E-L Financial Corporation Limited

THIRD QUARTER REPORT
September 30, 2019

Financial Highlights

(Millions of dollars, except per share amounts)

Nine months ended September 30	2019	2018
Net Equity Value per Common Share [1]	**$ 1,421.57**	$ 1,361.06
Net Income per Common Share	**$ 111.99**	$ 65.58
Comprehensive Income per Common Share	**$ 126.31**	$ 60.79

Contribution to Shareholders' Net Income:		
E-L Corporate	**$ 354**	$ 139
Empire Life	**97**	130
Shareholders' Net Income	**451**	269
Preferred Shareholder Dividends	**11**	11
Net Income attributable to Common Shareholders'	**$ 440**	$ 258

E-L Corporate		
Shareholders' Net Income	**$ 354**	$ 139
Investments - Corporate	**$ 4,992**	$ 4,955
Investments in Associates	**$ 323**	$ 342
Empire Life		
Common Shareholders' Net Income	**$ 97**	$ 130
Net Premiums and Fee Income	**$ 876**	$ 836
Assets Under Management [1]	**$ 18,070**	$ 17,204
Life Insurance Capital Adequacy Test Total Ratio (“LICAT”) (%)	**149**	164

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

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

REPORT ON E-L FINANCIAL CORPORATION LIMITED

The following Management's Discussion and Analysis ("MD&A") of the operating results and financial condition of E-L Financial Corporation Limited ("E-L Financial" or the "Company") for the third quarter of 2019 should be read in conjunction with the MD&A for the year ended December 31, 2018, 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 2018 and the previous quarters of 2019.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. Figures in this MD&A may differ due to rounding. This MD&A is dated as of November 7, 2019.

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 9.

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 Empire Life's 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. Quarterly and year to date returns are calculated on an annualized basis.

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 15 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 2019**	**December 31 2018**
General fund assets	**$ 9,567**	$ 8,447
Segregated fund assets	**8,362**	7,823
Total Empire Life assets	**17,929**	16,270
Mutual fund assets	**141**	145
Total assets under management	**$ 18,070**	$ 16,415

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 52.2% 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 37.0% 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 (99.4% interest) is consolidated by E-L Financial. The Empire Life operating segment underwrites life and health insurance policies and provides segregated funds, mutual funds and annuity products.

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

Overview of results attributable to shareholders of E-L Financial

E-L Financial consolidated *(millions of dollars)*	**Third quarter 2019**	Third quarter 2018	**Year to date 2019**	Year to date 2018
Contribution to net income				
E-L Corporate(1)	**$ 66**	$ 60	**$ 354**	$ 139
Empire Life(2)	**35**	35	**97**	130
Net income	**101**	95	**451**	269
Other comprehensive income (loss)(2)	**5**	(14)	**56**	(19)
Comprehensive income	**$ 106**	$ 81	**$ 507**	$ 250

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

E-L Corporate *(millions of dollars)*	**Third quarter 2019**	Third quarter 2018	**Year to date 2019**	Year to date 2018
Revenue				
Net gain on investments(3)	**$ 54**	$ 54	**$ 376**	$ 118
Investment and other income	**37**	33	**118**	108
Share of associates income	**4**	10	**14**	14
	95	97	**508**	240
Operating expenses	**9**	9	**28**	25
Income taxes	**12**	14	**67**	36
Non-controlling interests	**8**	14	**59**	40
	29	37	**154**	101
Net income	**66**	60	**354**	139
Other comprehensive income (loss), net of taxes(1)	**1**	—	**(7)**	2
Comprehensive income	**$ 67**	$ 60	**$ 347**	$ 141

Empire Life *(millions of dollars)*	**Third quarter 2019**	Third quarter 2018	**Year to date 2019**	Year to date 2018
Revenue				
Net premiums	**$ 218**	$ 221	**$ 681**	$ 637
Net gain (loss) on investments(3)	**109**	(166)	**749**	(213)
Investment income	**84**	75	**241**	226
Fee income	**65**	67	**195**	199
	476	197	**1,866**	849
Benefits and expenses	**427**	145	**1,725**	660
Income and other taxes	**12**	13	**38**	52
Non-controlling and participating policyholders' interests	**2**	4	**6**	7
	441	162	**1,769**	719
Net income	**35**	35	**97**	130
Other comprehensive income (loss), net of taxes(2)	**4**	(14)	**63**	(21)
Comprehensive income	**$ 39**	$ 21	**$ 160**	$ 109

(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 $101 million or $24.61 per common share for the third quarter of 2019 compared to $95 million or $23.33 per common share in 2018. E-L Corporate reported net income of $66 million in the third quarter of 2019 compared to $60 million in 2018. The pre-tax total return on investments was 2% for the third quarters of 2019 and 2018. The Empire Life segment reported net income of $35 million for the third quarters of 2019 and 2018.

Consolidated net income for the first nine months of 2019 was $451 million or $111.99 per common share compared with $269 million or $65.58 per common share in 2018. The increase in net income is primarily due to higher year to date net gains on investments within the E-L Corporate segment. E-L Corporate reported a net gain on investments of $376 million for the first nine months of 2019 compared to $118 million in 2018. E-L Corporate's global investment portfolio had a pre-tax total return of 10% for the nine months ended September 30, 2019 compared to a pre-tax total return of 5% in the prior year. The portfolio earned investment returns of 13% in Canada and the U.S., 10% in Europe and 5% in other geographic regions for the nine months ended September 30, 2019.

The Empire Life segment reported net income of $97 million for the nine months ended September 30, 2019 compared to $130 million in 2018. The decrease in year to date earnings was primarily a result of a decrease in bond yields, which contributed to an increase in insurance contract liabilities that more than offset the impact of fair value gains on fixed income investments in the Individual Insurance line.The Employee Benefits product line experienced lower earnings year to date, primarily driven by less favourable expense and claims experience relative to the third quarter of 2018.

Consolidated comprehensive income for the third quarter of 2019 was $106 million or $25.88 per common share compared to $81 million or $19.74 per common share in 2018. Other comprehensive income ("OCI") for the third quarter of 2019 was $5 million compared to a loss of $14 million in 2018. The increase in OCI is primarily due to unrealized fair value gains on Empire Life's available for sale ("AFS") investments, partly offset by a loss on the remeasurement of post-employment defined benefit plan liabilities. The gain and loss on each of these components was primarily due to a combination of decreases in interest rates and favourable equity markets movements for the third quarter of 2019.

Consolidated comprehensive income for the first nine months of 2019 was $507 million or $126.31 per common share compared to $250 million or $60.79 per common share in 2018. The increase is primarily due to the above mentioned items.

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 2019**	Q4 2018	Q3 2018
E-L Financial shareholders' equity	**$ 6,005**	$ 5,523	$ 5,777
Less: First preference shares	**(300)**	(300)	(300)
	5,705	5,223	5,477
Adjustments for investments in associates not carried at fair value:			
Carrying value	**(323)**	(335)	(342)
Fair value[1]	**335**	315	334
	12	(20)	(8)
Non-controlling interest and deferred tax	**(3)**	5	2
	9	(15)	(6)
Net equity value	**$ 5,714**	$ 5,208	$ 5,471
Common Shares[2] outstanding at period end	**4,019,667**	4,019,667	4,019,667
Net equity value per common share[2] [3]	**$ 1,421.57**	$ 1,295.65	$ 1,361.06

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

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***
	$	%
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
2018	1,295.65	(1.2)
Year to date		
September 30, 2019	1,421.57	10.0
Compounded annual growth in net equity value*		
2009 - 2018 - 10 years		9.7
1969 - 2018 - Since inception		12.4

* 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)	**2019**						2018	2017
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue								
Net gain (loss) on investments[1]	**$ 163**	$ 209	$ 753	$ (419)	$ (112)	$ 75	$ (58)	$ 527
Net premium income	**218**	225	238	237	221	205	211	210
Investment and other income	**186**	200	168	175	175	199	158	173
Associates[2]	**4**	7	3	(5)	10	7	(3)	14
Total	**$ 571**	$ 641	$ 1,162	$ (12)	$ 294	$ 486	$ 308	$ 924
Net income (loss)[3]	**$ 101**	$ 42	$ 309	$ (238)	$ 96	$ 108	$ 66	$ 257
Earnings per common share								
- basic	**$ 24.61**	$ 9.70	$ 77.68	$ (61.62)	$ 23.33	$ 26.56	$ 15.69	$ 64.47
- diluted	**$ 23.26**	$ 9.70	$ 71.45	$ (61.62)	$ 22.08	$ 24.12	$ 15.15	$ 58.80

(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 2019 decreased from the prior quarter mainly due to the impact of lower net investment gains for Empire Life. The revenue for the third quarter of 2019 increased over the third quarter of 2018 primarily due to an increase in Empire Life's net investment gains. FVTPL investments experienced an increase in the quarter reflecting the significant decline in long-term interest rates throughout 2019 versus an increase in long-term interest rates for the same period in 2018. This change in revenue is more than offset by corresponding changes in the net change in insurance and investment contract liabilities in the expenses section of the results.

