millions of dollars)		First quarter 2018		2017
Selected financial information				
Shareholders' annualized premium sales	**$**	**4.7**	$	5.6
Policyholders' annualized premium sales		**2.9**		1.8
Shareholders' net premiums		**71.4**		71.2
Policyholders' net premiums		**22.2**		19.9
Net income after tax				
Net income after tax shareholders' portion	**$**	**10.7**	$	18.9
Net loss after tax policyholders' portion		**(1.8)**		(2.7)
Net income after tax	**$**	**8.9**	$	16.2

For the first quarter of 2018, shareholders' new premium sales decreased from the comparable period in 2017 primarily due to competitive pricing, while policyholder's new premium sales increased due to product changes in 2017. The total net premiums increased in the first quarter of 2018 compared to the same period in 2017, as a result of higher in-force business. Empire Life has continued to modify its EstateMax® participating policy since it was launched in 2015. In February 2017, EstateMax® 8 Pay and Optimax Wealth™ 8 Pay were introduced which provided new payment options to allow clients to pay for their participating policy in as little as eight years. During the fourth quarter of 2016, Empire Life decided to stop selling universal life insurance products but will continue to administer its in-force block of universal life insurance products.

The following table provides a breakdown of the sources of earnings for the first quarter for Individual Insurance (excludes policyholders' portion):

Sources of Earnings - Individual Insurance (excludes policyholders' portion)

(millions of dollars)		First quarter 2018		2017
Expected profit on in-force business	**$**	**15.2**	$	10.7
Impact of new business		**1.3**		(2.2)
Experience losses		**(4.0)**		(12.9)
Management actions and changes in assumptions		**—**		29.6
Earnings on operations before income taxes		**12.6**		25.2
Income taxes		**1.8**		6.3
Empire Life's shareholders' net income	**$**	**10.7**	$	18.9

The expected profit for the first quarter of 2018 was mainly driven by the growth in the in-force business. The impact of new business in the first quarter of 2018 was primarily driven by lower new business expenses incurred relative to 2017. The experience losses for the first quarter of 2018 improved relative to 2017 related to more favourable mortality and surrender experience, partially offset by a net investment experience loss.

Management actions to improve asset/liability matching occurred in the first quarter of 2017 as Empire Life increased its investment in real estate limited partnership units resulting in a gain. Management will continue to make changes to the bond portfolios to reduce the mismatch between the liability and asset portfolio.

Long-term interest rate movements are demonstrated in the following table. Interest rate movements impact both bond asset fair values and insurance contract liabilities. In the first quarter of 2018, the increase in interest rates (including spreads as shown below) caused lower bond prices and associated decreases in insurance contract liabilities, which resulted in a net investment experience gain.

	First quarter	
	2018	2017
Interest rate movement		
30 year Canada federal government bond yield		
End of period	**2.22 %**	2.31 %
Beginning of period	**2.26 %**	2.31 %
Change during period	**(0.04)%**	— %
30 year Province of Ontario spread		
End of period	**0.78 %**	0.85 %
Beginning of period	**0.70 %**	0.90 %
Change during period	**0.08 %**	(0.05)%
30 year A rated corporate spread (including financials)		
End of period	**1.42 %**	1.49 %
Beginning of period	**1.32 %**	1.60 %
Change during period	**0.10 %**	(0.11)%
30 year A rated financials spread		
End of period	**1.87 %**	1.87 %
Beginning of period	**1.87 %**	2.01 %
Change during period	**— %**	(0.14)%

Stock market movements are demonstrated in the following table. In the first quarter of 2018, the decrease in stock markets caused a decrease in equity values which was partially offset by a decrease in insurance contract liabilities, which resulted in an investment experience loss.

	First quarter	
	2018	2017
Stock market movement		
S&P/TSX Composite Index		
End of period	**15,367.3**	15,547.8
Beginning of period	**16,209.1**	15,287.6
Percentage change during period	**(5.19)%**	1.70%
S&P 500 Index		
End of period	**2,640.9**	2,362.7
Beginning of period	**2,673.6**	2,238.8
Percentage change during period	**(1.22)%**	5.50%

Results - Capital and Surplus

(millions of dollars)		First quarter 2018		2017
Net income after tax				
Net income after tax shareholders' portion	**$**	**3.9**	$	1.6
Net income after tax policyholders' portion		**0.4**		1.2
Net income after tax	**$**	**4.2**	$	2.8

Empire Life maintains distinct accounts for Shareholders' Capital and Surplus and Policyholders' Surplus.

The following table provides a breakdown of the sources of earnings for the first quarter for Capital and Surplus (excludes policyholders' portion).

Sources of Earnings - Capital and Surplus (excludes policyholders' portion)

(millions of dollars)		First quarter 2018		2017
Income from investments	**$**	**11.3**	$	9.8
Losses on hedging instruments		**(0.7)**		(3.8)
Interest and other expenses		**(6.1)**		(4.3)
Earnings before income taxes		**4.5**		1.8
Income taxes		**0.7**		0.2
Empire Life's shareholders' net income	**$**	**3.9**	$	1.6

Income from investments increased in the first quarter of 2018 compared to 2017 primarily because of higher assets in surplus. During the first quarter of 2018, Empire Life incurred lower expenses on its hedging program primarily due to the decline in Canadian stock prices in 2018 compared to an increase in 2017 (discussed in the Risk Management section later in this report). Increased interest expense was due to Empire Life's issuance of a total of $200 million subordinated debentures issued during the third quarter of 2017.

Capital Securities

Empire Life has issued private and public securities to strengthen its capital position and fund new business growth. The securities outstanding are summarized as follows:

Preferred Shares & Subordinated Debentures (millions of dollars)	Date issued		As at **March 31, 2018**		December 31, 2017
Preferred shares	January 2016	**$**	**149.5**	$	149.5
Preferred shares	November 2017	**$**	**100.0**	$	100.0
Subordinated debentures	May 2013	**$**	**300.0**	$	300.0
Subordinated debentures	December 2016	**$**	**200.0**	$	200.0
Subordinated debentures	September 2017	**$**	**200.0**	$	200.0

In the first quarter of 2016, Empire Life issued $149.5 million of preferred shares. The holders are entitled to receive fixed non-cumulative quarterly dividends yielding 5.75% annually for the period ending on April 17, 2021. After that the dividend rate will be reset every five years at a rate equal to the 5-year Government of Canada bond yield plus 4.99%. In the fourth quarter of 2017, Empire Life issued $100 million preferred shares to E-L Financial. E-L Financial is entitled to receive fixed non-cumulative quarterly dividends yielding 4.9% annually for the period ending January 17, 2023. After that the dividend rate will be reset every five years at a rate equal to the 5-year Government of Canada rate at that time plus 3.24%.

In the fourth quarter of 2016, Empire Life issued $200 million principal amount of unsecured subordinated debentures with a maturity date at December 16, 2026. The interest rate on the debentures is 3.383% paid semi-annually until December 16, 2021. After that the interest rate will be the 3-month Canadian Deposit Offering Rate plus 1.95% from December 16, 2021 to December 16, 2026. In the third quarter of 2017, Empire Life issued $200 million principal amount of unsecured subordinated debentures with a maturity date of March 15, 2028. The interest rate on the debentures is 3.664% paid semi-annually until March 15, 2023. After that the interest rate will be the 3-month Canadian Deposit Offering Rate plus 1.53% from March 15, 2023 to March 15, 2028. The issuances of the debentures in 2017 have increased the interest paid relative to the first quarter of 2017.

