E-L Financial Corporation Limited

THIRD QUARTER REPORT
September 30, 2018

Financial Highlights

(Millions of dollars, except per share amounts)

Nine months ended September 30	2018	2017
Shareholders' Net Income	**$ 269**	$ 411
Shareholders' Comprehensive Income	**$ 250**	$ 358
Common Shareholders' Equity	**$ 5,477**	$ 4,985
Basic Earnings per Common Share	**$ 65.58**	$ 101.70
Net Equity Value per Common Share [1]	**$ 1,361.06**	$ 1,242.85
Contribution to Shareholders' Net Income:		
E-L Corporate	**$ 139**	$ 289
Empire Life	**130**	122
	$ 269	$ 411
E-L Corporate		
Shareholders' Net Income	**$ 139**	$ 289
Investment and Other Income	**$ 108**	$ 92
Investments - Corporate	**$ 4,955**	$ 4,602
Empire Life		
Common Shareholders' Net Income	**$ 130**	$ 122
Net Premiums and Fee Income	**$ 836**	$ 811
Assets Under Management [1]	**$ 17,204**	$ 16,818
Life Insurance Capital Adequacy Test Total Ratio (“LICAT”) (%) [2]	**164**	N/A
Minimum Continuing Capital and Surplus Requirements (“MCCSR”) (%) [2]	**N/A**	274

[1] See Non-GAAP measures within the Management’s Discussion and Analysis
[2] Effective January 1, 2018, MCCSR has been replaced by LICAT

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 third 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 and the previous quarters of 2018. 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 is dated as of November 13, 2018.

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 7. 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 14 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)		**September 30 2018**		December 31 2017
General fund assets	**$**	**8,442**	$	8,713
Segregated fund assets		**8,594**		8,682
Total Empire Life assets		**17,036**		17,395
Mutual fund assets		**168**		183
Total assets under management	**$**	**17,204**	$	17,578

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 which are a 36.8% 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 and interest income from its investments. E-L Financial oversees its investments through representation on the boards of directors of the subsidiaries and the other companies in which the Company has significant shareholdings.

Overview of results attributable to shareholders of E-L Financial

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

E-L Financial consolidated	**Third quarter**		**Year to date**	
(millions of dollars)	**2018**	**2017**	**2018**	**2017**
Contribution to net income				
E-L Corporate[1]	**$ 60.5**	$ 10.6	**$ 138.9**	$ 289.3
Empire Life[2]	**35.0**	38.8	**130.3**	121.7
Net income	**95.5**	49.4	**269.2**	411.0
Other comprehensive loss[2]	**(14.1)**	(20.1)	**(18.8)**	(53.1)
Comprehensive income	**$ 81.4**	$ 29.3	**$ 250.4**	$ 357.9

E-L Corporate	**Third quarter**		**Year to date**	
(millions of dollars)	**2018**	**2017**	**2018**	**2017**
Revenue				
Net gain (loss) on investments[3]	**$ 54.1**	$ (25.0)	**$ 118.1**	$ 287.1
Investment and other income	**32.7**	25.4	**107.8**	91.6
Share of associates income	**9.7**	9.4	**14.5**	22.2
	96.5	9.8	**240.4**	400.9
Operating	**8.0**	6.4	**25.3**	20.0
Income taxes	**13.6**	1.2	**35.8**	54.7
Non-controlling interests	**14.4**	(8.4)	**40.4**	36.9
	36.0	(0.8)	**101.5**	111.6
Net income	**60.5**	10.6	**138.9**	289.3
Other comprehensive income (loss), net of taxes[1]	**0.1**	(2.3)	**1.9**	(43.7)
Comprehensive income	**$ 60.6**	$ 8.3	**$ 140.8**	$ 245.6

Empire Life	**Third quarter**		**Year to date**	
(millions of dollars)	**2018**	**2017**	**2018**	**2017**
Revenue				
Net premiums	**$ 220.6**	$ 217.4	**$ 636.8**	$ 624.2
Net (loss) gain on investments[3]	**(166.2)**	(214.9)	**(213.0)**	32.9
Investment income	**75.4**	69.8	**225.9**	204.0
Fee income	**67.5**	62.2	**199.2**	186.7
	197.3	134.5	**848.9**	1,047.8
Benefits and expenses	**144.7**	78.0	**659.6**	875.6
Income and other taxes	**13.7**	17.0	**52.4**	50.0
Non-controlling and participating policyholders' interests	**3.9**	0.7	**6.6**	0.5
	162.3	95.7	**718.6**	926.1
Net income	**35.0**	38.8	**130.3**	121.7
Other comprehensive loss, net of taxes[2]	**(14.2)**	(17.8)	**(20.7)**	(9.4)
Comprehensive income	**$ 20.8**	$ 21.0	**$ 109.6**	$ 112.3

(1) Net of non-controlling interests
(2) Net of non-controlling interests and participating policyholders' amounts
(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 $95.5 million, or $23.33 per common share for the third quarter of 2018 compared to $49.4 million, or $11.60 per common share in 2017. The increase in net income was primarily attributable to E-L Corporate which reported a net income of $60.5 million in the third quarter of 2018 compared to $10.6 million for the comparable period in 2017. The increase in net income for the third quarter of 2018 was mainly due to a higher net gain on investments of $54.1 million compared to a loss of $25.0 million for the same period in 2017, resulting in a positive pre-tax total return on investments of approximately 2% in 2018 compared to nil in the prior year.

Empire Life reported a net income of $35.0 million in the third quarter of 2018 compared to $38.8 million for the comparable period in 2017. The decrease in earnings at Empire Life for the third quarter of 2018 was primarily due to changes in policy liability assumptions in the Individual Insurance product line, partially offset by higher gains realized from management actions in the Individual Insurance product line and improved operating results from the Wealth Management and Employee Benefits product lines.

Consolidated net income for the first nine months of 2018 was $269.2 million, or $65.58 per common share compared with $411.0 million, or $101.70 per common share in 2017. The decrease in net income is primarily due to lower net gains on investments of $118.1 million in 2018 compared to $287.1 million in 2017 within the E-L Corporate segment. E-L Corporate's global investment portfolio yielded a pre-tax total return of 5% in the first nine months of 2018 compared to 8% in the prior year.

The Empire Life segment reported net income of $130.3 million for the nine months ended September 30, 2018 compared to $121.7 million in 2017. The increase in net income was primarily due to improved operating performance across all product lines and higher experience gains in the Individual Insurance and Employee Benefits product lines, partially offset by changes in policy liability assumptions in the Individual Insurance product line.

Consolidated comprehensive income for the third quarter of 2018 was $81.4 million, or $19.74 per common share compared to $29.3 million, or $6.47 per common share in 2017. Consolidated comprehensive income for the first nine months of 2018 was $250.4 million, or $60.79 per common share compared to $357.9 million, or $88.17 per common share in 2017. The movement in comprehensive income for both the quarter and year to date is mainly due to the reasons noted above.

Net equity value per common 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)		**Q3 2018**		Q4 2017		Q3 2017
E-L Financial shareholders' equity	**$**	**5,776.6**	$	5,552.9	$	5,285.4
Less: First preference shares		**(300.0)**		(300.0)		(300.0)
		5,476.6		5,252.9		4,985.4
Adjustments for investments in associates not carried at fair value:						
Carrying value		**(341.5)**		(330.1)		(316.1)
Fair value [1]		**334.2**		381.1		327.5
		(7.3)		51.0		11.4
Non-controlling interest and deferred tax		**1.8**		(11.5)		(1.0)
		(5.5)		39.5		10.4
Net equity value	**$**	**5,471.1**	$	5,292.4	$	4,995.8
Common Shares [2] outstanding at year end		**4,019,667**		4,019,667		4,019,667
Net equity value per common share [2]	**$**	**1,361.06**	$	1,316.64	$	1,242.85

[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		
September 30, 2018	**1,361.06**	**3.7**
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
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue								
Net (loss) gain on investments [1]	**$ (112.1)**	$ 74.8	$ (57.7)	$ 526.9	$ (239.9)	$ 208.7	$ 351.2	$ (308.4)
Net premium income	**220.6**	205.2	211.0	210.0	217.4	204.4	202.5	222.4
Investment and other income	**175.6**	199.4	158.0	173.4	157.5	174.6	150.1	150.0
Associates [2]	**9.8**	7.3	(2.6)	13.6	9.4	12.1	0.7	(31.3)
Total	**$ 293.9**	$ 486.7	$ 308.7	$ 923.9	$ 144.4	$ 599.8	$ 704.5	$ 32.7
Net income [3]	**$ 95.5**	$ 108.2	$ 65.5	$ 257.1	$ 49.4	$ 97.5	$ 264.1	$ 100.1
Earnings per common share								
- basic	**$ 23.33**	$ 26.56	$ 15.69	$ 64.47	$ 11.60	$ 23.84	$ 66.26	$ 24.49
- diluted	**$ 22.08**	$ 24.12	$ 15.15	$ 58.80	$ 11.31	$ 22.30	$ 60.41	$ 22.77

[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. Investment income includes dividend income earned by the Company. In general, dividends earned on investments outside North America peak in the second and fourth quarters of the year.