Net premiums for the third quarter of 2019 declined compared to the second quarter of 2019 due to lower fixed annuity sales. Net premiums for the third quarter of 2019 remained consistent with the third quarter of 2018.

Liquidity and cash flows

Consolidated cash flows

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

Nine months ended September 30 (millions of dollars)	E-L Financial (non-consolidated)	United	Empire Life	Consolidation adjustments	E-L Financial Consolidated	
					2019	2018
Cash flows from:						
Operating activities	$ 114	$ (10)	$ 292	$ (71)	**$ 325**	$ 283
Financing activities	(54)	(24)	(72)	67	**(83)**	(364)
Investing activities	(18)	15	(205)	4	**(204)**	(51)
Increase (decrease) in cash and cash equivalents	42	(19)	15	—	**38**	(132)
Cash and cash equivalents, beginning of the period	75	53	205	—	**333**	339
Cash and cash equivalents, end of the period	$ 117	$ 34	$ 220	$ —	**$ 371**	$ 207

The increase in cash provided from operating activities in 2019 relative to 2018, reflects the increase in cash earnings during 2019 compared to the prior period, along with changes in working capital levels.

The increase in cash used for investing activities and lower cash used for financing activities in 2019 was primarily driven by Empire Life, with lower sales of securities relative to 2018 when a portion of the investment portfolio was sold to fund the redemption of $300 million of subordinated debentures in May 2018.

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)*	**2019**	2018
Cash flows from:		
Operating activities		
Dividends from subsidiaries	**$ 64**	$ 40
Dividends and interest	**71**	66
Expenses and taxes, net of other income	**(21)**	(41)
	114	65
Financing activities		
Cash dividends	**(27)**	(27)
Repayment of margin loan	**(25)**	(10)
Interest paid on borrowings	**(1)**	(2)
Purchases of subsidiary shares	**(1)**	(1)
	(54)	(40)
Investing activities		
Purchases of investments	**(733)**	(438)
Proceeds from sales of investments	**701**	393
Net sales of short-term investments	**—**	21
Dividends from associates	**14**	5
	(18)	(19)
Increase in cash and cash equivalents	**42**	6
Cash and cash equivalents, beginning of the period	**75**	25
Cash and cash equivalents, end of the period	**$ 117**	$ 31

As at September 30, 2019, the non-consolidated cash and cash equivalents of E-L Financial increased by $86 million compared to September 30, 2018.

Operating cash flows for 2019 increased $49 million over the prior year partly due to increases in dividends received from Empire Life and United and a reduction in income taxes paid in 2019. During the first quarter of 2017, for diversification reasons, E-L Financial re-allocated the assets managed from one of the global investment managers. This caused a higher investment portfolio turnover in 2017 compared to the 2019 and 2018 period, resulting in higher income taxes paid during 2018 compared to 2019.

During the third quarter of 2019, E-L Financial repositioned the assets managed by one of the global investment managers. This resulted in a higher investment portfolio turnover during the period. Dividends received from associates increased over the prior period mostly due to a special dividend paid by Algoma.

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

Analysis of business segments

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

E-L CORPORATE

E-L Corporate's operations includes the oversight of investments in global equities held through direct and indirect holdings of common shares, investment funds, closed-end investment companies, a limited partnership and other private companies.

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

Investments - corporate

Investments - corporate includes investments in equities and short-term fixed-income investments. At September 30, 2019, 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, 2018 of $4.6 billion. The fair value of investments - corporate is summarized in the table below:

(millions of dollars)		**September 30 2019**		December 31 2018
Preferred shares	**$**	**1**	$	3
Common shares and units				
Canada and U.S.		**2,941**		2,464
Europe and United Kingdom		**1,097**		1,078
Emerging Markets		**424**		469
Japan		**462**		463
Other		**67**		119
Total		**4,991**		4,593
Total invested assets	**$**	**4,992**	$	4,596

During the third quarter of 2019, E-L Financial repositioned the assets managed by one of the global investment managers, resulting in a reduced exposure to Emerging Markets and a higher allocation to the U.S.

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

		Third quarter				**Year to date**		
(millions of dollars)		**2019**		2018		**2019**		2018
Revenue								
Net gain on investments	**$**	**54**	$	54	**$**	**376**	$	118
Investment and other income		**37**		33		**118**		108
Share of associates income		**4**		10		**14**		14
		95		97		**508**		240
Operating expenses		**9**		9		**28**		25
Income taxes		**12**		14		**67**		36
Non-controlling interests		**8**		14		**59**		40
		29		37		**154**		101
Net income		**66**		60		**354**		139
Other comprehensive income (loss), net of taxes		**1**		—		**(7)**		2
Comprehensive income	**$**	**67**	$	60	**$**	**347**	$	141

E-L Corporate reported net income of $66 million in the third quarter of 2019 compared to $60 million in 2018. The increase in E-L Corporate's net income for the third quarter of 2019 compared to the prior year is mainly due to an increase in investment and other income, a decrease in non-controlling interests, partly offset by lower earnings from Algoma and Economic. The pre-tax total return on investments was 2% for the third quarter of 2019 and 2018.

During the nine months ended September 30, 2019, E-L Corporate had a net gain on investments of $376 million compared to $118 million for the comparable period in 2018 resulting in a positive pre-tax total return on investments of 10% in 2019 compared to 5% in the prior year. For the nine months ended September 30, 2019 the portfolio earned investment returns of 13% in Canada and the U.S., 10% in Europe and 5% in other geographic regions, which includes investments in Japan and emerging markets.

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)	**2019**	2018	**2019**	2018
Algoma	**$ 7**	$ 7	**$ 7**	$ 10
Economic *	**(3)**	3	**7**	4
	$ 4	$ 10	**$ 14**	$ 14

* Year to date includes a $8.7 million impairment loss (September 30, 2018 - $nil).

Algoma's net income for the third quarter of 2019 remained consistent with the third quarter of 2018 and decreased compared to the nine months ended September 31, 2018. Overall revenue increased for both periods primarily a result of having additional vessels in operation and improved rates and strong customer demand in both the Product Tanker and Ocean Self-Unloader segments. In the Domestic Dry-Bulk segment, revenue decreased in both periods as a result of the smaller fleet size and vessel out of service time, although this was partially offset by higher freight rates and improved contract terms. The decrease in year to date net income for 2019 was primarily a result of higher interest expense, a foreign currency loss and lower earnings from joint ventures compared to 2018.

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

Economic's global investment portfolio had a quarterly pre-tax total return, gross of fees, of 3% in the third quarter of 2019 and 2018. On a year to date basis, Economic's global investment portfolio had a pre-tax return, gross of investment management fees, of 13% during 2019 compared to a 7% return in 2018.

(millions of dollars)	**September 30, 2019**			December 31, 2018		
	Ownership	**Carrying value**	**Fair value**	Ownership	Carrying value	Fair value
Algoma	**37.0%**	**$ 183**	**$ 195**	36.8%	$ 199	$ 179
Economic	**24.0%**	**140**	**140**	24.0%	136	136
Total		**$ 323**	**$ 335**		$ 335	$ 315

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, 2019, 48% (December 31, 2018 - 42%) of the investment - corporate including cash and cash equivalents was denominated in U.S. dollars, 11% (December 31, 2018 - 11%) in Euros and 9% (December 31, 2018 - 10%) in the Japanese Yen representing the largest foreign currency exposures. The Company also holds investments within emerging markets. Investments in emerging markets are more likely to experience political, economic and social instability, which may result in higher levels of market value volatility.

Credit risk

In addition to the discussion of risks included in this MD&A, a comprehensive discussion of the material risks that impact the Company is included in the Annual Information Form which is available at www.sedar.com. Disclosures regarding E-L Corporate's financial instruments, including financial risk management, are included in Notes 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 million for 2019, compared to $35 million for third quarter 2018. Year to date common shareholder's net income was $98 million compared to $131 million in 2018. The decrease in year to date earnings was primarily a result of unfavourable changes in bond yields, which contributed to an increase in insurance contract liabilities that more than offset the impact of fair value gains on fixed income investments in the Individual Insurance line. Lower earnings in the Employee Benefits product line was primarily driven by less favourable expense and claims experience relative to the third quarter of 2018.