On April 26, 2018, Empire Life announced its intention to redeem all of the outstanding $300 million 2.870% unsecured subordinated debentures on May 31, 2018 at a redemption price equal to the principal amount together with accrued and unpaid interest to that date.The pro-forma Life Insurance Capital Adequacy Test ("LICAT") ratio reflecting this redemption would be 162.1% as of March 31, 2018. Refer to the next section "Capital Resources" for a discussion of LICAT.

Empire Life's debentures and preferred shares are rated by DBRS Limited ("DBRS") and A.M. Best Company, Inc. ("A.M. Best"). Empire Life's DBRS issuer rating is "A" (sixth highest of 20 categories), its subordinated debt rating is "A (low)" (seventh highest of 20 categories), its financial strength rating is "A" (sixth highest of 22 categories) and its Preferred Share rating is Pfd-2 (fifth highest of 18 categories). All ratings have a stable trend.

A.M. Best ratings of Empire Life is "A Excellent" financial strength rating (third highest of 16 categories), "a" long-term issuer credit rating (sixth highest of 21 categories), "bbb+" Subordinated Debt rating (eighth highest of 21 categories), and "bbb" Preferred Share rating (ninth highest of 21 categories). All ratings have a stable trend.

Capital Resources

Effective January 1, 2018, Minimum Continuing Capital and Surplus Requirements ("MCCSR") has been replaced by the LICAT. The LICAT is intended to improve the quality of available capital and provides a better alignment of the risk measures with the long-term economics of the life insurance business. For insurance risks, the LICAT base solvency buffers are computed by applying severe stress events over a one year time horizon to the best estimate insurance policy liabilities determined under the Canadian Asset Liability Method ("CALM"). The base solvency buffer is the amount in excess of the best estimate liability under CALM. The MCCSR required capital components were calculated using factor-based methods applied to the insurance policy liabilities under CALM. For market risks, the LICAT base solvency buffer will behave differently under various economic scenarios when compared to MCCSR. The surplus allowance is primarily made up of provisions for adverse deviations ("PfADs") with respect to insurance risk included insurance policy liabilities. As a result, LICAT ratios are not comparable to the MCCSR ratio. Empire Life had a strong capital position under MCCSR and 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 capital.

LICAT (millions of dollars)		**March 31 2018**
Available capital		
Tier 1	**$**	**1,479.5**
Tier 2		**915.5**
Total	**$**	**2,395.0**
Surplus allowance and eligible deposits	**$**	**995.7**
Base solvency buffer	**$**	**1,910.4**
LICAT Total Ratio		**177.5%**
LICAT Core Ratio		**113.9%**

MCCSR *(millions of dollars)*	**March 31** **2018**	December 31 2017	September 30 2017	June 30 2017	March 31 2017
Available regulatory capital					
Tier 1	**N/A**	$ 1,409.3	$ 1,310.5	$ 1,248.8	$ 1,248.2
Tier 2	**N/A**	931.5	877.1	741.8	713.2
Total	**N/A**	$ 2,340.8	$ 2,187.6	$ 1,990.5	$ 1,961.4
Required regulatory capital	**N/A**	$ 830.5	$ 797.9	$ 798.7	$ 760.1
MCCSR Ratio	**N/A**	281.9%	274.2%	249.2%	258.0%

Risk Management

Caution Related to Sensitivities

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

Market Risk

Empire Life has equity market risk related to its segregated fund products and from equity assets backing life insurance liabilities. Empire Life has a semi-static hedging program. The objective of the hedging program is to partially protect Empire Life from possible future LICAT ratio declines that might result from adverse stock market price changes. The hedging program currently employs put options on key equity indices. The extent of options used is monitored and managed on an ongoing basis, giving consideration to equity 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 related to segregated fund guarantees, but does not have policy liabilities related to these guarantees on its balance sheet. Therefore a by-product of hedging LICAT exposure is income statement volatility, as the gains or losses from hedging instruments are not offset by changes in policy liabilities related to segregated fund guarantees on the income statement. During the first quarter of 2018, Empire Life experienced a hedge cost of $0.5 million after tax on its hedging program primarily due to decrease in Canadian stock prices. This compares to a hedge cost of $2.8 million for the comparable period in 2017 primarily due to rising Canadian stock prices in 2017.

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 March 31, 2018, Empire Life had $8.4 billion of segregated fund assets and liabilities. Of this amount, approximately $8.1 billion have guarantees. The following table provides a percentage breakdown by type of guarantee:

	March 31 2018	December 31 2017
Percentage of segregated fund liabilities with:		
75% maturity guarantee and a 75% death benefit guarantee	**2.3%**	2.1%
75% maturity guarantee and a 100% death benefit guarantee	**48.1%**	48.1%
100% maturity and death benefit guarantee (with a minimum of 15 years between deposit and maturity date)	**6.7%**	6.6%
100% maturity and death benefit guarantee (GMWB)	**42.9%**	43.2%

All Empire Life segregated fund guarantees are policy-based (not deposit-based), thereby generally lowering Empire Life's stock market sensitivity relative to products with deposit-based guarantees. Policy-based guarantees consider all of the deposits in the customer's policy (whether the fund value is below or above the guaranteed amount) to arrive at an overall net guarantee payment, whereas deposit-based guarantees consider only the deposits where the fund value is below the guaranteed amount and ignores all the deposits in the customer's policy where the fund value is above the guaranteed amount. Therefore, generally policy-based guarantees pay less than deposit-based guarantees. For segregated fund guarantee insurance contract liabilities, the level of sensitivity is highly dependent on the level of the stock market at the time of performing the estimate. If period-end stock markets are high relative to market levels at the time that segregated fund policies were issued, the sensitivity is reduced. If period-end stock markets are low relative to market levels at the time that segregated fund policies were issued, the sensitivity is increased.

The segregated fund regulatory capital and liability framework includes the use of "zero floors" (i.e., negative liability amounts are not permitted so zero is used instead, as described below) and other regulatory constraints, and this often makes the sensitivity impacts non-linear. Generally as stock markets and interest rates rise, the magnitude of the negative liabilities will also rise. In the first table below, Empire Life discloses the sensitivity of net income to changes in segregated fund guarantee insurance contract liabilities. There is a net loss resulting from a 20% and a 30% decrease at March 31, 2018 and at December 31, 2017, but otherwise the amounts shown in the table are nil. These liabilities (present value of future benefits and expenses minus the present value of future fee revenue) are calculated using stochastic modeling techniques based on a range of future economic scenarios. The liabilities are the greater of: (i) the average of the amounts determined in the worst 20% of the scenarios; and (ii) zero. For the nil amounts shown in this table, the liability for Empire Life was negative. Therefore, the alternative level of zero is applied in these tests (zero floor) resulting in a net income impact of nil. Based on stock market levels at March 31, 2018 and December 31, 2017, the sensitivity of Empire Life shareholders' net income to changes in segregated fund guarantee insurance contract liabilities resulting from stock market increases and decreases is as follows:

Sensitivity to segregated fund guarantees	**Increase**		**Decrease**		
(millions of dollars after tax)	**20%**	**10%**	**10%**	**20%**	**30%**
March 31, 2018 Shareholders' net income	**$ nil**	**$ nil**	**$ nil**	**$(109.3)**	**$(241.7)**
December 31, 2017 Shareholders' net income	$ nil	$ nil	$ nil	$(34.4)	$(160.2)

Empire Life's equity market sensitivity for segregated fund guarantees in a 20% and 30% stock market decline has increased primarily as a result of a decrease in the Canadian stock market during the first quarter of 2018. The impact of stock market changes on the segregated fund guarantee liabilities is not linear.