Revenue for the third quarter of 2018 increased from the third quarter of 2017 partly due to higher pre-tax total returns on investments in 2018 and the impact of higher long term interest rates.

Net premiums for the third quarter of 2018 were higher than the third quarter of 2017 due to growth in the Employee Benefits product line and Individual Insurance product line, partly offset by a decrease in fixed annuities in the Wealth Management product line.

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:

Nine months ended September 30 (millions of dollars)	E-L Financial (non-consolidated)	United	Empire Life	Consolidation adjustments	**E-L Financial**	
					2018	2017
Cash flows from:						
Operating activities	$ 65.3	$ 9.8	$ 253.2	$ (44.9)	**$ 283.4**	$ 284.2
Financing activities	(39.7)	(20.8)	(347.3)	44.0	**(363.8)**	145.5
Investing activities	(19.7)	3.3	(36.0)	1.1	**(51.3)**	(439.0)
Increase (decrease) in cash and cash equivalents	5.9	(7.7)	(130.1)	0.2	**(131.7)**	(9.3)
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	$ 31.1	$ 11.9	$ 164.1	$ 0.2	**$ 207.3**	$ 410.6

The decrease in cash provided from operating activities in 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 mainly due to Empire Life's redemption of $300 million subordinated debt on May 31, 2018. In the third quarter of 2017, Empire Life issued $200 million of subordinated debentures.

The change in cash from investing activities during 2018 relative to 2017 was primarily driven by the timing of portfolio investment transactions and the investment of proceeds from Empire Life's issuance of $200 million of subordinated debt during the third quarter of 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).

Nine months ended September 30

(millions of dollars)	**2018**	2017
Cash flows from:		
Operating activities		
Dividends from subsidiaries	**$ 40.4**	$ 17.6
Dividends and interest	**66.0**	44.2
Expenses and taxes, net of other income	**(41.1)**	(17.5)
	65.3	44.3
Financing activities		
Cash dividends	**(26.7)**	(26.7)
Margin loan	**(10.0)**	—
Interest paid on borrowings	**(1.6)**	—
Purchases of subsidiary shares	**(1.4)**	(1.4)
	(39.7)	(28.1)
Investing activities		
Purchases of investments	**(439.1)**	(1,014.6)
Proceeds from sales of investments	**392.9**	946.9
Net sales of short-term investments	**21.2**	43.2
Dividends from associates	**5.3**	6.3
	(19.7)	(18.2)
Increase (decrease) in cash and cash equivalents	**5.9**	(2.0)
Cash and cash equivalents, at the beginning of the period	**25.2**	31.9
Cash and cash equivalents, at the end of the period	**$ 31.1**	$ 29.9

Operating cash flows for 2018 increased relative to the prior period reflecting changes in working capital and a net increase in dividends received during the period.

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

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:

	Third quarter		Year to date	
(millions of dollars)	**2018**	**2017**	**2018**	**2017**
Revenue				
Net gain (loss) on investments	**$ 54.1**	$ (25.0)	**$ 118.1**	$ 287.1
Investment and other income	**32.7**	25.4	**107.8**	91.6
Share of associates income	**9.7**	9.4	**14.5**	22.2
	96.5	9.8	**240.4**	400.9
Operating	**8.0**	6.4	**25.3**	20.0
Income taxes	**13.6**	1.2	**35.8**	54.7
Non-controlling interests	**14.4**	(8.4)	**40.4**	36.9
	36.0	(0.8)	**101.5**	111.6
Net income	**60.5**	10.6	**138.9**	289.3
Other comprehensive income (loss), net of taxes	**0.1**	(2.3)	**1.9**	(43.7)
Comprehensive income	**$ 60.6**	$ 8.3	**$ 140.8**	$ 245.6

Investments - corporate

Investments - corporate includes investments in equities and short-term fixed-income investments. At September 30, 2018, investments - corporate had aggregate investments of $5.0 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)	**September 30 2018**	December 31 2017
Short-term investments	**$ —**	$ 21.2
Preferred shares	**1.1**	1.1
Derivative asset	**1.9**	0.2
Common shares and units		
Canadian and U.S.	**2,876.7**	2,784.0
Europe	**1,069.8**	1,054.6
Emerging Markets	**443.5**	459.9
Japan	**442.6**	421.8
Other	**119.6**	110.4
Total	**4,952.2**	4,830.7
Total invested assets	**$ 4,955.2**	$ 4,853.2

The increase in E-L Corporate's net income for the third quarter of 2018 compared to the prior year is primarily due to a higher net gain on investments of $54.1 million compared to a loss of $25.0 million for the same period in 2017, resulting in a positive pre-tax total return on investments of approximately 2% in 2018 compared to nil in the prior year. The portfolio earned investment returns in Canada and the U.S. of 4%, Europe negative 1% and other geographic region's, which includes investments in Japan and emerging markets, negative 2% for the third quarter of 2018.

During the nine months ended September 30, 2018, E-L Corporate had net gain on investments of $118.1 million compared with $287.1 million for the comparable period in 2017, resulting in a positive pre-tax total return on investments of approximately 5% in 2018 compared to 8% in the prior year. The portfolio earned investment returns in Canada and the U.S. of 7%, Europe 1% partly offset by other geographic region's with a negative return of 1% for the nine months ended September 30, 2018.

Share of associates income

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

	Third quarter		Year to date	
(millions of dollars)	**2018**	2017	**2018**	2017
Algoma	**$ 7.2**	$ 11.9	**$ 10.3**	$ 15.8
Economic	**2.5**	(2.5)	**4.2**	6.4
	$ 9.7	$ 9.4	**$ 14.5**	$ 22.2

Algoma's earnings in 2017 include net gains on properties that were sold within the discontinued real estate segment. Excluding the gains, Algoma's net income for the third quarter of 2018 decreased due to higher operating costs, partially offset by higher fuel income. For the nine months ended September 30, 2018 net income increased due to higher operating earnings including higher earnings from joint ventures and a gain on the disposition of assets within the Domestic Dry-Bulk fleet.

Economic owns, directly and indirectly, long-term investments in the common shares of some publicly-traded Canadian companies, and a managed global investment portfolio of common shares of publicly-traded global companies.

The Company's share of Economic's net income for the third quarter of 2018 increased over the prior year. Economic's global investment portfolio had a quarterly pre-tax return, gross of fees, of 3% in the third quarter of 2018 versus a comparative return of negative 3% in the third quarter of 2017. On a year to date basis, Economic's global investment portfolio had a pre-tax return, gross of fees, of 7% during 2018 compared to 4% return in 2017. The global returns were offset by lower returns in the domestic portfolio.

(millions of dollars)		**September 30, 2018**		December 31, 2017	
	Ownership	**Carrying value**	**Fair value**	Carrying value	Fair value
Algoma	**36.8%**	**$ 191.4**	**$ 183.9**	$ 181.9	$ 226.8
Economic	**24.0%**	**150.1**	**150.3**	148.2	154.3
Total		**$ 341.5**	**$ 334.2**	$ 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 September 30, 2018, 45% (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 and interest income.

REPORT ON EMPIRE LIFE

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

Empire Life reported third quarter common shareholders' net income of $35.2 million for 2018, compared to $39.1 million for third quarter 2017. The decrease in earnings for the third quarter of 2018 compared to 2017 was primarily a result of changes in assumptions in the Individual Insurance product line, partially offset by higher gains realized from management actions in the Individual Insurance product line and improved operating results from the Wealth Management and Employee Benefits product lines. Year to date common shareholders' net income was $131.2 million compared to $122.6 million in 2017, primarily due to improved operating performance across all product lines and higher experience gains in the Individual Insurance and Employee Benefits product lines, partially offset by changes in assumptions in the Individual Insurance product line.