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)	**2019**	2018	**2019**	2018
Empire Life common shareholders' net income	**$ 35**	$ 35	**$ 98**	$ 131
Non-controlling interests	**—**	—	**1**	1
Net income, contribution to E-L Financial	**$ 35**	$ 35	**$ 97**	$ 130
Empire Life return on common shareholders' equity (quarterly annualized)	**8.7%**	9.4%	**8.4%**	11.9%

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

Three months ended September 30	**Wealth Management**		**Employee Benefits**		**Individual Insurance**		**Capital and Surplus**		**Total**	
(millions of dollars)	**2019**	**2018**	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Expected profit on in-force business	**$ 27**	$ 29	**$ 6**	$ 6	**$ 13**	$ 5			**$ 46**	$ 41
Impact of new business	**(3)**	(1)	**(6)**	(1)	**(4)**	2			**(13)**	(1)
Experience gains (losses)	**9**	(1)	**2**	5	**(12)**	8			**(1)**	12
Management actions and changes in assumptions	**—**	—	**—**	—	**(1)**	(9)			**(1)**	(9)
Earnings on operations before income taxes	**33**	27	**2**	10	**(5)**	6	**—**	—	**30**	43
Earnings on surplus	**—**	—	**—**	—	**—**	—	**18**	7	**18**	7
Income before income tax	**33**	27	**2**	10	**(5)**	6	**18**	7	**49**	50
Income taxes	**8**	7	**1**	3	**(2)**	1	**4**	1	**11**	11
Empire Life's shareholders' net income (loss)	**$ 25**	$ 21	**$ 1**	$ 7	**$ (2)**	$ 5	**$ 14**	$ 5	**$ 38**	$ 39
Dividends on preferred shares [(1)]									**(3)**	(3)
Empire Life common shareholders' net income									**$ 35**	$ 35

Nine months ended September 30	**Wealth Management**		**Employee Benefits**		**Individual Insurance**		**Capital and Surplus**		**Total**	
(millions of dollars)	**2019**	**2018**	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Expected profit on in-force business	**$ 85**	$ 89	**$ 19**	$ 17	**$ 39**	$ 37			**$ 143**	$ 143
Impact of new business	**(9)**	(5)	**(15)**	(5)	**3**	5			**(21)**	(5)
Experience gains (losses)	**11**	1	**5**	17	**(27)**	5			**(11)**	22
Management actions and changes in assumptions	**—**	—	**—**	—	**(11)**	2			**(11)**	2
Earnings on operations before income taxes	**87**	84	**9**	29	**3**	50	**—**	—	**100**	162
Earnings on surplus	**—**	—	**—**	—	**—**	—	**38**	22	**38**	22
Income before income tax	**87**	84	**9**	29	**3**	50	**38**	22	**138**	184
Income taxes	**21**	21	**2**	8	**(2)**	10	**8**	4	**30**	43
Empire Life's shareholders' net income	**$ 66**	$ 63	**$ 7**	$ 21	**$ 5**	$ 40	**$ 30**	$ 18	**$ 108**	$ 141
Dividends on preferred shares (1)									**(10)**	(10)
Empire Life common shareholders' net income									**$ 98**	$ 131

(1) 2019 includes $4 million (2018 - $4 million) preference share dividends to E-L Financial

The expected profit on in-force business for the third quarter increased by 12% and was stable on a year to date basis, driven primarily by reduced risk margin releases in the Individual Insurance product line.

The impact of new business was primarily driven by an increase in new business strain across all three product lines relative to 2018. The impact of new business on the Individual Insurance line is positive when the present value of future profits from the new business exceeds the sum of the margins in the initial policy liabilities for that business plus the expenses incurred at the point of sale.

Experience gains for the third quarter of 2019 and year to date declined from 2018 primarily due to unfavourable changes in bond yields which contributed to an increase in insurance contract liabilities that more than offset fair value gains on fixed income investments in the Individual Insurance line. In addition, there was less favourable claims experience in the Employee Benefits line.

Management actions and changes in assumptions were lower in the third quarter of 2019 relative to the same period in 2018 primarily due to an update of assumptions in the Individual Insurance line in 2018 which did not recur in 2019. On a year to date basis management actions and changes in assumptions were lower primarily due to changes in the fixed income portfolio as part of management's ongoing activities to improve the matching of assets and liabilities in the Individual Insurance line. Enhanced matching generates improved profitability when bond yields are higher, and reduced profitability when bond yields are relatively low.

Earnings on surplus increased for the third quarter of 2019 and year to date relative to 2018 primarily due to higher income from invested assets and lower interest expenses.

Results by Major Product Line

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 2019 and 2018. 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)	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Revenue										
Net premium	**$ 30**	$ 42	**$ 91**	$ 85	**$ 97**	$ 94	**$ —**	$ —	**$ 218**	$ 221
Fee income	**62**	65	**3**	3	**—**	—	**—**	—	**65**	67
Investment income	**10**	9	**1**	1	**55**	49	**17**	16	**84**	75
Net gains (losses) on investments [1]	**1**	(9)	**—**	(1)	**103**	(152)	**5**	(3)	**108**	(167)
	103	106	**95**	87	**254**	(9)	**22**	13	**475**	197
Expenses										
Benefits and expenses	**70**	79	**93**	76	**259**	(17)	**4**	6	**426**	144
Income and other taxes	**8**	7	**1**	4	**(1)**	3	**4**	1	**13**	15
	78	86	**94**	80	**258**	(15)	**8**	7	**439**	158
Net income (loss) after tax	**$ 25**	$ 21	**$ 1**	$ 7	**$ (4)**	$ 6	**$ 14**	$ 6	**$ 36**	$ 39
Participating policyholders' portion									**(2)**	—
Dividends on preferred shares									**3**	3
Empire Life's common shareholders' net income									**35**	35
Non-controlling interests in net income									**—**	—
Net income attributable to owners of E-L Financial									**$ 35**	$ 35

Nine months ended September 30	Wealth Management		Employee Benefits		Individual Insurance		Capital & Surplus		Total	
(millions of dollars)	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Revenue										
Net premium	**$ 124**	$ 102	**$ 267**	$ 254	**$ 290**	$ 280	**$ —**	$ —	**$ 681**	$ 637
Fee income	**186**	191	**9**	8	**—**	—	**—**	—	**195**	199
Investment income	**30**	29	**3**	3	**158**	146	**50**	48	**241**	226
Net gains (losses) on investments [1]	**24**	(16)	**5**	(2)	**718**	(188)	**1**	(8)	**748**	(214)
	365	306	**285**	263	**1,166**	238	**51**	41	**1,866**	849
Expenses										
Benefits and expenses	**278**	222	**270**	229	**1,162**	188	**12**	18	**1,722**	657
Income and other taxes	**21**	21	**8**	14	**4**	16	**8**	4	**41**	55
	299	243	**278**	242	**1,166**	204	**20**	23	**1,763**	712
Net income after tax	**$ 66**	$ 63	**$ 7**	$ 21	**$ —**	$ 35	**$ 31**	$ 19	**$ 103**	$ 137
Participating policyholders' portion									**(5)**	(4)
Dividends on preferred shares									**10**	10
Empire Life's common shareholders' net income									**98**	131
Non-controlling interests in net income									**1**	1
Net income attributable to owners of E-L Financial									**$ 97**	$ 130

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

Product Line Results - Wealth Management

Key Operating Results	Third quarter		Year to date	
(millions of dollars)	**2019**	2018	**2019**	2018
Fixed Annuities				
Assets under management	**$ 959**	$ 943	**$ 959**	$ 943
Gross sales	**30**	42	**124**	102
Net sales	**1**	13	**13**	9
Segregated Funds				
Assets under management	**8,344**	8,574	**8,344**	8,574
Gross sales	**203**	195	**613**	665
Net sales	**(54)**	(49)	**(246)**	(100)
Fee income	**61**	64	**183**	188
Mutual Funds				
Assets under management	**141**	168	**141**	168
Gross sales	**2**	5	**6**	14
Net sales	**(8)**	(4)	**(21)**	(19)
Fee income	**1**	1	**2**	2
Net Premiums	**$ 30**	$ 42	**$ 124**	$ 102
Benefits and Expenses	**70**	79	**277**	222
Net income after tax	**$ 25**	$ 21	**$ 66**	$ 63

Fixed annuities assets under management increased by 2% during the last 12 months. Gross sales in the third quarter were 29% lower, and 22% higher on a year to date basis compared to 2018, reflecting a shift away from fixed income products in the quarter as a result of lower interest rates relative to stronger sales earlier in the year.

Segregated fund assets under management are lower relative to the same period in 2018, partially reflecting the equity market volatility over the last 12 months as segregated fund assets declined near the end of 2018 and have partially rebounded in 2019. For the third quarter of 2019, gross sales were 4% higher than the same period in 2018 and 8% lower on a year to date basis. On November 12, 2018, Empire Life launched a new No Load purchase option within the GIF and Class Plus 3.0 product lines, and added four global fund options to Class Plus 3.0. The No Load option gives clients full access to their investments without any surrender charges. 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.

Segregated fund fee income was slightly lower in the quarter on a year to date basis, reflecting the decrease in average assets under management in 2019 relative to the same period in 2018.

Mutual fund assets under management decreased during the last 12 months due to lower mutual fund sales. Empire Life continues to explore various strategic alternatives with respect to its mutual fund business.

Net income for this product line increased by $4 million and $3 million on a quarterly and year to date basis, driven primarily by improved investment returns on assets backing contract liabilities.