As noted earlier, Empire Life also has equity market risk related to its equity assets backing life insurance liabilities. Based on stock market levels as at March 31, 2018 and December 31, 2017, the sensitivity of Empire Life shareholders' net income (including changes in segregated fund guarantee insurance contract liabilities) resulting from stock market increases and decreases is as follows (excluding the effect of Empire Life's equity risk hedging program):

Excluding equity risk hedge	**Increase**		**Decrease**		
(millions of dollars after tax)	**20%**	**10%**	**10%**	**20%**	**30%**
March 31, 2018 Shareholders' net income	**$9.3**	**$2.9**	**$(18.4)**	**$(142.2)**	**$(327.2)**
December 31, 2017 Shareholders' net income	$48.7	$24.3	$(24.3)	$(83.1)	$(235.8)

The equity risk hedging program provides some relief in adverse scenarios, but may incur losses in positive scenarios. The March 31, 2018 and December 31, 2017 amounts in the following table include the effect of Empire Life's equity risk hedging program (described above):

Including equity risk hedge	**Increase**		**Decrease**		
(millions of dollars after tax)	**20%**	**10%**	**10%**	**20%**	**30%**
March 31, 2018 Shareholders' net income	**$8.2**	**$2.0**	**$(14.9)**	**$(128.2)**	**$(292.4)**
December 31, 2017 Shareholders' net income	$48.2	$23.9	$(22.4)	$(74.0)	$(209.6)

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

Based on stock market levels on the dates indicated below, the sensitivity of Empire Life's LICAT ratio for March 31, 2018 and MCCSR ratio for December 31, 2017 to stock market increases and decreases for all Empire Life stock market exposures, including segregated fund guarantees, is as follows (excluding the effect of Empire Life's equity risk hedging program):

Excluding equity risk hedge LICAT/MCCSR	**Increase**		**Decrease**		
Sensitivity to stock markets	**20%**	**10%**	**10%**	**20%**	**30%**
March 31, 2018 LICAT Total ratio	**(4.5)%**	**(3.2)%**	**(8.7)%**	**(9.3)%**	**(17.1)%**
December 31, 2017 MCCSR ratio	(0.9)%	(0.3)%	(19.4)%	(42.6)%	(58.8)%

The March 31, 2018 and December 31, 2016 amounts in the following table include the effect of Empire Life's equity risk hedging program (described below):

Including equity risk hedge LICAT/MCCSR	**Increase**		**Decrease**		
Sensitivity to stock markets	**20%**	**10%**	**10%**	**20%**	**30%**
March 31, 2018 LICAT Total ratio	**(4.6)%**	**(3.3)%**	**(8.6)%**	**(8.6)%**	**(15.3)%**
December 31, 2017 MCCSR ratio	(5.1)%	(2.4)%	(17.7)%	(38.7)%	(50.1)%

The amount at risk related to segregated fund maturity guarantees and segregated fund death benefit guarantees and the resulting actuarial liabilities and LICAT Base Solvency Buffer for March 31, 2018 for Empire Life's segregated funds is as follows:

Segregated Funds	Withdrawal Benefit > Fund Value		Maturity Guarantee > Fund Value		Death Benefit > Fund Value		Actuarial	LICAT
(millions of dollars)	Fund Value	Amount at Risk	Fund Value	Amount at Risk	Fund Value	Amount at Risk	Liabilities	Capital
March 31, 2018	**$ 2,714.6**	**$ 779.6**	**$ 146.2**	**$ 5.3**	**$ 1,938.8**	**$ 30.7**	**$ nil**	**$ 296.5**
December 31, 2017	$ 2,708.3	$ 688.5	$ 30.9	$ 0.7	$ 409.1	$ 3.2	$ nil	$ 174.3

The first six columns of the above table show all segregated fund policies where the future withdrawal benefit, future maturity guarantee, or future death benefit guarantee is greater than the fund value. The amount at risk represents the excess of the future withdrawal benefit, future maturity guarantee or future death benefit guarantee amount over the fund value for these policies. The withdrawal benefit amounts in the above table relate to GMWB products. The GMWB withdrawal benefit amount at risk represents the amount that could be paid by Empire Life to GMWB policyholders if the net return on each GMWB policyholder's assets is zero for the remainder of each GMWB policyholder's life, based on life expectancy. As at March 31, 2018, the aggregate amount at risk for all three categories of risk is $815.6 million. At December 31, 2017, the aggregate amount at risk for these three categories of risk was $692.4 million. For these three categories of risk, the amount at risk is not currently payable. Payment is contingent on future outcomes including fund performance, deaths, deposits, withdrawals and maturity dates.

The level of actuarial liabilities and required regulatory capital in the above table is calculated based on the probability that Empire Life will ultimately have to make payment to the segregated fund policyholders for any fund value deficiency that may exist on future payments to GMWB policyholders, or upon future maturity of the segregated fund policies, or upon future death of the segregated fund policyholders. The amounts at risk and the regulatory capital at March 31, 2018 increased from the December 31, 2017 levels primarily due to the decrease in Canadian stock market during the first quarter of 2018.

In addition, Empire Life's LICAT ratio is sensitive to changes in market interest rates. The impact of an immediate 50 basis point decrease in interest rates and a 50 basis point decrease in assumed initial reinvestment rate ("IRR") for non-participating insurance business and segregated fund guarantees for March 31, 2018 and December 31, 2017, is shown in the table below. This assumes no change in the ultimate reinvestment rate ("URR").