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:

		Third quarter				Year to date		
(millions of dollars)		**2018**		2017		**2018**		2017
Empire Life common shareholders' net income	**$**	**35.2**	$	39.1	**$**	**131.2**	$	122.6
Non-controlling interests		**0.2**		0.3		**0.9**		0.9
Net income, contribution to E-L Financial	**$**	**35.0**	$	38.8	**$**	**130.3**	$	121.7
Empire Life return on common shareholders' equity (quarterly annualized)		**9.4%**		11.6%		**11.9%**		12.4%

The following table provides a breakdown of the sources of earnings for the third quarter and year to date:

Sources of Earnings		Third quarter				Year to date		
(millions of dollars)		**2018**		2017		**2018**		2017
Expected profit on in-force business	**$**	**40.9**	$	43.6	**$**	**142.5**	$	129.6
Impact of new business		**(0.6)**		(3.7)		**(4.6)**		(14.1)
Experience gains		**12.3**		14.6		**22.4**		7.7
Management actions and changes in assumptions		**(9.4)**		(2.7)		**1.8**		27.8
Earnings on operations before income taxes		**43.2**		51.8		**162.1**		150.9
Earnings on surplus		**6.7**		3.4		**21.8**		19.0
Income before income tax		**49.9**		55.1		**184.0**		169.9
Income taxes		**11.3**		13.7		**42.7**		40.7
Empire Life's shareholders' net income		**38.6**		41.4		**141.3**		129.2
Dividends on preferred shares (1)		**3.4**		2.1		**10.1**		6.4
Empire Life common shareholders' net income	**$**	**35.2**	$	39.1	**$**	**131.2**	$	122.7

(1) 2018 year to date includes $3.7 million (September 30, 2017 - $nil) preference share dividends to E-L Financial

The expected profit on in-force business for the third quarter decreased by 6% due to a decline in the Individual Insurance product line, partially offset by growth in the Wealth Management product line. The year to date profit increased by 10% 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 for the third quarter and year to date of 2018 was primarily driven by lower new business expenses related to the Individual Insurance and the Employee Benefits product lines, and lower sales for segregated fund business in the Wealth Management product line relative to 2017.

The experience gains for the third quarter of 2018 were mainly driven by lower investment gains in the Individual Insurance product line partially offset by improved health and long-term disability claims in the Employee Benefits product line. Year to date experience gains were mainly driven by higher investment gains and improved surrender and lapse experience in the Individual Insurance product line and improved health and long-term disability claims in the Employee Benefits product line versus the same period last year.

Changes in assumptions refers to the impact on actuarial reserves of changing projected assumptions related to policyholder behavior, mortality, investment returns, expenses and other factors. Empire Life regularly reviews assumptions and updates them to reflect current company and industry experience. Third quarter results include an increase in insurance contract liabilities of $20 million to reflect the impact of changing assumptions related to policyholder behaviour on inforce universal life policies.

Management actions in the third quarter and year to date for 2018 and 2017 were related to the Individual Insurance product line and primarily resulted from improved matching of assets and liabilities. During the first and second quarters of 2018 and first quarter of 2017, there was an increase in investment in real estate limited partnership units which resulted in a gain from updating insurance contract liabilities.

Earnings on surplus increased for the third quarter of 2018, mainly driven by higher income from investments, partially offset by higher interest expenses related to subordinated debt.

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 September 30 and year to date for 2018 and 2017. A discussion of results is provided in the Product Line section of the MD&A.

Three months ended September 30	**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	**$ 42**	$ 43	**$ 85**	$ 82	**$ 94**	$ 93	**$ —**	$ —	**$ 221**	$ 217
Fee income	**65**	60	**3**	3	**—**	—	**—**	—	**67**	63
Investment income	**9**	10	**1**	1	**49**	46	**16**	13	**75**	70
Net (losses) gains on investments [(1)]	**(9)**	(13)	**(1)**	(2)	**(152)**	(196)	**(3)**	(3)	**167**	(214)
	106	99	**87**	84	**(9)**	(58)	**13**	9	**197**	134
Expenses										
Benefits and expenses	**79**	74	**76**	74	**(17)**	(75)	**6**	5	**144**	77
Income and other taxes	**7**	6	**4**	4	**3**	7	**1**	1	**15**	18
	86	80	**80**	78	**(15)**	(68)	**7**	5	**158**	95
Net income after tax	**$ 21**	$ 19	**$ 7**	$ 6	**$ 6**	$ 11	**$ 6**	$ 4	**$ 39**	$ 39
Participating policyholders' portion									**—**	(2)
Dividends on preferred shares									**3**	2
Empire Life's common shareholders' net income									**35**	39
Non-controlling interests in net income									**—**	—
Net income attributable to owners of E-L Financial									**$ 35**	$ 39

Nine months ended September 30	**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	**$ 102**	$ 102	**$ 254**	$ 249	**$ 280**	$ 273	**$ —**	$ —	**$ 637**	$ 624
Fee income	**191**	179	**8**	8	**—**	—	**—**	—	**199**	187
Investment income	**29**	29	**3**	3	**146**	133	**48**	39	**226**	204
Net (losses) gains on investments [1]	**(16)**	8	**(2)**	(2)	**(188)**	29	**(8)**	(3)	**(214)**	32
	306	318	**263**	258	**238**	436	**41**	35	**849**	1,048
Expenses										
Benefits and expenses	**222**	235	**229**	233	**188**	391	**18**	13	**657**	873
Income and other taxes	**21**	21	**14**	11	**16**	17	**4**	5	**55**	53
	243	256	**242**	244	**204**	407	**23**	18	**712**	926
Net income after tax	**$ 63**	$ 62	**$ 21**	$ 13	**$ 35**	$ 29	**$ 19**	$ 17	**$ 137**	$ 122
Participating policyholders' portion									**(4)**	(7)
Dividends on preferred shares									**10**	6
Empire Life's common shareholders' net income									**131**	123
Non-controlling interests in net income									**1**	1
Net income attributable to owners of E-L Financial									**$ 130**	$ 122

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

Product Line Results - Wealth Management

	Third quarter		**Year to date**	
(millions of dollars)	**2018**	2017	**2018**	2017
Fixed Annuities				
Assets under management	**$ 943**	$ 957	**$ 943**	$ 957
Gross sales	**42**	46	**102**	102
Net sales	**13**	9	**9**	(4)
Segregated Funds				
Assets under management	**8,574**	8,359	**8,574**	8,359
Gross sales	**195**	218	**665**	803
Net sales	**(49)**	15	**(100)**	84
Fee income	**64**	59	**188**	176
Mutual Funds				
Assets under management	**168**	181	**168**	181
Gross sales	**5**	4	**14**	18
Net sales	**(4)**	(8)	**(19)**	(18)
Fee income	**1**	1	**2**	2
Net income after tax	**$ 21**	$ 19	**$ 63**	$ 63

Fixed annuities assets under management decreased by 1% during the last 12 months. Due to the aggressive competitive rates in the market, gross sales for the third quarter decreased by 9% and year to date of 2018 are flat from last year.

Segregated fund assets under management increased by 3% during the last 12 months primarily due to stock market increases for the period. For the third quarter and year to date of 2018, gross sales decreased compared to 2017 primarily due to lower sales for the Guaranteed Minimum Withdrawal Benefit ("GMWB") product. On May 28, 2018, Empire Life introduced seven new global funds, a fee for service option and a preferred pricing program to provide clients with more global and lower cost investment options within the GIF product line of segregated funds. 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.

Segregated fund fee income for the third quarter and year to date of 2018 has increased by 9% and 7%, respectively, primarily due to higher average assets under management relative to the same period in 2017.

Mutual fund assets under management decreased during the last 12 months due to lower 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 third quarter and year to date for Wealth Management:

Sources of Earnings - Wealth Management	Third quarter		Year to date	
(millions of dollars)	**2018**	2017	**2018**	2017
Expected profit on in-force business	**$ 29**	$ 27	**$ 89**	$ 82
Impact of new business	**(1)**	(2)	**(5)**	(6)
Experience (losses) gains	**(1)**	—	**1**	8
Earnings on operations before income taxes	**27**	25	**84**	83
Income taxes	**7**	6	**21**	21
Empire Life's shareholders' net income	**$ 21**	$ 19	**$ 63**	$ 63

The expected profit on in-force business for the third quarter and year to date of 2018 increased primarily from higher fee income on higher segregated fund assets under management compared to the same period in 2017. The impact of new business was primarily driven by lower sales from the segregated fund business relative to 2017. The year over year change in experience gains (losses) for the third quarter of 2018 was relatively unchanged compared to 2017. For year to date of 2018, the decrease was mainly due to investment losses on assets matching fixed annuities, partially offset by improved annuitant mortality experience.