Product Line Results - Employee Benefits

Key Operating Results	Third quarter		Year to date	
(millions of dollars)	**2019**	2018	**2019**	2018
Annualized premium sales	**$ 31**	$ 10	**$ 83**	$ 47
Net premiums	**91**	85	**267**	254
Net income after tax	**$ 1**	$ 7	**$ 7**	$ 21

Annualized premium sales are 210% higher in the third quarter and 77% higher on a year to date basis compared to the prior year, primarily due to a large block transfer from a new strategic distribution partner. In addition, the Company continues to increase sales of its core products in the small to medium sized business market. Empire Life continues to enter into strategic partnerships to expand market share.

Net premiums for the third quarter and year to date of 2019 increased by 7% and 5%, respectively, relative to the same periods in 2018. Empire Life continues to focus on profitable sales in the employee benefits market where price competition continues for all major product lines.

Net income for the quarter and year to date decreased primarily due to less favourable claims experience across all benefit types compared to more favourable experience for health and long-term disability benefits for the corresponding period in 2018. Higher new business strain associated with acquiring the new strategic distribution partners noted above also contributed to lower net income in the period.

Product Line Results - Individual Insurance

Key Operating Results	Third quarter		Year to date	
(millions of dollars)	**2019**	2018	**2019**	2018
Shareholders'				
Annualized premium sales	**$ 5**	$ 6	**$ 16**	$ 18
Net premiums	**67**	69	**205**	209
Benefits and expenses	**216**	(32)	**1,003**	114
Net (loss) income after tax	**(2)**	5	**5**	40
Policyholders'				
Annualized premium sales	**4**	4	**12**	10
Net premiums	**30**	25	**85**	72
Benefits and expenses	**43**	15	**160**	73
Net loss after tax	**(2)**	—	**(6)**	(5)
Net (loss) income after tax	**$ (4)**	$ 6	**$ —**	$ 35

Shareholders' annualized premium sales declined slightly for the quarter and on a year to date basis compared to 2018, while policyholders' annualized premium sales were level for the third quarter and increased slightly on a year to date basis. Shareholders' total net premiums were also slightly lower in the quarter and on a year to date basis. Policyholders' net premiums increased in the third quarter of 2019 and year to date compared to the same periods in 2018, reflecting recent strength in policyholders' new premium sales. In November 2018, Empire Life introduced Guaranteed Life Protect, which offers customers guaranteed lifetime coverage with no health or lifestyle questions asked.

Shareholders' net income for this product line was a net loss of $2 million for the third quarter of 2019 and $5 million of net income on a year to date basis. Bond market yields continued their decline on a quarter and year to date basis. While the decline in yields increases the fair value gains on fixed income assets supporting insurance contract liabilities, these gains are more than offset by increases in the corresponding insurance contract liabilities, primarily contributing to the decline in net income relative to the same quarter and year to date period last year.

Results - Capital and Surplus

Key Operating Results	Third quarter		Year to date	
(millions of dollars)	**2019**	2018	**2019**	2018
Income from investments	**$ 24**	$ 16	**$ 61**	$ 45
Losses on hedging instruments	**(1)**	(3)	**(12)**	(5)
Interest and other expenses	**(4)**	(6)	**(12)**	(18)
Earnings before income taxes	**18**	7	**38**	22
Income taxes	**4**	1	**8**	4
Net income after tax shareholders' portion	**14**	5	**30**	18
Net income after tax policyholders' portion	**—**	—	**1**	1
Net income after tax	**$ 14**	$ 6	**$ 31**	$ 19

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

Income from investments in the third quarter and year to date of 2019 was higher than the prior year primarily due to higher yields on invested assets. Losses on the hedging program (discussed in the Risk Management section) in the third quarter were generally in line with the same period in 2018. Higher losses experienced in the first quarter of 2019 accounted for the year to date variance compared with 2018. The decrease in interest expense was due to Empire Life's redemption of $300 million of subordinated debentures in May 2018.

Sources of capital

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

Subordinated debentures				Face amounts as at	
(millions of dollars)	Date Issued	Earliest redemption date	Interest rate	**September 30 2019**	December 31 2018
Series 2016-1 (1)	Dec. 2016	December 16, 2021	3.383%	**$ 200**	$ 200
Series 2017-1 (2)	Sept. 2017	March 15, 2023	3.664%	**$ 200**	$ 200

(1) Unsecured Debentures due 2026. From December 16, 2021, interest is payable at 1.95% over the 3-month Canadian Deposit Offering Rate ("CDOR").
(2) Unsecured Debentures due 2028. From March 15, 2023, interest is payable at 1.53% over CDOR.

Preferred Shares				Principal amounts as at	
(millions of dollars)	Date Issued	Earliest redemption date	Yield	**September 30 2019**	December 31 2018
Preferred shares	January 2016	April 17, 2021	5.75%	**$ 150**	$ 150
Preferred shares	November 2017	January 17, 2023	4.90%	**$ 100**	$ 100

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.

Regulatory Capital

The Life Insurance Capital Adequacy Test (“LICAT”) is intended to improve the measurement of the life insurer's solvency position by recognizing the long-term economics of the life insurance business. 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.

As of September 30, 2019, the Total Ratio and Core Ratio remained relatively unchanged from December 31, 2018.

LICAT (millions of dollars)	**September 30 2019**	June 30 2019	March 31 2019	December 31 2018	September 30 2018
Available capital					
Tier 1	**$ 1,562**	$ 1,549	$ 1,507	$ 1,476	$ 1,526
Tier 2	**681**	674	692	653	608
Total	**$ 2,243**	$ 2,223	$ 2,200	$ 2,129	$ 2,134
Surplus allowance and eligible deposits	**$ 944**	$ 937	$ 921	$ 887	$ 1,001
Base solvency buffer	**$ 2,133**	$ 2,115	$ 2,083	$ 2,029	$ 1,908
LICAT Total Ratio	**149%**	149%	150%	149%	164%
LICAT Core Ratio	**104%**	104%	103%	103%	117%

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. Given the nature of these calculations, Empire Life cannot provide assurance that actual impact will be consistent with the estimates provided. Changes in risk variables in excess of the ranges illustrated may result in other than proportionate impacts.

Market Risk

Empire Life has equity market risk related to its segregated fund products and from equity assets backing life insurance liabilities. The Company has a semi-static hedging program. The hedging program may employ derivative positions including put options and futures. The extent of derivatives 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 but does not have policy liabilities on the statement of financial position related to segregated fund guarantees. Therefore, a by-product of hedging LICAT exposure is net income volatility, as the gains or losses from hedging instruments are not necessarily offset by changes in policy liabilities related to segregated fund guarantee risk. The equity risk hedging program provides some relief in adverse scenarios, but may incur losses in positive scenarios. During the third quarter and year to date, Empire Life experienced a hedge cost of $1 million and $8 million after tax on its hedging program primarily due to rising Canadian equity markets. This compares to a hedge cost of $2 million and $4 million for the comparable periods in 2018.

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, 2019, Empire Life had $8.4 billion of segregated fund assets and liabilities. Of this amount, approximately $8.1 billion have guarantees. The following table provides a percentage breakdown by type of guarantee:

	September 30 2019	December 31 2018
Percentage of segregated fund liabilities with:		
75% maturity guarantee and a 75% death benefit guarantee	**4%**	3%
75% maturity guarantee and a 100% death benefit guarantee	**46%**	47%
100% maturity and death benefit guarantee (with a minimum of 15 years between deposit and maturity date)	**7%**	7%
Guaranteed minimum withdrawal benefit ("GMWB")	**43%**	43%

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. The liabilities are the greater of: (i) the average of the amounts determined by averaging the results from adverse economic scenarios; and (ii) zero.

Empire Life also has equity market risk related to its equity assets backing life insurance liabilities. Based on stock market levels as at September 30, 2019 and December 31, 2018, the sensitivity of Empire Life shareholders’ net income and LICAT ratio resulting from stock market increases and decreases is provided in the following table.

Sensitivity to equity risk	**Increase**		**Decrease**		
Impact on net income *(millions of dollars after tax)*	**20%**	**10%**	**10%**	**20%**	**30%**
As at September 30, 2019					
Segregated Fund Guarantees	**$ 1**	**$ 1**	**$ (10)**	**$ (96)**	**$ (235)**
Other Equity Risk	**32**	**15**	**(12)**	**(19)**	**(64)**
Equity Hedge	**(2)**	**(2)**	**5**	**16**	**37**
Total	**$ 31**	**$ 14**	**$ (17)**	**$ (100)**	**$ (262)**
As at December 31, 2018					
Segregated Fund Guarantees	$ 3	$ 3	$ (11)	$ (129)	$ (269)
Other Equity Risk	38	18	(15)	(46)	(118)
Equity Hedge	(6)	(4)	9	26	50
Total	$ 35	$ 16	$ (16)	$ (150)	$ (337)

Sensitivity to equity risk	**Increase**		**Decrease**		
Impact on LICAT	**20%**	**10%**	**10%**	**20%**	**30%**
As at September 30, 2019					
Segregated Fund Guarantees	**2%**	**—%**	**(7)%**	**(14)%**	**(20)%**
Other Equity Risk	**(1)%**	**—%**	**—%**	**—%**	**(1)%**
Equity Hedge	**(1)%**	**(1)%**	**1%**	**3%**	**4%**
Total	**—%**	**(1)%**	**(6)%**	**(11)%**	**(17)%**
As at December 31, 2018					
Segregated Fund Guarantees	3%	—%	(10)%	(16)%	(22)%
Other Equity Risk	—%	(1)%	—%	—%	(2)%
Equity Hedge	(2)%	(1)%	1%	2%	3%
Total	1%	(1)%	(9)%	(14)%	(21)%

Empire Life’s equity market sensitivity for segregated fund guarantees in a 20% and 30% stock market decline decreased primarily as a result of improved equity markets during the first three quarters of 2019. The segregated fund guarantee liability became positive at December 31, 2018 after an equity market decline in the fourth quarter. This increased net income sensitivity as any changes to the liability when it is above the zero floor will flow through net income.