Sensitivity to market interest rates LICAT/MCCSR:	Before the sale of AFS assets	After the sale of AFS assets
	50bps decrease	50bps decrease
March 31, 2018 LICAT Total ratio	**N/A**	**(4.2)%**
December 31, 2017 MCCSR ratio	(23.4)%	(16.6)%

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

		March 31 2018		December 31 2017
Assets				
Cash and cash equivalents	**$**	**272,967**	$	338,989
Investments - corporate (Note 3)		**4,873,361**		4,853,200
Investments - insurance (Note 4)		**8,307,264**		8,265,212
Investments in associates (Note 5)		**325,791**		330,050
Insurance receivable		**31,088**		46,294
Other assets		**134,338**		124,005
Segregated fund assets (Note 7)		**8,405,483**		8,681,892
Total assets	**$**	**22,350,292**	$	22,639,642
Liabilities				
Reinsurance liabilities		**645,118**		650,801
Insurance contract liabilities		**5,398,091**		5,430,098
Investment contract liabilities		**17,411**		16,643
Deferred tax liabilities		**270,525**		273,243
Other liabilities		**196,628**		217,597
Borrowings		**798,463**		798,291
Segregated fund liabilities (Note 7)		**8,405,483**		8,681,892
Total liabilities	**$**	**15,731,719**	$	16,068,565
Equity				
Capital stock	**$**	**372,388**	$	372,388
Retained earnings		**5,228,601**		5,171,997
Accumulated other comprehensive (loss) (“AOCL”) income (“AOCI”)		**(473)**		8,564
Total E-L Financial shareholders' equity		**5,600,516**		5,552,949
Non-controlling interests in subsidiaries		**978,068**		974,907
Participating policyholders' interests (“PAR”)		**39,989**		43,221
Total equity		**6,618,573**		6,571,077
Total liabilities and equity	**$**	**22,350,292**	$	22,639,642

Approved by the Board

Duncan N.R. Jackman, Director

James F. Billett, Director

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

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

	Three months ended March 31 2018	2017
Revenue		
Gross premiums	**$ 243,225**	$ 232,033
Premiums ceded to reinsurers	**(32,234)**	(29,639)
Net premiums	**210,991**	202,394
Investment and other income (Note 6)	**157,920**	150,102
Share of (loss) income of associates (Note 5)	**(2,591)**	736
Fair value change in fair value through profit or loss investments	**(55,641)**	313,647
Realized (loss) gain on available for sale investments (Note 4)	**(2,010)**	37,629
	308,669	704,508
Expenses		
Gross claims and benefits	**144,175**	258,854
Claims and benefits ceded to reinsurers	**(29,762)**	(7,659)
Net claims and benefits	**114,413**	251,195
Change in investment contracts provision	**91**	79
Commissions	**47,580**	45,284
Operating	**47,392**	44,962
Interest expense	**6,413**	3,964
Premium taxes	**5,010**	4,243
	220,899	349,727
Income before income taxes	**87,770**	354,781
Income tax expense	**15,984**	54,608
Net income	**71,786**	300,173
Less: Participating policyholders' loss	**(1,455)**	(1,435)
Non-controlling interests in net income	**7,725**	37,512
	6,270	36,077
E-L Financial shareholders' net income	**$ 65,516**	$ 264,096
Earnings per share attributable to E-L Financial shareholders		
Basic	**$ 15.69**	$ 66.26
Diluted	**$ 15.15**	$ 60.41

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

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

	Three months ended March 31	
	2018	2017
Net income	**$ 71,786**	$ 300,173
Other comprehensive income (“OCI”) (loss) (“OCL”), net of taxes (Note 8)		
Items that may be reclassified subsequently to net income:		
Net unrealized fair value change on available for sale investments (“AFS”)	**(6,781)**	(24,541)
Share of OCI (OCL) of associates	**1,337**	(1,927)
	(5,444)	(26,468)
Items that will not be reclassified to net income:		
Net remeasurement of defined benefit plans	**(4,937)**	(3,222)
Share of OCL of associates	**(393)**	—
	(5,330)	(3,222)
Total OCL	**(10,774)**	(29,690)
Comprehensive income	**61,012**	270,483
Less: Participating policyholders' comprehensive loss	**(3,232)**	(1,755)
Non-controlling interests in comprehensive income	**7,765**	37,344
	4,533	35,589
E-L Financial shareholders' comprehensive income	**$ 56,479**	$ 234,894

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

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

	E-L Financial shareholders' equity						
	Capital stock	**Retained earnings**	**AOCI**	**Total**	**NCI**	**PAR**	**Total equity**
At January 1, 2018	**$ 372,388**	**$5,171,997**	**$ 8,564**	**$5,552,949**	**$ 974,907**	**$ 43,221**	**$6,571,077**
Net income (loss)	**—**	**65,516**	**—**	**65,516**	**7,725**	**(1,455)**	**71,786**
(OCL) OCI	**—**	**—**	**(9,037)**	**(9,037)**	**40**	**(1,777)**	**(10,774)**
Comprehensive income (loss)	**—**	**65,516**	**(9,037)**	**56,479**	**7,765**	**(3,232)**	**61,012**
Dividends	**—**	**(8,912)**	**—**	**(8,912)**	**(4,071)**	**—**	**(12,983)**
Acquisition of subsidiary shares	**—**	**—**	**—**	**—**	**(533)**	**—**	**(533)**
At March 31, 2018	**$ 372,388**	**$5,228,601**	**$ (473)**	**$5,600,516**	**$ 978,068**	**$ 39,989**	**$6,618,573**

	E-L Financial shareholders' equity						
	Capital stock	Retained earnings	AOCI	Total	NCI	PAR	Total equity
At January 1, 2017	$ 372,388	$4,538,540	$ 43,271	$4,954,199	$ 912,131	$ 51,127	$5,917,457
Net income (loss)	—	264,096	—	264,096	37,512	(1,435)	300,173
OCL	—	—	(29,202)	(29,202)	(168)	(320)	(29,690)
Comprehensive income (loss)	—	264,096	(29,202)	234,894	37,344	(1,755)	270,483
Dividends	—	(8,912)	—	(8,912)	(7,173)	—	(16,085)
At March 31, 2017	$ 372,388	$4,793,724	$ 14,069	$5,180,181	$ 942,302	$ 49,372	$6,171,855

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

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

	Three months ended March 31	
	2018	2017
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net income	**$ 71,786**	$ 300,173
Items not affecting cash resources:		
Change in insurance and investment contract liabilities	**(38,107)**	92,851
Realized loss (gain) on available for sale of investments	**2,010**	(37,629)
Fair value change in fair value through profit or loss investments	**55,641**	(313,647)
Deferred taxes	**(1,070)**	8,221
Share of loss (income) of associates	**2,591**	(736)
Amortization related to investments	**(16,816)**	(18,232)
Other items	**1,355**	36,147
	77,390	67,148
Net change in other assets and liabilities	**(16,216)**	25,298
	61,174	92,446
Financing		
Cash dividends to shareholders	**(8,912)**	(8,912)
Cash dividends by subsidiaries to non-controlling interests	**(4,002)**	(7,173)
Purchases of subsidiary shares	**(533)**	—
Interest paid on borrowings	**(3,996)**	—
	(17,443)	(16,085)
Investing		
Purchases of investments	**(695,379)**	(1,684,291)
Proceeds from sale or maturity of investments	**502,238**	1,605,962
Net sales of short-term investments	**81,127**	8,278
Net purchases of other assets	**(494)**	(3,777)
Dividends from associates	**2,755**	3,201
	(109,753)	(70,627)
(Decrease) increase in cash and cash equivalents	**(66,022)**	5,734
Cash and cash equivalents, beginning of the period	**338,989**	419,906
Cash and cash equivalents, end of the period	**$ 272,967**	$ 425,640
Fair value hierarchy for cash and cash equivalents:		
Level 1	**$ 28,871**	$ 35,184
Level 2	**244,096**	390,456
	$ 272,967	$ 425,640

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

1. Business operations

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

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

The consolidated financial statements were approved by the Company's Board of Directors on May 10, 2018.