Product Line Results - Employee Benefits

	Third quarter		Year to date	
(millions of dollars)	**2018**	2017	**2018**	2017
Selected financial information				
Annualized premium sales	**$ 10**	$ 9	**$ 47**	$ 27
Net premium	**85**	82	**254**	249
Net income after tax	**$ 7**	$ 6	**$ 21**	$ 13

Annualized premium sales growth was 12% in the third quarter of 2018 and 71% for year to date primarily due to a large block transfer from a new strategic distribution partner in the first quarter of 2018, 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 for the third quarter and year to date of 2018 increased by 4% and 2% respectively relative to 2017. 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 third quarter and year to date for Employee Benefits:

Sources of Earnings - Employee Benefits	**Third quarter**		**Year to date**	
(millions of dollars)	**2018**	2017	**2018**	2017
Expected profit on in-force business	**$ 6**	$ 6	**$ 17**	$ 17
Impact of new business	**(1)**	(2)	**(5)**	(6)
Experience gains	**5**	4	**17**	8
Earnings on operations before income taxes	**10**	8	**29**	18
Income taxes	**3**	2	**8**	5
Empire Life's shareholders' net income	**$ 7**	$ 6	**$ 21**	$ 13

Expected profit for the third quarter and year to date has been relatively unchanged compared to the prior period for the third quarter and year to date basis. The decrease in new business expense was mainly due to sales growth as discussed above. Experience gains were higher in the third quarter and year to date of 2018 primarily related to 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

	Third quarter		**Year to date**	
(millions of dollars)	**2018**	2017	**2018**	2017
Selected financial information				
Shareholders' annualized premium sales	**$ 6**	$ 6	**$ 18**	$ 17
Policyholders' annualized premium sales	**4**	3	**10**	7
Shareholders' net premiums	**69**	70	**209**	210
Policyholders' net premiums	**25**	22	**72**	63
Net income after tax				
Net income after tax shareholders' portion	**$ 5**	$ 13	**$ 40**	$ 38
Net loss after tax policyholders' portion	**—**	(3)	**(5)**	(9)
Net income after tax	**$ 6**	$ 11	**$ 35**	$ 29

For the third quarter and year to date of 2018, shareholders' annualized premium sales were generally consistent with the comparable period in 2017, while policyholders' annualized premium sales increased for both the third quarter and year to date. Total net premiums increased in the third quarter and year to date 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 to provide new payment options to allow clients to pay for their participating policy in as few 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 third quarter and year to date for Individual Insurance (excludes policyholders' portion):

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

	Third quarter		Year to date	
(millions of dollars)	**2018**	2017	**2018**	2017
Expected profit on in-force business	**$ 6**	$ 10	**$ 37**	$ 31
Impact of new business	**2**	—	**5**	(1)
Experience gains (losses)	**8**	11	**5**	(8)
Management actions and changes in assumptions	**(9)**	(3)	**2**	28
Earnings on operations before income taxes	**6**	18	**50**	49
Income taxes	**1**	5	**10**	11
Empire Life's shareholders' net income	**$ 5**	$ 13	**$ 40**	$ 38

The expected profit for the third quarter and year to date of 2018 was mainly driven by growth in the in-force business. The impact of new business in the third quarter and year to date of 2018 was primarily driven by lower new business expenses incurred relative to 2017. The experience gains for the third quarter declined relative to 2017 mainly due to investment gains driven by change in stock markets and increased interest rates. Year to date of 2018 experience gains relative to the experience losses in 2017 mainly due to change in stock markets and increased interest rates and benefits from improved surrender and lapse experience.

Changes in assumptions refers to the impact on actuarial reserves of changing projected assumptions related to policyholder behavior, mortality, investment returns, expenses and other factors. Empire Life regularly reviews assumptions and updates them to reflect current company and industry experience. Third quarter results include an increase in insurance contract liabilities of $20 million to reflect the impact of changing assumptions related to policyholder behaviour on inforce universal life policies.

Management actions to improve asset/liability matching were related to bond trades in the third quarter and year to date of 2018. 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 provided in the following table. Interest rate movements impact both bond asset fair values and insurance contract liabilities. In the third quarter and year to date of 2018, the increase in interest rates (including spreads as shown below) caused lower bond prices and an associated decrease in insurance contract liabilities, which resulted in a net investment experience loss.

	Third quarter		**Year to date**	
	2018	2017	**2018**	2017
Interest rate movement				
30 year Canada federal government bond yield				
End of period	**2.42%**	2.47 %	**2.42%**	2.47 %
Beginning of period	**2.20%**	2.14 %	**2.26%**	2.31 %
Change during period	**0.22%**	0.33 %	**0.16%**	0.16 %
30 year Province of Ontario spread				
End of period	**0.80%**	0.80 %	**0.80%**	0.80 %
Beginning of period	**0.75%**	0.85 %	**0.70%**	0.90 %
Change during period	**0.05%**	(0.05)%	**0.10%**	(0.10)%
30 year A rated corporate spread (including financials)				
End of period	**1.45%**	1.46 %	**1.45%**	1.46 %
Beginning of period	**1.39%**	1.41 %	**1.32%**	1.60 %
Change during period	**0.06%**	0.05 %	**0.13%**	(0.14)%
30 year A rated financials spread				
End of period	**1.91%**	1.99 %	**1.91%**	1.99 %
Beginning of period	**1.85%**	1.90 %	**1.87%**	2.01 %
Change during period	**0.06%**	0.09 %	**0.04%**	(0.02)%

Stock market movements are demonstrated in the following table. In the third quarter and year to date 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 net experience loss.

	Third quarter		**Year to date**	
	2018	2017	**2018**	2017
Stock market movement				
S&P/TSX Composite Index				
End of period	**16,073**	15,635	**16,073**	15,635
Beginning of period	**16,278**	15,182	**16,209**	15,288
Percentage change during period	**(1.3)%**	3.0%	**(0.8)%**	2.3%
S&P 500 Index				
End of period	**2,914**	2,519	**2,914**	2,519
Beginning of period	**2,718**	2,423	**2,674**	2,239
Percentage change during period	**7.2 %**	4.0%	**9.0 %**	12.5%

Results - Capital and Surplus

(millions of dollars)	Third quarter 2018	Third quarter 2017	Year to date 2018	Year to date 2017
Net income after tax				
Net income after tax shareholders' portion	**$ 5**	$ 3	**$ 18**	$ 15
Net income after tax policyholders' portion	**—**	1	**1**	3
Net income after tax	**$ 6**	$ 4	**$ 19**	$ 17

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 third quarter and year to date for Capital and Surplus (excludes policyholders' portion).

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

(millions of dollars)	Third quarter 2018	Third quarter 2017	Year to date 2018	Year to date 2017
Income from investments	**$ 16**	$ 10	**$ 45**	$ 37
Losses on hedging instruments	**(3)**	(2)	**(5)**	(5)
Interest and other expenses	**(6)**	(5)	**(18)**	(13)
Earnings before income taxes	**7**	3	**22**	19
Income taxes	**1**	1	**4**	4
Empire Life's shareholders' net income	**$ 5**	$ 3	**$ 18**	$ 15

Income from investments increased in the third quarter and year to date of 2018 compared to 2017 primarily because of higher assets and higher yield earned on assets in Capital and Surplus. During the third quarter of 2018, Empire Life incurred slightly higher expenses on its hedging program primarily due to the decline of Canadian stock prices in 2018 compared to an increase in 2017 (discussed in the Risk Management section later in this report). Interest expense for the quarter increased primarily as a result of a higher interest rate for subordinated debt issued in 2017. For year to date 2018, it is also as a result of a higher level of subordinated debt relative to 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 September 30 2018	As at 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
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.

On May 31, 2018, Empire Life redeemed all of the outstanding $300 million 2.870% unsecured subordinated debentures at a redemption price equal to the principal amount together with accrued and unpaid interest to that date.

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. According to DBRS, the assigned ratings reflect Empire Life's position as a consistently performing life insurer with a proven track record of generating stable earnings while maintaining a conservative risk profile.

A.M. Best ratings of Empire Life are "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. According to A.M. Best, the ratings reflect Empire Life's balance sheet strength, which A.M. Best categorizes as very strong, as well as its strong operating performance, neutral business profile and appropriate enterprise risk management.