In 2019, the Company updated the methodology for calculating equity risk sensitivities. The new method refines the assumptions used in calculating the baseline LICAT equity requirements as at the reporting date. In the table above, figures presented for the impact of equity risk on LICAT as at December 31, 2018 are restated to conform with the updated methodology.

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

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

Segregated Funds	**Withdrawal Benefit > Fund Value**		**Maturity Guarantee > Fund Value**		**Death Benefit > Fund Value**			
(millions of dollars)	**Fund Value**	**Amount at Risk**	**Fund Value**	**Amount at Risk**	**Fund Value**	**Amount at Risk**	**Policy Liabilities**	**LICAT Capital**
September 30, 2019	**$ 2,645**	**$ 813**	**$ 103**	**$ 3**	**$ 1,444**	**$ 18**	**$ 1**	**$ 457**
December 31, 2018	$ 2,689	$ 1,057	$ 301	$ 24	$ 3,789	$ 165	$ 4	$ 433

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, 2019, the aggregate amount at risk for all three categories of risk was $834 million. At December 31, 2018, the aggregate amount at risk for these three categories of risk was $1,246 million. For these three categories of risk, the amount at risk is not currently payable. Payment is contingent on future outcomes, including fund performance, deaths, deposits, withdrawals and maturity dates.

The level of policy liabilities and required regulatory capital in the above table is calculated based on the probability that Empire Life will ultimately have to make payment to the segregated fund policyholders for any fund value deficiency that may exist on future payments to GMWB policyholders, or upon future maturity of the segregated fund policies, or upon future death of the segregated fund policyholders.

In addition, Empire Life considers the sensitivity of its LICAT ratio to changes in market interest rates. The impact of an immediate 50 basis point decrease in interest rates and a 50 basis point decrease in assumed initial reinvestment rate ("IRR") for non-participating insurance business and segregated fund guarantees for September 30, 2019 and December 31, 2018, is shown in the table below. This assumes no change in the ultimate reinvestment rate ("URR"). The AFS bonds provide a natural economic offset to the interest rate risk attributable to Empire Life's product liabilities.

Sensitivity to market interest rates LICAT:	**Impact of 50 bps decrease**
September 30, 2019 LICAT total ratio	**(3)%**
December 31, 2018 LICAT total ratio	(5)%

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

		September 30 2019		December 31 2018
Assets				
Cash and cash equivalents	$	**371,014**	$	332,558
Investments - corporate (Note 3)		**4,992,253**		4,596,188
Investments - insurance (Note 4)		**9,180,726**		8,073,649
Investments in associates (Note 5)		**322,739**		334,913
Insurance receivable		**43,224**		46,701
Other assets		**153,504**		140,636
Segregated fund assets (Note 7)		**8,361,674**		7,822,790
Total assets	$	**23,425,134**	$	21,347,435
Liabilities				
Reinsurance liabilities	$	**882,258**	$	788,801
Insurance contract liabilities		**6,100,255**		5,242,462
Investment contract liabilities		**27,015**		25,154
Deferred tax liabilities		**235,062**		198,356
Other liabilities		**286,113**		242,503
Borrowings		**464,014**		488,767
Segregated fund liabilities (Note 7)		**8,361,674**		7,822,790
Total liabilities	$	**16,356,391**	$	14,808,833
Equity				
Capital stock	$	**372,388**	$	372,388
Retained earnings		**5,593,668**		5,168,573
Accumulated other comprehensive income (“AOCI”) (loss) (“AOCL”)		**38,559**		(17,664)
Total E-L Financial shareholders' equity		**6,004,615**		5,523,297
Non-controlling interests in subsidiaries (“NCI”)		**1,028,183**		979,142
Participating policyholders' interests (“PAR”)		**35,945**		36,163
Total equity		**7,068,743**		6,538,602
Total liabilities and equity	$	**23,425,134**	$	21,347,435

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	
	2019	2018	**2019**	2018
Revenue				
Gross premiums	**$ 265,650**	$ 256,680	**$ 810,352**	$ 743,751
Premiums ceded to reinsurers	**(48,129)**	(36,080)	**(129,645)**	(106,924)
Net premiums	**217,521**	220,600	**680,707**	636,827
Investment and other income (Note 6)	**186,137**	175,630	**554,961**	532,924
Share of income of associates (Note 5)	**4,473**	9,749	**13,819**	14,473
Fair value change in fair value through profit or loss investments	**156,723**	(112,498)	**1,113,205**	(94,799)
Realized gain (loss) on available for sale investments (Note 4)	**6,167**	424	**11,721**	(153)
	571,021	293,905	**2,374,413**	1,089,272
Expenses				
Gross claims and benefits	**339,540**	88,197	**1,414,956**	480,469
Claims and benefits ceded to reinsurers	**(10,091)**	(41,473)	**19,402**	(103,461)
Net claims and benefits	**329,449**	46,724	**1,434,358**	377,008
Change in investment contracts provision	**181**	(199)	**411**	(228)
Commissions	**50,425**	51,070	**148,369**	144,826
Operating	**53,156**	48,916	**157,102**	143,849
Interest expense	**4,201**	6,399	**12,524**	19,473
Premium taxes	**2,193**	2,935	**12,720**	13,208
	439,605	155,845	**1,765,484**	698,136
Income before income taxes	**131,416**	138,060	**608,929**	391,136
Income tax expense	**21,086**	24,308	**92,806**	74,879
Net income	**110,330**	113,752	**516,123**	316,257
Less: Participating policyholders' (loss) income	**(1,781)**	317	**(4,715)**	(4,346)
Non-controlling interests in net income	**11,577**	17,943	**69,399**	51,399
	9,796	18,260	**64,684**	47,053
E-L Financial shareholders' net income	**$ 100,534**	$ 95,492	**$ 451,439**	$ 269,204
Earnings per share attributable to E-L Financial shareholders				
Basic	**$ 24.61**	$ 23.33	**$ 111.99**	$ 65.58
Diluted	**$ 23.26**	$ 22.08	**$ 104.44**	$ 62.26

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	
	2019	2018	**2019**	2018
Net income	**$ 110,330**	$ 113,752	**$ 516,123**	$ 316,257
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”)	**4,294**	(19,150)	**74,014**	(28,399)
Share of OCI (OCL) of associates	**1,192**	(1,244)	**(4,273)**	1,401
	5,486	(20,394)	**69,741**	(26,998)
Items that will not be reclassified to net income:				
Net remeasurement of defined benefit plans	**457**	4,657	**(6,348)**	5,587
Share of (OCL) OCI of associates	**(321)**	1,350	**(3,152)**	1,565
	136	6,007	**(9,500)**	7,152
Total OCI (OCL)	**5,622**	(14,387)	**60,241**	(19,846)
Comprehensive income	**115,952**	99,365	**576,364**	296,411
Less: Participating policyholders' comprehensive (loss) income	**(1,275)**	120	**(218)**	(5,615)
Non-controlling interests in comprehensive income	**11,714**	17,863	**68,920**	51,618
	10,439	17,983	**68,702**	46,003
E-L Financial shareholders' comprehensive income	**$ 105,513**	$ 81,382	**$ 507,662**	$ 250,408

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, 2019	**$ 372,388**	**$ 5,168,573**	**$ (17,664)**	**$ 5,523,297**	**$ 979,142**	**$ 36,163**	**$ 6,538,602**
Net income (loss)	**—**	**451,439**	**—**	**451,439**	**69,399**	**(4,715)**	**516,123**
OCI (OCL)	**—**	**—**	**56,223**	**56,223**	**(479)**	**4,497**	**60,241**
Comprehensive income (loss)	**—**	**451,439**	**56,223**	**507,662**	**68,920**	**(218)**	**576,364**
Dividends	**—**	**(26,735)**	**—**	**(26,735)**	**(18,431)**	**—**	**(45,166)**
Acquisition of subsidiary shares	**—**	**391**	**—**	**391**	**(1,448)**	**—**	**(1,057)**
At September 30, 2019	**$ 372,388**	**$ 5,593,668**	**$ 38,559**	**$ 6,004,615**	**$ 1,028,183**	**$ 35,945**	**$ 7,068,743**