2. Significant accounting policies

(a) Basis of preparation

These unaudited interim condensed consolidated financial statements are prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB") and follow the same accounting policies and methods as the most recent annual financial statements. These unaudited interim condensed consolidated financial statements do not include all of the disclosures required under International Financial Reporting Standards ("IFRS") for annual financial statements and should be read in conjunction with the notes to the Company's audited consolidated financial statements for the year ended December 31, 2017.

(b) Accounting changes

i) New accounting pronouncements adopted in 2018

IFRS 15 Revenue from Contracts with Customers

The IASB has issued a new standard for the recognition of revenue which is effective on January 1, 2018. This replaces IAS 18 *Revenue* which covers contracts for goods and services and IAS 11 *Construction Contracts* which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption. Adoption of IFRS 15 on January 1, 2018 did not have a material impact to the consolidated financial statements.

ii) New accounting pronouncements issued but not yet effective

IFRS 9 Financial Instruments

IFRS 9, effective for periods beginning on or after January 1, 2018 with retrospective application replaces IAS 39 *Financial Instruments: Recognition and Measurement* with a new mixed measurement model having only two measurement categories of amortized cost and Fair Value Through Profit or Loss ("FVTPL") for financial assets.

Under IFRS 9, all financial assets currently within the scope of IAS 39 will be measured at either amortized cost or FVTPL. Classification will depend on the business model and the contractual cash flow characteristics of the financial asset. All equity instruments will be measured at FVTPL. A debt instrument is measured at amortized cost only if it is held to collect the contractual cash flows and the cash flows represent principal and interest, otherwise it is measured at FVTPL. For financial liabilities designated as at FVTPL, the change in the fair value attributable to changes in the liability's credit risk is recognized in OCI unless it gives rise to an accounting mismatch in profit or loss.

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

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

The Company will apply the temporary exemption for periods beginning before January 1, 2021, which allows continued application of IAS 39 instead of adopting IFRS 9, if the Company's activities are 'predominantly connected with insurance'. To assess whether activities are 'predominantly connected with insurance' two criteria were satisfied:

- Carrying amount of liabilities arising from contracts within IFRS 17's scope is significant, compared to the total carrying amount of liabilities; and
- Comparison of total carrying amount of liabilities connected with insurance with the total carrying amount of all of its liabilities. Liabilities connected with insurance include segregated fund liabilities measured at FVTPL applying IAS 39, and liabilities that arise because the insurer issues or fulfills obligations arising from those insurance and segregated fund contracts. The second test is passed if the resulting percentage is either: greater than 90%; or if it is less than or equal to 90% but greater than 80% and the insurer is not engaged in a significant activity unconnected with insurance.

We have consider the total insurance liabilities, which include segregated fund liabilities, against our total liabilities and have concluded that the Company meets both criteria noted above. The Company is currently evaluating the impact of IFRS 9 and related amendment to IFRS 17 on its consolidated financial statements.

IFRS 16 Leases

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

IFRS 17 Insurance Contracts

IFRS 17 was issued in May 2017 as replacement for IFRS 4 *Insurance Contracts*. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows;
- an explicit risk adjustment; and
- a contractual service margin ("CSM") representing the unearned profit of the contract which is recognized as revenue over the coverage period.

The standard allows a choice between recognizing changes in discount rates either in the income statement or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model.

IFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required to be restated. The Company is evaluating the impact of IFRS 17 on its consolidated financial statements.

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

3. 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	March 31 2018	December 31 2017
Short-term investments - Canadian corporate	$ 3,084	$ 21,166
Preferred shares - Canadian	1,058	1,058
Derivative asset	736	236
Common shares and units		
Canadian	727,784	760,978
U.S.	2,049,414	2,023,074
Europe	1,052,103	1,054,623
Other	1,039,182	992,065
Total common shares and units	4,868,483	4,830,740
Total	$ 4,873,361	$ 4,853,200

The Company's investment in common shares and units includes shares of public and private companies and units in pooled funds. As at March 31, 2018 and December 31, 2017 all of the invested assets have been designated FVTPL.

Investments – measured at fair value

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

Fair value				As at March 31, 2018
Asset category	Quoted Prices (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
Short-term investments - Canadian corporate	$ —	$ 3,084	$ —	$ 3,084
Preferred shares - Canadian	—	—	1,058	1,058
Derivative asset	—	736	—	736
Common shares and units				
Canadian	23,272	77,150	627,362	727,784
U.S.	1,805,447	116,892	127,075	2,049,414
Europe	924,387	52,047	75,669	1,052,103
Other	582,741	414,048	42,393	1,039,182
Total common shares and units	3,335,847	660,137	872,499	4,868,483
Total	$ 3,335,847	$ 663,957	$ 873,557	$ 4,873,361

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

Fair value				As at December 31, 2017
Asset category	Quoted Prices (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
Short-term investments - Canadian corporate	$ —	$ 21,166	$ —	$ 21,166
Preferred shares - Canadian	—	—	1,058	1,058
Derivative asset	—	236	—	236
Common shares and units				
Canadian	24,149	92,809	644,020	760,978
U.S.	1,785,071	109,370	128,633	2,023,074
Europe	924,415	53,134	77,074	1,054,623
Other	552,962	398,341	40,762	992,065
Total common shares and units	3,286,597	653,654	890,489	4,830,740
Total	$ 3,286,597	$ 675,056	$ 891,547	$ 4,853,200

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 period ended March 31, 2018 or during the year ended December 31, 2017. Included in Level 2 are the Company's investments in pooled funds and a limited partnership which at March 31, 2018 had a carrying value of $660,137 (December 31, 2017 - $653,654).

Included in Level 3 are investments in common and preferred shares in private companies. The fair value change in FVTPL investments for Level 3 investments for period ended March 31, 2018 was a fair value loss of $17,990 (March 31, 2017 - gain of $44,489). There were no purchases, sales, issues or settlements of Level 3 investments for the period ended March 31, 2018 or during the year ended December 31, 2017.

Investment commitments

In the normal course of business, investment commitments are outstanding which are not reflected in the consolidated financial statements. In December 2017, the Company subscribed for units in a Canadian Limited Partnership. The aggregate capital commitment is U.S. $40,000. As of March 31, 2018 no draws have been made on the commitment.

Derivative financial instrument

On November 1, 2017, the Company entered into an interest rate swap with a $100,000 notional principal. At March 31, 2018 the interest rate swap had a fair value of $736 (December 31, 2017 - $236). The contract matures on November 1, 2022.

For analysis of the Company's risks arising from financial instruments, refer to Note 9 – Risk management.