Capital Resources

Effective January 1, 2018, Minimum Continuing Capital and Surplus Requirements ("MCCSR") has been replaced by the Life Insurance Capital Adequacy Test ("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 in 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)		**September 30 2018**		June 30 2018		March 31 2018
Available capital						
Tier 1	**$**	**1,526**	$	1,513	$	1,480
Tier 2		**608**		614		915
Total	**$**	**2,134**	$	2,127	$	2,395
Surplus allowance and eligible deposits	**$**	**1,001**	$	1,005	$	996
Base solvency buffer	**$**	**1,908**	$	1,949	$	1,910
LICAT Total Ratio		**164%**		161%		178%
LICAT Core Ratio		**117%**		114%		114%

MCCSR *(millions of dollars)*	**September 30 2018**	June 30 2018	March 31 2018		December 31 2017		September 30 2017
Available regulatory capital							
Tier 1	**N/A**	N/A	N/A	$	1,409	$	1,311
Tier 2	**N/A**	N/A	N/A		932		877
Total	**N/A**	N/A	N/A	$	2,341	$	2,188
Required regulatory capital	**N/A**	N/A	N/A	$	830	$	798
MCCSR Ratio	**N/A**	N/A	N/A		282%		274%

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 third quarter and year to date of 2018, Empire Life experienced a hedge cost of $2 million and $4 million after tax respectively on its hedging program primarily due to declining Canadian stock prices. This compares to a hedge cost of $2 million gain and $4 million loss respectively for the comparable period in 2017 primarily due to stable 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 September 30, 2018, Empire Life had $8.6 billion of segregated fund assets and liabilities. Of this amount, approximately $8.3 billion have guarantees. The following table provides a percentage breakdown by type of guarantee:

	September 30 2018	December 31 2017
Percentage of segregated fund liabilities with:		
75% maturity guarantee and a 75% death benefit guarantee	**2.8%**	2.1%
75% maturity guarantee and a 100% death benefit guarantee	**47.9%**	48.1%
100% maturity and death benefit guarantee (with a minimum of 15 years between deposit and maturity date)	**6.9%**	6.6%
100% maturity and death benefit guarantee (GMWB)	**42.4%**	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 ignore all the deposits in the customer's policy where the fund value is above the guaranteed amount. Therefore, policy-based guarantees generally pay less than deposit-based guarantees. For segregated fund guarantee insurance contract liabilities, the level of sensitivity is highly dependent on the level of the stock market at the time of performing the estimate. If period-end stock markets are high relative to market levels at the time that segregated fund policies are issued, the sensitivity is reduced. If period-end stock markets are low relative to market levels at the time that segregated fund policies are issued, the sensitivity is increased.

The segregated fund regulatory capital and liability framework includes the use of "zero floors" (i.e., negative liability amounts are not permitted so zero is used instead, as described below) and other regulatory constraints, and this often makes the sensitivity impacts non-linear. 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 September 30, 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 September 30, 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%**
September 30, 2018 Shareholders' net income	**$ nil**	**$ nil**	**$ nil**	**$(78)**	**$(206)**
December 31, 2017 Shareholders' net income	$ nil	$ nil	$ nil	$(34)	$(160)

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 change in asset mix. 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 September 30, 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%**
September 30, 2018 Shareholders' net income	**$48**	**$23**	**$(19)**	**$(113)**	**$(272)**
December 31, 2017 Shareholders' net income	$49	$24	$(24)	$(83)	$(236)

The equity risk hedging program provides some relief in adverse scenarios, but may incur losses in positive scenarios. The September 30, 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%**
September 30, 2018 Shareholders' net income	**$47**	**$22**	**$(16)**	**$(98)**	**$(232)**
December 31, 2017 Shareholders' net income	$48	$24	$(22)	$(74)	$(210)

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 September 30, 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%**
September 30, 2018 LICAT Total ratio	**6.5%**	**0.8%**	**(5.0)%**	**(10.2)%**	**(16.4)%**
December 31, 2017 MCCSR ratio	(0.9)%	(0.3)%	(19.4)%	(42.6)%	(58.8)%

The September 30, 2018 and December 31, 2017 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%**
September 30, 2018 LICAT Total ratio	**4.6%**	**(0.6)%**	**(2.9)%**	**(6.1)%**	**(11.0)%**
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 September 30, 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**
September 30, 2018	**$ 2,620**	**$ 697**	**$ 97**	**$ 2**	**$ 1,199**	**$ 8**	**$ nil**	**$ 308**
December 31, 2017	$ 2,708	$ 689	$ 31	$ 1	$ 409	$ 3	$ nil	$ N/A

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 September 30, 2018, the aggregate amount at risk for all three categories of risk was $707 million. At December 31, 2017, the aggregate amount at risk for these three categories of risk was $692 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.

In addition, Empire Life considers the sensitivity of its LICAT ratio to changes in market interest rates. The impact of an immediate 50 basis point decrease in interest rates and a 50 basis point decrease in assumed initial reinvestment rate ("IRR") for non-participating insurance business and segregated fund guarantees for September 30, 2018 and December 31, 2017, is shown in the table below. This assumes no change in the ultimate reinvestment rate ("URR"). The first column below excludes the impact of market value changes in AFS bonds. The AFS bonds provide a natural economic offset to the interest rate risk attributable to Empire Life's product liabilities. The second column below shows the impact if the AFS bonds were sold to realize the gains from a 50 basis point decreases in interest rates.

Sensitivity to market interest rates LICAT/MCCSR:	**Before the sale of AFS assets**	**After the sale of AFS assets**
	50bps decrease	**50bps decrease**
September 30, 2018 LICAT Total ratio	**0.1%**	**0.1%**
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)

		September 30 2018		December 31 2017
Assets				
Cash and cash equivalents	**$**	**207,325**	$	338,989
Investments - corporate (Note 3)		**4,955,211**		4,853,200
Investments - insurance (Note 4)		**8,109,097**		8,265,212
Investments in associates (Note 5)		**341,549**		330,050
Insurance receivable		**41,237**		46,294
Other assets		**184,180**		124,005
Segregated fund assets (Note 7)		**8,593,774**		8,681,892
Total assets	**$**	**22,432,373**	$	22,639,642
Liabilities				
Reinsurance liabilities		**625,582**		650,801
Insurance contract liabilities		**5,382,477**		5,430,098
Investment contract liabilities		**24,484**		16,643
Deferred tax liabilities		**273,829**		273,243
Other liabilities		**220,907**		217,597
Borrowings		**488,686**		798,291
Segregated fund liabilities (Note 7)		**8,593,774**		8,681,892
Total liabilities	**$**	**15,609,739**	$	16,068,565
Equity				
Capital stock	**$**	**372,388**	$	372,388
Retained earnings		**5,414,466**		5,171,997
Accumulated other comprehensive loss (“AOCL”) income (“AOCI”)		**(10,232)**		8,564
Total E-L Financial shareholders' equity		**5,776,622**		5,552,949
Non-controlling interests in subsidiaries		**1,008,406**		974,907
Participating policyholders' interests (“PAR”)		**37,606**		43,221
Total equity		**6,822,634**		6,571,077
Total liabilities and equity	**$**	**22,432,373**	$	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 September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
Revenue				
Gross premiums	**$ 256,680**	$ 249,434	**$ 743,751**	$ 718,915
Premiums ceded to reinsurers	**(36,080)**	(32,056)	**(106,924)**	(94,682)
Net premiums	**220,600**	217,378	**636,827**	624,233
Investment and other income (Note 6)	**175,630**	157,470	**532,924**	482,201
Share of income of associates (Note 5)	**9,749**	9,445	**14,473**	22,245
Fair value change in fair value through profit or loss investments	**(112,498)**	(236,385)	**(94,799)**	277,812
Realized gain (loss) on available for sale investments (Note 4)	**424**	(3,548)	**(153)**	42,162
	293,905	144,360	**1,089,272**	1,448,653
Expenses				
Gross claims and benefits	**88,197**	31,141	**480,469**	662,920
Claims and benefits ceded to reinsurers	**(41,473)**	(40,093)	**(103,461)**	(51,878)
Net claims and benefits	**46,724**	(8,952)	**377,008**	611,042
Change in investment contracts provision	**(199)**	72	**(228)**	217
Commissions	**51,070**	44,292	**144,826**	134,960
Operating	**48,916**	45,030	**143,849**	137,253
Interest expense	**6,399**	4,011	**19,473**	11,941
Premium taxes	**2,935**	4,904	**13,208**	14,644
	155,845	89,357	**698,136**	910,057
Income before income taxes	**138,060**	55,003	**391,136**	538,596
Income tax expense	**24,308**	13,295	**74,879**	90,174
Net income	**113,752**	41,708	**316,257**	448,422
Less: Participating policyholders' income (loss)	**317**	(1,771)	**(4,346)**	(6,969)
Non-controlling interests in net income (loss)	**17,943**	(5,968)	**51,399**	44,358
	18,260	(7,739)	**47,053**	37,389
E-L Financial shareholders' net income	**$ 95,492**	$ 49,447	**$ 269,204**	$ 411,033
Earnings per share attributable to E-L Financial shareholders				
Basic	**$ 23.33**	$ 11.60	**$ 65.58**	$ 101.70
Diluted	**$ 22.08**	$ 11.31	**$ 62.26**	$ 94.02