	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

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	
	2019	2018
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net income	**$ 516,123**	$ 316,257
Items not affecting cash resources:		
Change in insurance and investment contract liabilities	**949,583**	(73,405)
Realized (gain) loss on available for sale of investments	**(11,721)**	153
Fair value change in fair value through profit or loss investments	**(1,113,205)**	94,799
Deferred taxes	**40,146**	(1,881)
Share of income of associates	**(13,819)**	(14,474)
Amortization related to investments	**(65,357)**	(63,985)
Other items	**55,371**	42,677
	357,121	300,141
Net change in other assets and liabilities	**(31,314)**	(16,720)
	325,807	283,421
Financing		
Cash dividends to shareholders	**(26,735)**	(26,735)
Cash dividends by subsidiaries to non-controlling interests	**(18,431)**	(16,768)
Purchases of subsidiary shares	**(1,057)**	(1,351)
Repayment of margin loan	**(25,000)**	(10,000)
Redemption of subordinated debt	**—**	(300,000)
Interest paid on borrowings	**(12,178)**	(8,898)
	(83,401)	(363,752)
Investing		
Purchases of investments	**(2,393,725)**	(1,930,465)
Proceeds from sale or maturity of investments	**2,174,344**	1,771,179
Net sales of short-term investments	**9,845**	102,084
Net purchases of other assets	**(11,849)**	(524)
Dividends from associates	**17,435**	6,393
	(203,950)	(51,333)
Increase (decrease) in cash and cash equivalents	**38,456**	(131,664)
Cash and cash equivalents, beginning of the period	**332,558**	338,989
Cash and cash equivalents, end of the period	**$ 371,014**	$ 207,325
Fair value hierarchy for cash and cash equivalents:		
Level 1	**$ 129,242**	$ (31,558)
Level 2	**241,772**	238,883
	$ 371,014	$ 207,325

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 interim condensed consolidated financial statements were approved by the Company's Board of Directors on November 7, 2019.

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, 2018.

(b) Accounting changes

i) New accounting pronouncements adopted in 2019

IFRS 16 Leases

The Company adopted IFRS 16 effective January 1, 2019. The 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 adoption of IFRS 16 on January 1, 2019 did not have a significant impact on the Company's 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 three measurement categories of amortized cost, fair value through other comprehensive income ("FVTOCI") 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, FVTOCI 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 FVTOCI or FVTPL. A debt instrument will be measured at amortized cost only if it is held to collect the contractual cash flows and the cash flows represent principal and interest. For financial liabilities designated as at FVTPL, the change in the fair value attributable to changes in the liability's credit risk will be recognized in other comprehensive income ("OCI").

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

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

The Company has evaluated the criteria and will apply the temporary exemption for periods beginning before January 1, 2022, 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.

Per the amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*, companies applying the temporary exemption are required to disclose annually fair value information with respect to their investments in financial assets whose contractual cash flows reflect solely payments of principal and interest on the principal amount outstanding (SPPI), to enable users of financial statements to compare insurers applying the temporary exemption with entities applying IFRS 9. The Company's fixed income invested assets presented in Notes 3 and 4 include cash equivalents, short-term investments, bonds, mortgages, loans on policies and policy contract loans and primarily have cash flows that qualify as SPPI. Fixed income invested assets which did not have SPPI qualifying cash flows as at December 31, 2018 included bonds and mortgages with fair values of $20.2 million and $11.5 million, respectively.

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 17 Insurance Contracts

IFRS 17 was issued in May 2017 as replacement for IFRS 4 *Insurance Contracts*. The IFRS 17 standard has an objective to ensure that an entity provides relevant information that faithfully represents those contracts and gives a basis for users of financial statements to assess the effect that insurance contracts have on the financial position, income statement and cash flow statement. The standard establishes the principles for recognition, measurement, presentation and disclosure. It defines a general measurement model and a variable fee approach applicable to all insurance contracts and reinsurance contracts to measure the insurance contract liabilities, and it defines a specific model for contracts of one year or less.

The provisions of this new standard will apply retrospectively to each group of insurance contracts and, if and only if impracticable, an entity shall apply the modified retrospective or fair value approach to financial statements.

In June 2019 the IASB published an Exposure Draft Amendment to IFRS 17 proposing twelve targeted amendments in eight areas addressing measurement, presentation, transition and the effective date of IFRS 17 and IFRS 9. The IASB proposes, among others, that entities would recognize expected profit for insurance contract services in profit or loss for both insurance coverage and any services related to investment activities provided over time. The exposure draft also proposes that entities that recognize losses on loss-making insurance contracts would recognize a gain on reinsurance contracts held to the extent the reinsurance covers the claim on proportionate basis, which is a fixed percentage of claims. The exposure draft comment period ended on September 25, 2019 and the IASB plans to publish any resulting amendments to IFRS 17 in mid-2020.

The Exposure Draft Amendment recommended an effective date for IFRS 17 of January 1, 2022, with comparative figures required to be restated.

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

The Company is currently evaluating the impact this standard and the proposed amendments will have on presentation, disclosure and measurement of the insurance contracts in the consolidated financial statements.

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 2019	December 31 2018
Preferred shares	$ 1,058	$ 2,631
Derivative asset	—	205
Common shares and units		
Canadian	710,322	673,593
U.S.	2,231,686	1,790,533
Europe and United Kingdom	1,097,209	1,077,867
Other	951,978	1,051,359
Total common shares and units	4,991,195	4,593,352
Total	$ 4,992,253	$ 4,596,188

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, 2019 and December 31, 2018 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, 2019
Asset category	Quoted Prices (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
Preferred shares	$ —	$ —	$ 1,058	$ 1,058
Derivative asset	—	—	—	—
Common shares and units				
Canadian	12,137	83,539	614,646	710,322
U.S.	2,011,963	132,629	87,094	2,231,686
Europe and United Kingdom	943,272	69,121	84,816	1,097,209
Other	512,334	382,450	57,194	951,978
Total common shares and units	3,479,706	667,739	843,750	4,991,195
Total	$ 3,479,706	$ 667,739	$ 844,808	$ 4,992,253

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

Fair value				As at December 31, 2018
Asset category	Quoted Prices (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
Preferred shares	$ —	$ 1,573	$ 1,058	$ 2,631
Derivative asset	—	205	—	205
Common shares and units				
Canadian	34,979	63,917	574,697	673,593
U.S.	1,591,987	122,041	76,505	1,790,533
Europe and United Kingdom	938,276	57,278	82,313	1,077,867
Other	619,787	378,823	52,749	1,051,359
Total common shares and units	3,185,029	622,059	786,264	4,593,352
Total	$ 3,185,029	$ 623,837	$ 787,322	$ 4,596,188

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, 2019 or during the year ended December 31, 2018. Included in Level 2 are the Company's investments in pooled funds and limited partnerships which at September 30, 2019 had a carrying value of $667,739 (December 31, 2018 - $622,059).

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 period:

	2019	2018
Balance - January 1	$ 787,322	$ 891,547
Net fair value change	57,486	(17,230)
Sales	—	(38,098)
Balance - September 30	$ 844,808	$ 836,219

Investment commitments

In the normal course of business, outstanding investment commitments are not reflected in the consolidated financial statements. As of September 30, 2019, the Company has $86,401 (December 31, 2018 - $51,840) in unfunded commitments for units in Canadian limited partnerships.

Derivative financial instrument

On November 1, 2017, the Company entered into an interest rate swap with a $100,000 notional principal. The use of derivatives is measured in terms of notional principal amounts, which serve as the basis for calculating payments but is not the actual amount that is exchanged. At September 30, 2019 the fair value of the interest rate swap was a liability of $1,602 (December 31, 2018 - asset of $205).