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

4. Investments – insurance

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

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

Carrying Value	As at March 31, 2018			As at December 31, 2017		
Asset category	Fair value through profit or loss	Available for sale	Total carrying value	Fair value through profit or loss	Available for sale	Total carrying value
Short-term investments						
Canadian federal government	$ 12,907	$ 10,874	$ 23,781	$ 13,960	$ 44,937	$ 58,897
Canadian provincial governments	—	6,892	6,892	—	33,883	33,883
Corporate	34,024	—	34,024	34,962	—	34,962
Total short-term investments	46,931	17,766	64,697	48,922	78,820	127,742
Bonds						
Federal government	90,938	336,842	427,780	120,161	392,076	512,237
Provincial governments	3,035,843	485,151	3,520,994	2,983,416	415,016	3,398,432
Municipal governments	97,734	82,779	180,513	98,191	83,547	181,738
Total Canadian government bonds	3,224,515	904,772	4,129,287	3,201,768	890,639	4,092,407
Energy	74,165	66,328	140,493	64,591	66,800	131,391
Materials	10,260	—	10,260	10,287	—	10,287
Industrials	62,352	70,101	132,453	57,934	60,443	118,377
Consumer discretionary	21,748	25,761	47,509	21,882	28,859	50,741
Consumer staples	92,572	82,975	175,547	87,811	77,108	164,919
Health care	81,272	22,262	103,534	82,202	22,352	104,554
Financial services	553,755	457,476	1,011,231	557,368	384,757	942,125
Communications	84,048	47,674	131,722	79,167	47,987	127,154
Utilities	350,571	76,764	427,335	349,863	67,884	417,747
Real estate	834	—	834	916	—	916
Infrastructure	278,766	30,672	309,438	281,085	31,905	312,990
Total Canadian corporate bonds	1,610,343	880,013	2,490,356	1,593,106	788,095	2,381,201
Total bonds	4,834,858	1,784,785	6,619,643	4,794,874	1,678,734	6,473,608
Preferred shares - Canadian	408,589	12,606	421,195	396,257	12,004	408,261
Common shares						
Canadian						
Common	620,742	52,944	673,686	687,095	56,414	743,509
Real estate limited partnership units	95,707	—	95,707	91,894	—	91,894
U.S.	55,650	638	56,288	39,655	—	39,655
Other	36,425	680	37,105	30,346	530	30,876
Total common shares	808,524	54,262	862,786	848,990	56,944	905,934
Derivative assets	2,773	—	2,773	1,399	—	1,399
Loans and receivables:						
Mortgages	—	—	210,514	—	—	221,973
Loans on policies	—	—	51,858	—	—	51,692
Policy contract loans	—	—	73,798	—	—	74,603
Total	$ 6,101,675	$ 1,869,419	$ 8,307,264	$ 6,090,442	$ 1,826,502	$ 8,265,212

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

Empire Life investments – measured at fair value

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

Fair value	As at March 31, 2018			As at December 31, 2017		
Asset category	Quoted Prices (Level 1)	Significant other observable inputs (Level 2)	Total fair value	Quoted Prices (Level 1)	Significant other observable inputs (Level 2)	Total fair value
Short-term investments	$ —	$ 64,697	$ 64,697	$ —	$ 127,742	$ 127,742
Bonds	—	6,619,643	6,619,643	—	6,473,608	6,473,608
Preferred shares	421,195	—	421,195	408,261	—	408,261
Common shares	767,079	95,707	862,786	814,040	91,894	905,934
Derivative assets	2,773	—	2,773	1,398	1	1,399
Loans and receivables:						
Mortgages	—	212,270	212,270	—	224,982	224,982
Loans on policies	—	51,858	51,858	—	51,692	51,692
Policy contract loans	—	73,798	73,798	—	74,603	74,603
Total	$ 1,191,047	$ 7,117,973	$ 8,309,020	$ 1,223,699	$ 7,044,522	$ 8,268,221

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

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

The classification of a financial instrument into a level is based on the lowest level of input that is significant to the determination of the fair value. There were no transfers of financial instruments between Level 1, Level 2 or Level 3 for the period ended March 31, 2018 or during the year ended December 31, 2017.

Impairment

AFS investments

Based on an impairment review of the AFS investments, there was no impairment at March 31, 2018 (March 31, 2017 - $nil). Impairment was assessed on these investments due to a number of factors, including the severity of the unrealized loss compared to the cost and the amount of time the investment had an unrealized loss.

Empire Life derivative financial instruments

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

	March 31, 2018			December 31, 2017		
	Notional Principal	Fair Value Assets	Fair Value Liabilities	Notional Principal	Fair Value Assets	Fair Value Liabilities
Exchange-traded						
Equity index futures	$ 45,501	$ 1,206	$ 9	$ 43,970	$ 640	$ 168
Equity options	419,977	1,566	—	430,124	758	—
Over-the-counter						
Foreign currency forwards	32,457	1	127	32,757	1	723
Total	$ 497,935	$ 2,773	$ 136	$ 506,851	$ 1,399	$ 891

All contracts mature in less than one year.

For analysis of the risks arising from financial instruments, refer to Note 9 – Risk management.

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

5. Investments in associates

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

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

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

	March 31, 2018			December 31, 2017		
	Ownership	Carrying value	Fair value	Ownership	Carrying value	Fair value
Algoma	36.7%	$ 179,483	$ 202,215	36.7%	$ 181,869	$ 226,820
Economic	24.0%	146,308	152,410	24.0%	148,181	154,297
Total		$ 325,791	$ 354,625		$ 330,050	$ 381,117

The following table details the movement during the period:

	3 months March 31, 2018	12 months December 31, 2017
Balance, beginning of the period	$ 330,050	$ 309,644
Income recorded in the statements of income and comprehensive income:		
Share of (loss) income	(2,591)	35,840
Share of other comprehensive income (loss)	1,088	(7,484)
	(1,503)	28,356
Dividends received during the period	(2,756)	(7,950)
Balance, end of the period	$ 325,791	$ 330,050

The Company's associates are measured using the equity method. As at March 31, 2018, the fair value of the investments in associates was $354,625 (December 31, 2017 - $381,117). Fair value is based on the close price for each investment multiplied by the corresponding number of common shares held.

Impairment

Based on an impairment review of the investments in associates, there was no impairment at March 31, 2018 (March 31, 2017 - $nil). The recoverable amount was based on quoted market prices, which are classified as Level 1 in the fair value measurement hierarchy.

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

Financial information

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

	Algoma		Economic	
	March 31 2018	December 31 2017	March 31 2018	December 31 2017
Cash and cash equivalents	$ 85,585	$ 68,860	$ 2,318	$ 5,773
Other current assets	75,805	93,122	920,526	927,353
Non-current assets	978,868	938,308	—	—
	1,140,258	1,100,290	922,844	933,126
Current liabilities	168,502	129,210	2,556	1,150
Non-current liabilities	319,285	310,620	76,901	78,502
	487,787	439,830	79,457	79,652
Net assets	$ 652,471	$ 660,460	$ 843,387	$ 853,474

	Algoma		Economic	
	March 31 2018	March 31 2017	March 31 2018	March 31 2017
Revenue	$ 60,488	$ 52,092	$ (3,474)	$ 66,682
Net (loss) income	$ (7,453)	$ (19,105)	$ (3,910)	$ 57,028
Other comprehensive income (loss)	3,106	(7,120)	—	—
Total comprehensive (loss) income	$ (4,347)	$ (26,225)	$ (3,910)	$ 57,028

At March 31, 2018 Algoma has commitments of $93,543 (December 31, 2017 - $209,995) mainly relating to the purchase of new vessels.