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 September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
Net income	**$ 113,752**	$ 41,708	**$ 316,257**	$ 448,422
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”)	**(19,150)**	(26,608)	**(28,399)**	(46,592)
Share of (OCL) OCI of associates	**(1,244)**	254	**1,401**	(2,954)
	(20,394)	(26,354)	**(26,998)**	(49,546)
Items that will not be reclassified to net income:				
Net remeasurement of defined benefit plans	**4,657**	7,804	**5,587**	(1,297)
Share of OCI (OCL) of associates	**1,350**	(2,996)	**1,565**	(5,324)
	6,007	4,808	**7,152**	(6,621)
Total OCL	**(14,387)**	(21,546)	**(19,846)**	(56,167)
Comprehensive income	**99,365**	20,162	**296,411**	392,255
Less: Participating policyholders' comprehensive income (loss)	**120**	(2,693)	**(5,615)**	(8,902)
Non-controlling interests in comprehensive income (loss)	**17,863**	(6,456)	**51,618**	43,246
	17,983	(9,149)	**46,003**	34,344
E-L Financial shareholders' comprehensive income	**$ 81,382**	$ 29,311	**$ 250,408**	$ 357,911

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)	**—**	**269,204**	**—**	**269,204**	**51,399**	**(4,346)**	**316,257**
(OCL) OCI	**—**	**—**	**(18,796)**	**(18,796)**	**219**	**(1,269)**	**(19,846)**
Comprehensive income (loss)	**—**	**269,204**	**(18,796)**	**250,408**	**51,618**	**(5,615)**	**296,411**
Dividends	**—**	**(26,735)**	**—**	**(26,735)**	**(16,768)**	**—**	**(43,503)**
Acquisition of subsidiary shares	**—**	**—**	**—**	**—**	**(1,351)**	**—**	**(1,351)**
At September 30, 2018	**$ 372,388**	**$ 5,414,466**	**$ (10,232)**	**$ 5,776,622**	**$ 1,008,406**	**$ 37,606**	**$ 6,822,634**

	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)	—	411,033	—	411,033	44,358	(6,969)	448,422
OCL	—	—	(53,122)	(53,122)	(1,112)	(1,933)	(56,167)
Comprehensive income (loss)	—	411,033	(53,122)	357,911	43,246	(8,902)	392,255
Dividends	—	(26,735)	—	(26,735)	(19,861)	—	(46,596)
At September 30, 2017	$ 372,388	$ 4,922,838	$ (9,851)	$ 5,285,375	$ 935,516	$ 42,225	$ 6,263,116

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)

	Nine months ended September 30	
	2018	2017
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net income	**$ 316,257**	$ 448,422
Items not affecting cash resources:		
Change in insurance and investment contract liabilities	**(73,405)**	160,978
Realized loss (gain) on available for sale of investments	**153**	(42,162)
Fair value change in fair value through profit or loss investments	**94,799**	(277,812)
Deferred taxes	**(1,881)**	4,320
Share of income of associates	**(14,474)**	(22,245)
Amortization related to investments	**(63,985)**	(57,003)
Other items	**42,677**	46,430
	300,141	260,928
Net change in other assets and liabilities	**(16,720)**	23,314
	283,421	284,242
Financing		
Cash dividends to shareholders	**(26,735)**	(26,735)
Cash dividends by subsidiaries to non-controlling interests	**(16,768)**	(18,007)
Repayment of margin loan	**(10,000)**	—
Purchases of subsidiary shares	**(1,351)**	(1,390)
Redemption of subordinated debt	**(300,000)**	—
Subordinated debt issue	**—**	199,300
Interest paid on borrowings	**(8,898)**	(7,688)
	(363,752)	145,480
Investing		
Purchases of investments	**(1,930,465)**	(3,388,907)
Proceeds from sale or maturity of investments	**1,771,179**	2,959,030
Net sales (purchases) of short-term investments	**102,084**	(7,500)
Net purchases of other assets	**(524)**	(7,927)
Dividends from associates	**6,393**	6,272
	(51,333)	(439,032)
Decrease in cash and cash equivalents	**(131,664)**	(9,310)
Cash and cash equivalents, beginning of the period	**338,989**	419,906
Cash and cash equivalents, end of the period	**$ 207,325**	$ 410,596
Fair value hierarchy for cash and cash equivalents:		
Level 1	**$ (31,558)**	$ 37,522
Level 2	**238,883**	373,074
	$ 207,325	$ 410,596

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 November 13, 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. The adoption of IFRS 15 on January 1, 2018 did not have a significant 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.

The Company has considered the total insurance liabilities, which include segregated fund liabilities, against 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	September 30 2018	December 31 2017
Short-term investments - Canadian corporate	$ —	$ 21,166
Preferred shares - Canadian	1,058	1,058
Derivative asset	1,901	236
Common shares and units		
Canadian	736,772	760,978
U.S.	2,140,020	2,023,074
Europe	1,069,824	1,054,623
Other	1,005,636	992,065
Total common shares and units	4,952,252	4,830,740
Total	$ 4,955,211	$ 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 September 30, 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 September 30, 2018
Asset category	Quoted Prices (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
Preferred shares - Canadian	$ —	$ —	$ 1,058	$ 1,058
Derivative asset	—	1,901	—	1,901
Common shares and units				
Canadian	31,036	87,661	618,075	736,772
U.S.	1,916,945	126,488	96,587	2,140,020
Europe	939,683	51,243	78,898	1,069,824
Other	576,414	387,621	41,601	1,005,636
Total common shares and units	3,464,078	653,013	835,161	4,952,252
Total	$ 3,464,078	$ 654,914	$ 836,219	$ 4,955,211

(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 September 30, 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 September 30, 2018 had a carrying value of $653,013 (December 31, 2017 - $653,654).

Included in Level 3 are investments in common and preferred shares in private companies. A summary of changes in the fair values of Level 3 financial instruments measured at FVTPL for the nine months ended September 30 follows:

	2018	2017
Balance - January 1	$ 891,547	$ 804,583
Net fair value change	(17,230)	54,822
Sales	(38,098)	—
Balance - September 30	$ 836,219	$ 859,405

Investment commitments

In the normal course of business, outstanding investment commitments 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 and as of September 30, 2018 no draws have been made on the commitment. In October 2018 the Company disbursed U.S. $800.

Derivative financial instrument

On November 1, 2017, the Company entered into an interest rate swap with a $100,000 notional principal. At September 30, 2018 the interest rate swap had a fair value of $1,901 (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