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, 2019			As at December 31, 2018		
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	$ 3,982	$ —	$ 3,982	$ 9,990	$ —	$ 9,990
Canadian provincial governments	—	—	—	5,983	3,989	9,972
Corporate	14,132	—	14,132	7,997	—	7,997
Total short-term investments	18,114	—	18,114	23,970	3,989	27,959
Bonds						
Federal government	125,369	216,048	341,417	89,389	184,088	273,477
Provincial governments	3,754,622	523,883	4,278,505	3,109,456	490,369	3,599,825
Municipal governments	109,622	96,364	205,986	97,472	77,965	175,437
Total Canadian government bonds	3,989,613	836,295	4,825,908	3,296,317	752,422	4,048,739
Energy	107,321	60,501	167,822	70,013	69,565	139,578
Materials	10,625	6,845	17,470	10,321	—	10,321
Industrials	104,029	69,959	173,988	81,682	69,933	151,615
Consumer discretionary	21,834	15,202	37,036	21,223	19,024	40,247
Consumer staples	134,396	62,123	196,519	113,693	79,978	193,671
Health care	90,536	22,350	112,886	78,384	21,183	99,567
Financial services	619,588	297,068	916,656	571,147	323,960	895,107
Communication services	151,186	80,944	232,130	108,548	76,251	184,799
Utilities	465,840	106,408	572,248	362,577	67,710	430,287
Real estate	17,453	18,594	36,047	6,549	31,956	38,505
Infrastructure	293,792	30,172	323,964	265,320	23,378	288,698
Total Canadian corporate bonds	2,016,600	770,166	2,786,766	1,689,457	782,938	2,472,395
Total foreign bonds	10,271	—	10,271	8,946	—	8,946
Total bonds	6,016,484	1,606,461	7,622,945	4,994,720	1,535,360	6,530,080
Preferred shares - Canadian	392,498	9,939	402,437	384,760	11,100	395,860
Common shares						
Canadian						
Common	579,848	57,707	637,555	553,337	51,813	605,150
Real estate limited partnership units	115,402	—	115,402	110,324	—	110,324
U.S.	40,220	—	40,220	37,439	55	37,494
Other	44,229	851	45,080	41,503	652	42,155
Total common shares	779,699	58,558	838,257	742,603	52,520	795,123
Derivative assets	4,370	—	4,370	10,424	—	10,424
Loans and receivables:						
Mortgages	—	—	174,087	—	—	193,074
Loans on policies	—	—	54,014	—	—	51,949
Policy contract loans	—	—	66,502	—	—	69,180
Total	$ 7,211,165	$ 1,674,958	$ 9,180,726	$ 6,156,477	$ 1,602,969	$ 8,073,649

(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, 2019			As at December 31, 2018		
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	$ —	$ 18,114	$ 18,114	$ —	$ 27,959	$ 27,959
Bonds	—	7,622,945	7,622,945	—	6,530,080	6,530,080
Preferred shares	402,437	—	402,437	395,860	—	395,860
Common shares	722,813	115,444	838,257	684,481	110,642	795,123
Derivative assets	4,370	—	4,370	9,760	664	10,424
Loans and receivables:						
Mortgages	—	180,206	180,206	—	193,391	193,391
Loans on policies	—	54,014	54,014	—	51,949	51,949
Policy contract loans	—	66,502	66,502	—	69,180	69,180
Total	$ 1,129,620	$ 8,057,225	$ 9,186,845	$ 1,090,101	$ 6,983,865	$ 8,073,966

The fair value of mortgages has been calculated by discounting cash flows of each mortgage at a discount rate appropriate to its remaining term to maturity. The discount rates are determined based on regular competitive rate surveys. The fair values of loans on policies and policy contract loans approximates their carrying values, due to the life insurance contracts that secure them.

The classification of a financial instrument into a level is based on the lowest level of input that is significant to the determination of the fair value. There were no transfers of financial instruments between Level 1, Level 2 or Level 3 during the period ended September 30, 2019 or during the year ended December 31, 2018.

Impairment

AFS investments

Based on an impairment review of the AFS investments at September 30, 2019, Empire Life reclassified a pre-tax loss of $1,106 from OCI to net income due to write downs of impaired AFS common and preferred shares (September 30, 2018 - $523). 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 was $29,814 (December 31, 2018 - $13,000) of outstanding commitments as at September 30, 2019. These outstanding commitments are 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, 2019			December 31, 2018		
	Notional Principal	Fair Value Assets	Fair Value Liabilities	Notional Principal	Fair Value Assets	Fair Value Liabilities
Exchange-traded						
Equity index futures	$ 47,867	$ 685	$ 27	$ 42,968	$ 458	$ 53
Equity options	545,765	3,685	—	431,459	9,302	—
Over-the-counter						
Foreign currency forwards	33,423	—	169	32,896	664	—
Cross currency swaps	20,980	—	1,098	16,839	—	707
Total	$ 648,035	$ 4,370	$ 1,294	$ 524,162	$ 10,424	$ 760

All contracts mature in less than one year.

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.

	September 30 2019			December 31 2018		
	Ownership	Carrying value	Fair value	Ownership	Carrying value	Fair value
Algoma	37.0%	$ 183,204	$ 195,852	36.8%	$ 199,288	$ 179,307
Economic	24.0%	139,535	139,535	24.0%	135,625	135,625
Total		$ 322,739	$ 335,387		$ 334,913	$ 314,932

The following table details the movement during the period:

	9 months September 30, 2019	12 months December 31, 2018
Balance, beginning of the period	$ 334,913	$ 330,050
Income recorded in the statements of income:		
Share of income	22,104	16,169
Net impairment loss	(8,285)	(6,352)
	13,819	9,817
Share of other comprehensive (loss) income	(8,558)	3,258
	5,261	13,075
Dividends received during the period	(17,435)	(8,212)
Balance, end of the period	$ 322,739	$ 334,913

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

The Company's associates are measured using the equity method. As at September 30, 2019, the fair value of the investments in associates was $335,387 (December 31, 2018 - $314,932). Fair value is based on the close price for each investment multiplied by the corresponding number of common shares held.

Based on an impairment review of the investments in associates at September 30, 2019, an impairment loss of $8,285 (September 30, 2018 - $nil) on Economic has been recorded in net income. The recoverable amount was based on quoted market prices, which are classified as Level 1 in the fair value measurement hierarchy.

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

		Algoma		Economic
	September 30 2019	December 31 2018	September 30 2019	December 31 2018
Cash and cash equivalents	$ 25,396	$ 25,539	$ 15,997	$ 17,359
Other current assets	117,905	174,448	913,613	854,657
Non-current assets	1,067,653	911,906	—	—
	1,210,954	1,111,893	929,610	872,016
Current liabilities	212,936	75,301	784	2,860
Non-current liabilities	338,078	334,037	71,761	66,584
	551,014	409,338	72,545	69,444
Net assets	$ 659,940	$ 702,555	$ 857,065	$ 802,572

		Algoma		Economic
Nine months ended September 30	2019	2018	2019	2018
Revenue	$ 398,923	$ 358,658	$ 77,856	$ 24,447
Net income	$ 20,362	$ 24,941	$ 65,275	$ 18,785
Other comprehensive (loss) income	(19,472)	9,297	—	—
Total comprehensive (loss) income	$ 890	$ 34,238	$ 65,275	$ 18,785

At September 30, 2019 Algoma has commitments of $107,474 (December 31, 2018 - $47,747) mainly relating to the purchase of new vessels.

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

		Algoma		Economic		Total
Nine months ended September 30	2019	2018	2019	2018	2019	2018
Dividends received	$ 14,847	$ 4,101	$ 2,588	$ 2,292	$ 17,435	$ 6,393

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

6. Investment and other income

Investment and other income is comprised of the following:

	Three months ended September 30 2019	Three months ended September 30 2018	Nine months ended September 30 2019	Nine months ended September 30 2018
Interest income	$ 72,217	$ 65,404	$ 207,631	$ 194,428
Fee income	65,232	67,484	195,409	199,170
Dividend income	47,377	41,979	148,075	135,648
Other	1,311	763	3,846	3,678
Total	$ 186,137	$ 175,630	$ 554,961	$ 532,924

	Three months ended September 30 2019	Three months ended September 30 2018	Nine months ended September 30 2019	Nine months ended September 30 2018
Interest income received	$ 46,496	$ 41,676	$ 132,060	$ 132,424
Dividend income received	67,373	53,250	193,278	161,063
Total	$ 113,869	$ 94,926	$ 325,338	$ 293,487

7. Segregated funds

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

	September 30 2019	December 31 2018
Cash and cash equivalents	$ (258)	$ 22,220
Short-term investments	695,468	496,849
Bonds	1,751,784	1,512,174
Common and preferred shares	5,945,000	5,832,553
Other assets	38,684	19,418
	8,430,678	7,883,214
Less segregated funds held within general fund investments	(69,004)	(60,424)
Total	$ 8,361,674	$ 7,822,790

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, 2019 Level 1	September 30, 2019 Level 2	September 30, 2019 Total	December 31, 2018 Level 1	December 31, 2018 Level 2	December 31, 2018 Total
Cash and cash equivalents	$ (258)	$ —	$ (258)	$ 22,220	$ —	$ 22,220
Short-term investments	—	695,468	695,468	—	496,849	496,849
Bonds	—	1,751,784	1,751,784	—	1,512,174	1,512,174
Common and preferred shares	5,945,000	—	5,945,000	5,829,250	3,303	5,832,553
Total	$ 5,944,742	$ 2,447,252	$ 8,391,994	$ 5,851,470	$ 2,012,326	$ 7,863,796

There were no transfers between Level 1 and Level 2 during the nine months ended September 30, 2019 or during the year ended December 31, 2018. There were no level 3 investments as at September 30, 2019 or December 31, 2018.