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

	Algoma		Economic		Total	
	March 31 2018	March 31 2017	March 31 2018	March 31 2017	March 31 2018	March 31 2017
Dividends received	$ 1,273	$ 991	$ 1,483	$ 2,211	$ 2,756	$ 3,202

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

6. Investment and other income

Investment and other income is comprised of the following:

	Three months ended March 31 2018	2017
Interest income on:		
Available for sale	$ 13,531	$ 11,733
Fair value through profit or loss investments	40,789	40,120
Loans and receivables	4,231	4,918
Fee income	65,459	61,276
Dividend income	32,188	30,736
Other	1,722	1,319
Total	$ 157,920	$ 150,102

	Three months ended March 31 2018	2017
Interest income received	$ 41,269	$ 36,233
Dividend income received	31,436	28,174
Total	$ 72,705	$ 64,407

7. Segregated funds

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

	March 31 2018	December 31 2017
Cash	$ (684)	$ 14,820
Short-term investments	578,840	657,405
Bonds	1,487,431	1,535,675
Common and preferred shares	6,398,038	6,488,017
Other (liabilities) assets	(18,331)	25,758
	8,445,294	8,721,675
Less segregated funds held within general fund investments	(39,811)	(39,783)
Total	$ 8,405,483	$ 8,681,892

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

	March 31, 2018			December 31, 2017		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Cash	$ (684)	$ —	$ (684)	$ 14,820	$ —	$ 14,820
Short-term investments	—	578,840	578,840	—	657,405	657,405
Bonds	—	1,487,431	1,487,431	—	1,535,675	1,535,675
Common and preferred shares	6,398,038	—	6,398,038	6,485,267	2,750	6,488,017
Total	$ 6,397,354	$ 2,066,271	$ 8,463,625	$ 6,500,087	$ 2,195,830	$ 8,695,917

There were no transfers between Level 1 and Level 2 and there were no Level 3 investments during the period ended March 31, 2018 or during the year ended December 31, 2017.

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

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

	Three months ended March 31	
	2018	2017
Segregated funds - beginning of the period	$ 8,681,892	$ 8,082,033
Additions to segregated funds:		
Amount received from policyholders	275,091	400,171
Interest	12,490	14,028
Dividends	30,583	33,148
Other income	46,358	7,254
Net realized gains on sale of investments	23,629	124,010
Net unrealized increase in fair value of investments	—	33,392
	388,151	612,003
Deductions from segregated funds:		
Amounts withdrawn or transferred by policyholders	310,415	373,155
Net unrealized decrease in fair value of investments	297,237	—
Management fees and other operating costs	56,883	58,759
	664,535	431,914
Net change in segregated funds held within general fund investments	(25)	(1,416)
Segregated funds - end of the period	$ 8,405,483	$ 8,260,706

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

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

8. Other comprehensive loss

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

	Three months ended March 31	
	2018	2017
Items that may be reclassified subsequently to net income:		
Net unrealized fair value change on available for sale investments		
Unrealized fair value change on AFS investments	$ (7,715)	$ 8,346
Less: Realized loss (gain) on AFS investments reclassified to net income	934	(32,887)
	(6,781)	(24,541)
Share of OCI (OCL) of associates	1,337	(1,927)
	(5,444)	(26,468)
Items that will not be reclassified to net income:		
Net remeasurement of defined benefit plans	(4,937)	(3,222)
Share of employee future benefits of associates	(393)	—
	(5,330)	(3,222)
OCL, net of tax	$ (10,774)	$ (29,690)

OCL is presented net of income taxes.

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

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

	Three months ended March 31	
	2018	2017
Items that may be reclassified subsequently to net income:		
Net unrealized fair value change on available for sale investments		
Unrealized fair value change on AFS investments	$ (2,817)	$ 3,425
Less: Realized loss (gain) on AFS investments reclassified to net income	408	(4,743)
	(2,409)	(1,318)
Share of OCI (OCL) of associates	204	(295)
	(2,205)	(1,613)
Items that will not be reclassified to net income:		
Net remeasurement of defined benefit plans	(1,793)	(1,170)
Share of employee future benefits of associates	(60)	—
	(1,853)	(1,170)
Total income taxes recognized in OCL	$ (4,058)	$ (2,783)

9. Risk management

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

The disclosures in Notes 3, 4 and 5 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, 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 factor, assuming that all other risk variables remain constant. Actual results may differ materially from these estimates for a variety of reasons, including the interaction among these factors when more than one factor changes: changes in actuarial and investment return and future investment activity assumptions; actual experience differing from the assumptions; changes in business mix, effective tax rates and other market factors and the general limitations of 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. 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)

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:

	March 31, 2018	December 31, 2017
Cash and cash equivalents	$ 272,967	$ 338,989
Short-term investments	67,781	148,908
Bonds	6,619,643	6,473,608
Preferred shares	422,253	409,319
Derivative assets	3,509	1,635
Mortgages	210,514	221,973
Reinsurance	86,930	85,638
Loans on policies	51,858	51,692
Policy contract loans	73,798	74,603
Accrued investment income	48,818	45,692
Insurance receivable	31,088	46,294
Total	$ 7,889,159	$ 7,898,351

The Company has securities lending agreements with RBC Investor Services Trust (“RBC IS”), whereby RBC IS lends securities to borrowers for a fee, which is shared with the Company. RBC IS receives fixed income and equities as collateral from borrowers. In the event that the loaned securities are not returned to the Company by the borrower, RBC IS is responsible to restore the securities or pay to the Company the market value of the loaned securities. If the collateral is not adequate to pay the market value to the Company, RBC IS indemnifies the Company for the difference. The Company has recourse to the Royal Bank of Canada should RBC IS fail to discharge is obligations to the Company. At March 31, 2018 the Company had loaned securities with a fair value of $3,528,154 (December 31, 2017 - $2,781,692) and received approximately $3,638,294 (December 31, 2017 - $2,868,850) in collateral.

Concentration of credit risk

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

	E-L Corporate		Empire Life	
	March 31 2018	December 31 2017	March 31 2018	December 31 2017
Holdings of fixed income securities* in the 10 issuers (excluding federal governments) to which the operating segments had the greatest exposure	$ 3,084	$ 21,166	$ 4,291,015	$ 4,192,708
Percentage of the segment’s total cash and investments	0.1%	0.4%	50.2%	49.0%
Exposure to the largest single issuer of corporate bonds	nil	nil	$ 179,164	$ 173,269
Percentage of the segment’s total cash and investments	0.0%	0.0%	2.1%	2.0%

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

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

a) Investments in bonds and debentures

	March 31, 2018		December 31, 2017	
Empire Life	Fair value	%	Fair value	%
AAA	$ 465,324	7%	$ 529,856	8%
AA	670,037	10%	659,816	10%
A	4,432,661	67%	4,301,025	67%
BBB (and lower ratings)	1,051,621	16%	982,911	15%
Total	$ 6,619,643	100%	$ 6,473,608	100%

b) Preferred shares

Empire Life's preferred share investments are all issued by Canadian companies with 1% (December 31, 2017 – 1%) of these investments rated as P1 as at March 31, 2018 and the remaining 99% (December 31, 2017 – 99%) rated as P2.

c) Mortgages

Empire Life's mortgages in the province of Ontario represent the largest concentration with $210,514 or 100% (December 31, 2017 – $221,973 or 100%) of the total mortgage portfolio.