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

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

Carrying Value	As at September 30, 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	$ 7,971	$ 10,978	$ 18,949	$ 13,960	$ 44,937	$ 58,897
Canadian provincial governments	5,930	3,953	9,883	—	33,883	33,883
Corporate	17,992	—	17,992	34,962	—	34,962
Total short-term investments	31,893	14,931	46,824	48,922	78,820	127,742
Bonds						
Federal government	89,335	213,372	302,707	120,161	392,076	512,237
Provincial governments	3,009,044	453,082	3,462,126	2,983,416	415,016	3,398,432
Municipal governments	97,041	77,245	174,286	98,191	83,547	181,738
Total Canadian government bonds	3,195,420	743,699	3,939,119	3,201,768	890,639	4,092,407
Energy	66,889	76,295	143,184	64,591	66,800	131,391
Materials	10,177	—	10,177	10,287	—	10,287
Industrials	80,290	73,326	153,616	57,934	60,443	118,377
Consumer discretionary	21,277	20,453	41,730	21,882	28,859	50,741
Consumer staples	105,996	72,809	178,805	87,811	77,108	164,919
Health care	77,779	21,499	99,278	82,202	22,352	104,554
Financial services	584,468	391,086	975,554	557,368	384,757	942,125
Communications	101,169	59,873	161,042	79,167	47,987	127,154
Utilities	350,230	55,692	405,922	349,863	67,884	417,747
Real estate	663	—	663	916	—	916
Infrastructure	266,655	23,597	290,252	281,085	31,905	312,990
Total Canadian corporate bonds	1,665,593	794,630	2,460,223	1,593,106	788,095	2,381,201
Total foreign bonds	8,943	—	8,943	—	—	—
Total bonds	4,869,956	1,538,329	6,408,285	4,794,874	1,678,734	6,473,608
Preferred shares - Canadian	414,364	16,847	431,211	396,257	12,004	408,261
Common shares						
Canadian						
Common	640,544	64,089	704,633	687,095	56,414	743,509
Real estate limited partnership units	101,708	—	101,708	91,894	—	91,894
U.S.	51,125	583	51,708	39,655	—	39,655
Other	44,541	897	45,438	30,346	530	30,876
Total common shares	837,918	65,569	903,487	848,990	56,944	905,934
Derivative assets	1,180	—	1,180	1,399	—	1,399
Loans and receivables:						
Mortgages	—	—	195,838	—	—	221,973
Loans on policies	—	—	52,214	—	—	51,692
Policy contract loans	—	—	70,058	—	—	74,603
Total	$ 6,155,311	$ 1,635,676	$ 8,109,097	$ 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 September 30, 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	$ —	$ 46,824	$ 46,824	$ —	$ 127,742	$ 127,742
Bonds	—	6,408,285	6,408,285	—	6,473,608	6,473,608
Preferred shares	431,211	—	431,211	408,261	—	408,261
Common shares	801,716	101,771	903,487	814,040	91,894	905,934
Derivative assets	1,180	—	1,180	1,398	1	1,399
Loans and receivables:						
Mortgages	—	196,110	196,110	—	224,982	224,982
Loans on policies	—	52,214	52,214	—	51,692	51,692
Policy contract loans	—	70,058	70,058	—	74,603	74,603
Total	$ 1,234,107	$ 6,875,262	$ 8,109,369	$ 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 September 30, 2018 or during the year ended December 31, 2017.

Impairment

AFS investments

Based on an impairment review at September 30, 2018, a year to date impairment loss on AFS investments of $523 before tax (September 30, 2017 - $686) has been recorded in net income. Impairment was assessed on these investments due to a number of factors, including the severity of the unrealized loss compared to the cost and the amount of time the investment had an unrealized loss.

Investment commitments

In the normal course of business, outstanding investment commitments are not reflected in the consolidated financial statements. There were $21,055 (December 31, 2017, $2,285) of outstanding commitments as at June 30, 2018. Empire Life expects $3,055 will be disbursed withing 60 days, and the remaining commitment is payable at any time up to and including April 30, 2021.

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

Empire Life derivative financial instruments

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

	September 30, 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	$ 46,758	$ 436	$ 43	$ 43,970	$ 640	$ 168
Equity options	487,557	742	—	430,124	758	—
Over-the-counter						
Foreign currency forwards	34,907	2	114	32,757	1	723
Cross currency swaps	9,052	—	171	—	—	—
Total	$ 578,274	$ 1,180	$ 328	$ 506,851	$ 1,399	$ 891

All contracts mature in less than one year. Fair value of exchange traded derivatives is determined based on Level 1 inputs. Foreign currency forward contracts are valued based primarily on the contract notional amount, the difference between the contract rate and the forward market rate for the same currency, interest rates and credit spreads. Cross currency swaps are valued by discounting the future cash flows for both legs at the underlying market interest rate curves in each currency applicable at the valuation date. The sum of the cash flows denoted in the foreign currency is converted with the spot rate applicable at that time. The foreign currency leg, where Empire Life owes interest and principal, produces a negative fair value to Empire Life while the Canadian dollar leg produces a positive fair value to Empire Life. The net of these amounts represents the reported fair value of the cross currency swap. Contracts for which counterparty credit spreads are observable and reliable, or for which the credit-related inputs are determined not to be significant to fair value, are classified as Level 2.

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

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.

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

	September 30, 2018			December 31, 2017		
	Ownership	Carrying value	Fair value	Ownership	Carrying value	Fair value
Algoma	36.8%	$ 191,487	$ 183,832	36.7%	$ 181,869	$ 226,820
Economic	24.0%	150,062	150,320	24.0%	148,181	154,297
Total		$ 341,549	$ 334,152		$ 330,050	$ 381,117

The following table details the movement during the period:

	9 months September 30, 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 income	14,473	35,840
Share of other comprehensive income (loss)	3,419	(7,484)
	17,892	28,356
Dividends received during the period	(6,393)	(7,950)
Balance, end of the period	$ 341,549	$ 330,050

The Company's associates are measured using the equity method. As at September 30, 2018, the fair value of the investments in associates was $334,152 (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 September 30, 2018 (September 30, 2017 - $nil). The recoverable amount was based on quoted market prices, which are classified as Level 1 in the fair value measurement hierarchy.

Financial information

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

	Algoma		**Economic**	
	September 30 2018	December 31 2017	September 30 2018	December 31 2017
Cash and cash equivalents	$ 22,490	$ 68,860	$ 1,752	$ 5,773
Other current assets	112,718	93,122	940,182	927,353
Non-current assets	988,365	938,308	—	—
	1,123,573	1,100,290	941,934	933,126
Current liabilities	110,805	126,604	1,932	1,150
Non-current liabilities	328,049	310,620	77,289	78,502
	438,854	437,224	79,221	79,652
Net assets	$ 684,719	$ 663,066	$ 862,713	$ 853,474

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

	Algoma		**Economic**	
Nine months ended September 30	September 30 2018	September 30 2017	September 30 2018	September 30 2017
Revenue	$ 358,658	$ 313,438	$ 24,447	$ 78,114
Net income	$ 24,941	$ 42,827	$ 18,785	$ 65,468
Other comprehensive income (loss)	9,297	(19,563)	—	—
Total comprehensive income	$ 34,238	$ 23,264	$ 18,785	$ 65,468

At September 30, 2018 Algoma has commitments of $18,435 (December 31, 2017 - $209,995) mainly relating to the purchase of new vessels. During the third quarter ended September 30, 2018 and subsequent to the period, Algoma provided notices for cancellation of ship building contracts.

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

	Algoma		**Economic**		**Total**	
Nine months ended September 30	2018	2017	2018	2017	2018	2017
Dividends received	$ 4,101	$ 3,250	$ 2,292	$ 3,022	$ 6,393	$ 6,272

6. Investment and other income

Investment and other income is comprised of the following:

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Interest income on:				
Available for sale	$ 14,958	$ 12,276	$ 43,777	$ 36,028
Fair value through profit or loss investments	46,371	43,431	138,236	126,298
Loans and receivables	4,075	4,695	12,415	14,353
Fee income	67,484	62,205	199,170	186,672
Dividend income	41,979	33,737	135,648	115,020
Other	763	1,126	3,678	3,830
Total	$ 175,630	$ 157,470	$ 532,924	$ 482,201

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Interest income received	$ 41,676	$ 24,769	$ 132,424	$ 116,714
Dividend income received	53,250	35,873	161,063	111,814
Total	$ 94,926	$ 60,642	$ 293,487	$ 228,528

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

7. Segregated funds

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

	September 30 2018	December 31 2017
Cash	$ 6,192	$ 14,820
Short-term investments	471,508	657,405
Bonds	1,644,155	1,535,675
Common and preferred shares	6,517,871	6,488,017
Other assets	18,599	25,758
	8,658,325	8,721,675
Less segregated funds held within general fund investments	(64,551)	(39,783)
Total	$ 8,593,774	$ 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:

	September 30, 2018				December 31, 2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash	$ 6,192	$ —	$ —	$ 6,192	$ 14,820	$ —	$ —	$ 14,820
Short-term investments	—	471,508	—	471,508	—	657,405	—	657,405
Bonds	—	1,644,155	—	1,644,155	—	1,535,675	—	1,535,675
Common and preferred shares	6,516,294	—	1,577	6,517,871	6,485,267	2,750	—	6,488,017
Total	$ 6,522,486	$ 2,115,663	$ 1,577	$ 8,639,726	$ 6,500,087	$ 2,195,830	$ —	$ 8,695,917