(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	
	2019	2018	2019	2018
Segregated funds - beginning of the period	$ 8,340,918	$ 8,598,426	$ 7,822,790	$ 8,681,892
Additions to segregated funds:				
Amount received from policyholders	212,512	199,046	635,976	706,786
Interest	16,244	15,379	46,377	41,582
Dividends	35,335	33,458	162,775	109,795
Other income	6,263	7,785	18,720	21,348
Net realized gains on sale of investments	86,021	37,931	193,462	192,175
Net unrealized increase in fair value of investments	—	13,407	549,327	—
	356,375	307,006	1,606,637	1,071,686
Deductions from segregated funds:				
Amounts withdrawn or transferred by policyholders	266,056	247,716	881,975	807,104
Net unrealized decrease in fair value of investments	5,811	—	—	140,102
Management fees and other operating costs	62,261	64,114	177,201	187,830
	334,128	311,830	1,059,176	1,135,036
Net change in segregated funds held within general fund investments	(1,491)	172	(8,577)	(24,768)
Segregated funds - end of the period	$ 8,361,674	$ 8,593,774	$ 8,361,674	$ 8,593,774

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 income (loss)

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

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Items that may be reclassified subsequently to net income:				
Net unrealized fair value change on AFS investments				
Unrealized fair value change on AFS investments	$ 8,908	$ (19,908)	$ 82,738	$ (28,318)
Less: Realized (loss) gain on AFS investments reclassified to net income	(4,614)	758	(8,724)	(81)
	4,294	(19,150)	74,014	(28,399)
Share of OCI (OCL) of associates	1,192	(1,244)	(4,273)	1,401
	5,486	(20,394)	69,741	(26,998)
Items that will not be reclassified to net income:				
Net remeasurement of defined benefit plans	457	4,657	(6,348)	5,587
Share of employee future benefits of associates	(321)	1,350	(3,152)	1,565
	136	6,007	(9,500)	7,152
OCI (OCL), net of tax	$ 5,622	$ (14,387)	$ 60,241	$ (19,846)

OCI (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 OCI (OCL):

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Items that may be reclassified subsequently to net income:				
Net unrealized fair value change on AFS investments				
Unrealized fair value change on AFS investments	$ 3,240	$ (7,270)	$ 30,092	$ (10,339)
Less: Realized (loss) gain on AFS investments reclassified to net income	(1,553)	365	(2,997)	234
	1,687	(6,905)	27,095	(10,105)
Share of OCI (OCL) of associates	183	(190)	(652)	214
	1,870	(7,095)	26,443	(9,891)
Items that will not be reclassified to net income:				
Net remeasurement of defined benefit plans	164	1,700	(2,308)	2,043
Share of employee future benefits of associates	(49)	207	(481)	239
	115	1,907	(2,789)	2,282
Total income taxes recognized in OCI (OCL)	$ 1,985	$ (5,188)	$ 23,654	$ (7,609)

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. Given the nature of these calculations, the Company cannot provide assurance that actual impact will be consistent with the estimates provided. Changes in risk variables in excess of the ranges illustrated may result in other than proportionate impacts.

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

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 2019	December 31 2018
Cash and cash equivalents	$ 371,014	$ 332,558
Short-term investments	18,114	27,959
Bonds	7,622,945	6,530,080
Preferred shares	403,495	398,491
Derivative assets	4,370	10,629
Mortgages	174,087	193,074
Reinsurance	109,556	95,975
Loans on policies	54,014	51,949
Policy contract loans	66,502	69,180
Accrued investment income	56,237	38,302
Insurance receivables	43,224	46,701
Total	$ 8,923,558	$ 7,794,898

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

At September 30, 2019 the Company had loaned securities with a fair value of $3,082,206 (December 31, 2018 - $2,999,001) and received approximately $3,171,024 (December 31, 2018 - $3,081,416) 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:

	Empire Life	
	September 30 2019	December 31 2018
Holdings of fixed income securities* in the 10 issuers (excluding federal governments) to which the operating segments had the greatest exposure	$ 4,794,329	$ 4,248,837
Percentage of the segment's total cash and investments	51%	51%
Exposure to the largest single issuer of corporate bonds	$ 202,884	$ 181,684
Percentage of the segment's total cash and investments	2%	2%

* 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, 2019		December 31, 2018	
Empire Life	Fair value	%	Fair value	%
AAA	$ 349,155	5%	$ 281,470	4%
AA	779,349	10%	628,471	10%
A	5,318,678	70%	4,561,261	70%
BBB (and lower ratings)	1,175,763	15%	1,058,878	16%
Total	$ 7,622,945	100%	$ 6,530,080	100%

b) Preferred shares

Empire Life's preferred share investments are all issued by Canadian companies with 1% (December 31, 2018 – 1%) of these investments rated as P1 as at September 30, 2019, 97% (December 31, 2018 – 99%) rated as P2 and the remaining 2% (December 31, 2018 - nil%) rated as P3.

c) Mortgages

Empire Life's mortgages in the province of Ontario represent the largest concentration with $172,568 or 99% (December 31, 2018 – $193,074 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:

E-L Corporate's liquidity is comprised of $150,837 in cash and cash equivalents at September 30, 2019 (December 31, 2018 - $127,637).

Empire Life:

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

	September 30, 2019		December 31, 2018	
	Fair value	%	Fair value	%
1 year or less	$ 86,259	1%	$ 87,560	1%
1 - 5 years	793,737	10%	810,260	12%
5 - 10 years	763,968	10%	743,107	11%
Over 10 years	5,978,981	79%	4,889,153	76%
Total	$ 7,622,945	100%	$ 6,530,080	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, 2019	50 bps increase	50 bps decrease	100 bps increase	100 bps decrease
Shareholders' net income	$ 17,098	$ (18,910)	$ 32,580	$ (39,856)
Shareholders' OCI	$ (46,483)	$ 55,349	$ (84,102)	$ 119,563

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

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, 2019		September 30, 2018	
	Effect on shareholders' net income	Effect on shareholders' OCI	Effect on shareholders' net income	Effect on shareholders' OCI
Corporate Investments:				
Investments - corporate				
10% fluctuation	$ 359,910	$ nil	$ 359,785	$ nil
20% fluctuation	$ 719,820	$ nil	$ 719,570	$ nil
Investments in associates				
10% fluctuation	$ 15,275	$ nil	$ 14,919	$ nil
20% fluctuation	$ 30,550	$ nil	$ 29,838	$ 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, 2019		September 30, 2018	
	Effect on shareholders' net income[1]	Effect on shareholders' OCI	Effect on shareholders' net income[1]	Effect on shareholders' OCI
Empire Life				
10% increase	$ 13,871	$ 2,841	$ 22,216	$ 2,783
10% decrease	$ (17,051)	$ (2,841)	$ (16,285)	$ (2,783)
20% increase	$ 30,766	$ 5,682	$ 47,081	$ 5,565
20% decrease	$ (98,905)	$ (5,682)	$ (97,586)	$ (5,565)

(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 $322,739 (December 31, 2018 – $334,913) which represents 6% (December 31, 2018 – 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 2019	December 31 2018
Exposure to the ten largest common share holdings	$ 401,582	$ 352,369
As a percentage of the segment's total cash and investments	4%	4%
Exposure to the largest single issuer of common shares	$ 115,402	$ 110,324
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 $171,999 (September 30, 2018 – $161,041) on shareholders' net income and $10,040 (September 30, 2018 – $6,150) on other comprehensive income.

Empire Life: Approximately $nil (September 30, 2018 – $nil) on shareholders' net income and $nil (September 30, 2018 – $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, 2019			
Revenue	$ 95,995	$ 475,026	$ 571,021
Shareholders' net income	$ 65,989	$ 34,545	$ 100,534
September 30, 2018			
Revenue	$ 96,525	$ 197,380	$ 293,905
Shareholders' net income	$ 60,494	$ 34,998	$ 95,492
Nine months ended			
September 30, 2019			
Revenue	$ 508,024	$ 1,866,389	$ 2,374,413
Shareholders' net income	$ 354,211	$ 97,228	$ 451,439
September 30, 2018			
Revenue	$ 240,334	$ 848,938	$ 1,089,272
Shareholders' net income	$ 138,887	$ 130,317	$ 269,204

	E-L Corporate	Empire Life	Total
September 30, 2019			
Segment assets [(1)]	$ 5,496,276	$ 17,928,858	$ 23,425,134
Segment liabilities	$ 320,222	$ 16,036,169	$ 16,356,391
December 31, 2018			
Segment assets [(1)]	$ 5,077,738	$ 16,269,697	$ 21,347,435
Segment liabilities	$ 321,852	$ 14,486,981	$ 14,808,833

[(1)] Segment assets for E-L Corporate include investments in associates of $322,739 (December 31, 2018 - $334,913).

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, 2019, 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.

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. Quarterly and year to date returns are calculated on an annualized basis.

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Tenth Floor, 165 University Avenue, Toronto, Ontario, M5H 3B8
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TRANSFER AGENT AND REGISTRAR:

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

WEBSITE:

www.e-lfinancial.ca

REPORTING PROCEDURE FOR ACCOUNTING MATTERS

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

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

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