Liquidity risk

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

E-L Corporate:

Composition of E-L Corporate's liquidity:

	March 31, 2018	December 31, 2017
Cash and cash equivalents	$ 33,111	$ 44,751
Short-term investments	3,084	21,166
Total	$ 36,195	$ 65,917

Empire Life:

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

	March 31, 2018		December 31, 2017	
	Fair value	%	Fair value	%
1 year or less	$ 369,490	6%	$ 340,940	5%
1 - 5 years	726,272	11%	596,228	9%
5 - 10 years	749,926	11%	731,086	11%
Over 10 years	4,773,955	72%	4,805,354	75%
Total	$ 6,619,643	100%	$ 6,473,608	100%

Market risk

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

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

a) Interest rate risk

Empire Life

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

March 31, 2018		50 bps increase		50 bps decrease		100 bps increase		100 bps decrease
Shareholders' net income	$	12,686	$	(14,130)	$	24,094	$	(29,894)
Shareholders' OCI	$	(40,864)	$	48,196	$	(74,397)	$	103,723

March 31, 2017		50 bps increase		50 bps decrease		100 bps increase		100 bps decrease
Shareholders' net income	$	8,632	$	(9,636)	$	16,378	$	(20,412)
Shareholders' OCI	$	(35,750)	$	41,958	$	(65,292)	$	90,123

b) Equity risk

E-L Corporate

The following table summarizes the potential impact on E-L Corporate of a change in global equity markets. E-L Corporate used a 10% increase or decrease in equity markets as such a change is considered to be a reasonably possible change in equity markets based on historic results and is a useful comparator as it is commonly used. E-L Corporate used a 20% increase or decrease in its equity market sensitivity to illustrate that changes in equity markets in excess of 10% may result in both linear and non-linear impacts, and a 20% change in equity markets is a commonly used additional sensitivity factor.

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

	March 31, 2018				March 31, 2017			
		Effect on shareholders' net income		Effect on shareholders' OCI		Effect on shareholders' net income		Effect on shareholders' OCI
Corporate Investments:								
Investments - corporate								
10% fluctuation	$	351,829	$	nil	$	326,498	$	nil
20% fluctuation	$	703,658	$	nil	$	652,996	$	nil
Investments in associates								
10% fluctuation	$	14,592	$	nil	$	14,116	$	nil
20% fluctuation	$	29,184	$	nil	$	28,232	$	nil

Empire Life

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. Empire Life 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. For segregated fund guarantees the level of sensitivity is highly dependent on the level of the stock market at the time of performing the estimate. If period end equity markets are high relative to market levels at the time that segregated fund policies were issued, the sensitivity is reduced. If period end equity markets are low relative to market levels at the time that segregated fund policies were issued, the sensitivity is increased.

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

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

	March 31, 2018		March 31, 2017	
	Effect on shareholders' net income	Effect on shareholders' OCI	Effect on shareholders' net income	Effect on shareholders' OCI
Empire Life [(1)]				
10% increase	$ 2,011	$ 2,190	$ 13,850	$ 2,368
10% decrease	$ (14,777)	$ (2,190)	$ (12,340)	$ (2,368)
20% increase	$ 8,138	$ 4,380	$ 28,198	$ 4,736
20% decrease	$ (127,340)	$ (4,380)	$ (20,567)	$ (4,736)

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

Concentration of common equity holdings

E-L Corporate's largest exposure to common equities relates to its investment in associates of $332,267 (December 31, 2017 – $332,267) which represents 6% (December 31, 2017 – 6%) of E-L Corporate's total assets.

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

Empire Life	March 31 2018	December 31 2017
Exposure to the ten largest common share holdings	$ 377,728	$ 382,479
As a percentage of the segment's total cash and investments	4%	5%
Exposure to the largest single issuer of common shares	$ 95,707	$ 91,894
As a percentage of the segment's total cash and investments	1%	1%

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.

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

E-L Corporate: Approximately $151,450 (March 31, 2017 – $147,749) on shareholders' net income and $6,150 (March 31, 2017 – $3,607) on other comprehensive income.

Empire Life: Approximately $nil (March 31, 2017 – $nil) on shareholders' net income and $nil (March 31, 2017 – $nil) on other comprehensive income.

10. 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.

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

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.

Three months ended		E-L Corporate		Empire Life		Total
March 31, 2018						
Revenue	$	44,883	$	263,786	$	308,669
Shareholders' net income	$	27,068	$	38,448	$	65,516
March 31, 2017						
Revenue	$	294,707	$	409,801	$	704,508
Shareholders' net income	$	214,344	$	49,752	$	264,096

		E-L Corporate		Empire Life		Total
March 31, 2018						
Segment assets [1]	$	5,249,849	$	17,100,443	$	22,350,292
Segment liabilities	$	368,068	$	15,363,651	$	15,731,719
December 31, 2017						
Segment assets [1]	$	5,245,095	$	17,394,547	$	22,639,642
Segment liabilities	$	394,599	$	15,673,966	$	16,068,565

[1] Segment assets for E-L Corporate include investments in associates of $325,791 (December 31, 2017 - $330,050).

11. Capital management

Empire Life manages its regulatory capital in order to meet the regulatory capital adequacy requirements of the Insurance Companies Act (Canada) as established and monitored by OSFI. Effective January 1, 2018, OSFI has implemented the new Life Insurance Capital Adequacy Test ("LICAT") framework. Under this framework, Empire Life's capital adequacy will be measured as a ratio of Available Capital plus Surplus Allowance and Eligible Deposits divided by a Base Solvency Buffer. The components of the LICAT ratio are determined in accordance with the guidelines defined by OSFI. The capital ratios as determined under the LICAT framework are not comparable to the ratios as determined under the previous capital regime. The regulator has established a Supervisory Target Total Ratio of 100% and a Supervisory Target Core Ratio of 70%. As at March 31, 2018, Empire Life was in compliance with these ratios.

12. Subsequent events

On April 26, 2018, Empire Life announced its intention to redeem all of the outstanding $300,000 2.870% unsecured subordinated debentures on May 31, 2018 at a redemption price equal to the principal amount together with accrued and unpaid interest to that date.

Glossary of Terms

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

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

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

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

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

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

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

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

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

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

Experience Gains and Losses
This source of earnings represents gains or losses due to the difference between actual experience and the best estimate assumptions.

Fair Value Through Profit or Loss ("FVTPL")
Invested assets are classified as financial instruments at FVTPL if they are held for trading, or if they are designated by management under the fair value option.

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

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

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

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

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

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

Office of the Superintendent of Financial Institutions Canada ("OSFI")
The primary regulator of federally chartered financial institutions and federally administered pension plans in Canada. OSFI's mission is to safeguard policyholders, depositors and pension plan members from undue loss.

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

Return on Common Shareholders' Equity ("ROE")
A profitability measure that presents the net income available to common shareholders as a percentage of the average capital deployed to earn the income.

HEAD OFFICE:

Tenth Floor, 165 University Avenue, Toronto, Ontario, M5H 3B8
Phone: 416-947-2578
Fax: 416-362-2592

TRANSFER AGENT AND REGISTRAR:

Computershare Investor Services Inc.
100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1
Toll Free: 1-800-564-6253
www.computershare.com/service

STOCK EXCHANGE LISTINGS:

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

REPORTING PROCEDURE FOR ACCOUNTING MATTERS

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

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

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