There were no transfers between Level 1 and Level 2 during the period ended September 30, 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 September 30		Nine months ended September 30	
	2018	2017	2018	2017
Segregated funds - beginning of the period	$ 8,598,426	$ 8,313,102	$ 8,681,892	$ 8,082,033
Additions to segregated funds:				
Amount received from policyholders	199,046	425,345	706,786	1,021,719
Interest	15,379	12,956	41,582	41,704
Dividends	33,458	30,925	109,795	105,175
Other income	7,785	8,009	21,348	22,558
Net realized gains on sale of investments	37,931	114,900	192,175	355,029
Net unrealized increase in fair value of investments	13,407	—	—	—
	307,006	592,135	1,071,686	1,546,185
Deductions from segregated funds:				
Amounts withdrawn or transferred by policyholders	247,716	410,174	807,104	937,950
Net unrealized decrease in fair value of investments	—	50,485	140,102	121,314
Management fees and other operating costs	64,114	64,296	187,830	187,411
	311,830	524,955	1,135,036	1,246,675
Net change in segregated funds held within general fund investments	172	(556)	(24,768)	(1,817)
Segregated funds - end of the period	$ 8,593,774	$ 8,379,726	$ 8,593,774	$ 8,379,726

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 September 30		Nine months ended September 30	
	2018	2017	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	$ (19,908)	$ (29,593)	$ (28,318)	$ (10,289)
Less: Realized loss (gain) on AFS investments reclassified to net income	758	2,985	(81)	(36,303)
	(19,150)	(26,608)	(28,399)	(46,592)
Share of (OCL) OCI of associates	(1,244)	254	1,401	(2,954)
	(20,394)	(26,354)	(26,998)	(49,546)
Items that will not be reclassified to net income:				
Net remeasurement of defined benefit plans	4,657	7,804	5,587	(1,297)
Share of employee future benefits of associates	1,350	(2,996)	1,565	(5,324)
	6,007	4,808	7,152	(6,621)
OCL, net of tax	$ (14,387)	$ (21,546)	$ (19,846)	$ (56,167)

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 September 30		Nine months ended September 30	
	2018	2017	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	$ (7,270)	$ (10,301)	$ (10,339)	$ (3,556)
Less: Realized (loss) gain on AFS investments reclassified to net income	365	562	234	(5,860)
	(6,905)	(9,739)	(10,105)	(9,416)
Share of (OCL) OCI of associates	(190)	39	214	(452)
	(7,095)	(9,700)	(9,891)	(9,868)
Items that will not be reclassified to net income:				
Net remeasurement of defined benefit plans	1,700	2,836	2,043	(470)
Share of employee future benefits of associates	207	(459)	239	(814)
	1,907	2,377	2,282	(1,284)
Total income taxes recognized in OCL	$ (5,188)	$ (7,323)	$ (7,609)	$ (11,152)

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, the Company provides sensitivities and risk exposure measures for certain risks. These include sensitivities due to specific changes in market prices and interest rates, based on the market prices, interest rates, assets, liabilities and business mix in place as at the calculation dates. The sensitivities are calculated independently for each risk factor, assuming that all other risk variables remain constant. 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:

	September 30, 2018	December 31, 2017
Cash and cash equivalents	$ 207,325	$ 338,989
Short-term investments	46,824	148,908
Bonds	6,408,285	6,473,608
Preferred shares	432,269	409,319
Derivative assets	3,081	1,635
Mortgages	195,838	221,973
Reinsurance	86,752	85,638
Loans on policies	52,214	51,692
Policy contract loans	70,058	74,603
Accrued investment income	50,860	45,692
Insurance receivable	41,237	46,294
Total	$ 7,594,743	$ 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 its obligations to the Company. At September 30, 2018 the Company had loaned securities with a fair value of $3,335,604 (December 31, 2017 - $2,781,692) and received approximately $3,433,587 (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	
	September 30 2018	December 31 2017	September 30 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	$ —	$ 21,166	$ 4,156,107	$ 4,192,708
Percentage of the segment’s total cash and investments	0.0%	0.4%	50.2%	49.0%
Exposure to the largest single issuer of corporate bonds	nil	nil	$ 180,745	$ 173,269
Percentage of the segment’s total cash and investments	0.0%	0.0%	2.2%	2.0%

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

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

a) Investments in bonds and debentures

	September 30, 2018		December 31, 2017	
Empire Life	Fair value	%	Fair value	%
AAA	$ 309,641	5%	$ 529,856	8%
AA	644,796	10%	659,816	10%
A	4,462,992	69%	4,301,025	67%
BBB (and lower ratings)	990,856	16%	982,911	15%
Total	$ 6,408,285	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 September 30, 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 $195,838 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:

	September 30, 2018	December 31, 2017
Cash and cash equivalents	$ 43,088	$ 44,751
Short-term investments	—	21,166
Total	$ 43,088	$ 65,917

Empire Life:

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

	September 30, 2018		December 31, 2017	
	Fair value	%	Fair value	%
1 year or less	$ 88,785	1%	$ 340,940	5%
1 - 5 years	817,644	13%	596,228	9%
5 - 10 years	680,149	11%	731,086	11%
Over 10 years	4,821,707	75%	4,805,354	75%
Total	$ 6,408,285	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:

September 30, 2018		50 bps increase		50 bps decrease		100 bps increase		100 bps decrease
Shareholders' net income	$	15,236	$	(16,937)	$	28,962	$	(35,799)
Shareholders' OCI	$	(39,125)	$	46,144	$	(71,231)	$	99,309

September 30, 2017		50 bps increase		50 bps decrease		100 bps increase		100 bps decrease
Shareholders' net income	$	8,675	$	(9,671)	$	16,468	$	(20,469)
Shareholders' OCI	$	(40,562)	$	47,867	$	(73,818)	$	103,038

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.

		September 30, 2018				September 30, 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	$	359,785	$	nil	$	330,546	$	nil
20% fluctuation	$	719,570	$	nil	$	661,092	$	nil
Investments in associates								
10% fluctuation	$	14,919	$	nil	$	14,034	$	nil
20% fluctuation	$	29,838	$	nil	$	28,068	$	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. The Company has also disclosed the impact of a 20% increase or decrease in Empire Life's equity market sensitivity. The amounts in the following table include the effect of Empire Life's general fund equity risk economic hedging program. For segregated fund guarantees the level of sensitivity is highly dependent on the level of the stock market at the time of performing the 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.

	September 30, 2018		September 30, 2017	
	Effect on shareholders' net income	Effect on shareholders' OCI	Effect on shareholders' net income	Effect on shareholders' OCI
Empire Life [(1)]				
10% increase	$ 22,216	$ 2,783	$ 20,609	$ 2,404
10% decrease	$ (16,285)	$ (2,783)	$ (19,848)	$ (2,404)
20% increase	$ 47,081	$ 5,565	$ 41,458	$ 4,807
20% decrease	$ (97,586)	$ (5,565)	$ (63,772)	$ (4,807)

[(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 $341,549 (December 31, 2017 – $330,050) 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	September 30 2018	December 31 2017
Exposure to the ten largest common share holdings	$ 386,127	$ 382,479
As a percentage of the segment's total cash and investments	5%	5%
Exposure to the largest single issuer of common shares	$ 101,708	$ 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 $161,041 (September 30, 2017 – $139,586) on shareholders' net income and $6,150 (September 30, 2017 – $3,607) on other comprehensive income.

Empire Life: Approximately $nil (September 30, 2017 – $nil) on shareholders' net income and $nil (September 30, 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
September 30, 2018			
Revenue	$ 96,525	$ 197,380	$ 293,905
Shareholders' net income	$ 60,494	$ 34,998	$ 95,492
September 30, 2017			
Revenue	$ 9,891	$ 134,469	$ 144,360
Shareholders' net income	$ 10,682	$ 38,765	$ 49,447
Nine months ended			
September 30, 2018			
Revenue	$ 240,334	$ 848,938	$ 1,089,272
Shareholders' net income	$ 138,887	$ 130,317	$ 269,204
September 30, 2017			
Revenue	$ 400,863	$ 1,047,790	$ 1,448,653
Shareholders' net income	$ 289,379	$ 121,654	$ 411,033

	E-L Corporate	Empire Life	Total
September 30, 2018			
Segment assets (1)	$ 5,396,775	$ 17,035,598	$ 22,432,373
Segment liabilities	$ 369,416	$ 15,240,323	$ 15,609,739
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 $341,549 (December 31, 2017 - $330,050).

11. Subordinated debt

On May 31, 2018, Empire Life redeemed all of the outstanding 2.870% subordinated debentures due May 31, 2023 for 100% of their principal amount of $300,000 plus accrued interest to the redemption date.

12. 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 September 30, 2018, Empire Life was in compliance with these ratios.

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.

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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.