



Financial Corporation Limited

THIRD QUARTER REPORT
September 30, 2020

Financial Highlights

(Millions of dollars, except per share amounts)

Nine months ended September 30	2020	2019
Net Equity Value per Common Share ⁽¹⁾	\$ 1,508.40	\$ 1,421.57
Net (Loss) Income per Common Share	\$ (5.70)	\$ 111.99
Comprehensive Income per Common Share	\$ 2.46	\$ 126.31

Contribution to Shareholders' Net (Loss) Income:

E-L Corporate	\$ (77)	\$ 354
Empire Life	67	97
Shareholders' Net (Loss) Income	(10)	451
Preferred Shareholder Dividends	11	11
Net (Loss) Income attributable to Common Shareholders	\$ (21)	\$ 440

E-L Corporate

Shareholders' Net (Loss) Income	\$ (77)	\$ 354
Investments - Corporate	\$ 5,163	\$ 4,992
Investments in Associates	\$ 262	\$ 323

Empire Life

Common Shareholders' Net Income	\$ 67	\$ 97
Net Premiums and Fee Income	\$ 824	\$ 876
Assets Under Management ⁽¹⁾	\$ 18,183	\$ 18,070
Life Insurance Capital Adequacy Test Total Ratio ("LICAT") (%)	132	149

⁽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 2020 should be read in conjunction with the MD&A for the year ended December 31, 2019, 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 financial statements for the quarters of 2019 and the previous quarters of 2020. 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 MD&A may differ due to rounding. This MD&A is dated as of November 9, 2020.

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 risk including equity risk, hedging risk, interest rate risk, foreign exchange rate risk; liquidity risk; credit risk including counterparty risk; insurance risk including mortality risk, policyholder behaviour risk, expense risk, morbidity risk, product design and pricing risk, underwriting and claims risk, reinsurance risk; operational risk, including legal and regulatory risk, model risk, human resources risk, third party risk, technology, information security and business continuity risk; and business risk and strategic, including risk with respect to competition, risk with respect to financial strength, capital adequacy risk, risk with respect to distribution channels, risk with respect to changes to applicable income tax legislation, risk with respect to litigation, risk with respect to reputation, risk with respect to risk management policies, risk with respect to intellectual property, risk with respect to significant ownership of common shares. Please see the section titled "Description of the Business" in E-L Financial's Annual Information Form available at www.sedar.com for more details on these risks.

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

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

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

Non-GAAP measures

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

The MD&A contains reference to net equity value, net equity value per common share and growth in net equity value per common share. Net equity value per common share is described and reconciled to shareholders' equity on page 8. These terms do not have any standardized meaning according to IFRS and therefore may not be comparable to similar measures presented by other companies.

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 10.

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 17 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:

<i>(in millions of dollars)</i>	September 30 2020	December 31 2019
General fund assets	\$ 10,129	\$ 9,462
Segregated fund assets	7,934	8,499
Total Empire Life assets	18,063	17,961
Mutual fund assets	120	139
Total assets under management	\$ 18,183	\$ 18,100

The Company

E-L Financial operates as an investment and insurance holding company. In managing its operations, the Company distinguishes between two operating segments, E-L Corporate and Empire Life.

E-L Corporate's operations include the oversight of investments in global equities held through direct and indirect holdings of common shares, investment funds, closed-end investment companies and other private companies. E-L Financial holds a 52.6% 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 has a 37.4% interest in Algoma Central Corporation ("Algoma") and a 24.1% interest in Economic Investment Trust Limited ("Economic"). Algoma and Economic are accounted for using the equity method.

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

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

Overview of results attributable to shareholders of E-L Financial

E-L Financial consolidated (millions of dollars)	Third quarter		Year to date	
	2020	2019	2020	2019
Contribution to net income (loss)				
E-L Corporate ⁽¹⁾	\$ 150	\$ 66	\$ (77)	\$ 354
Empire Life ⁽²⁾	51	35	67	97
Net income (loss)	201	101	(10)	451
Other comprehensive (loss) income ⁽²⁾	(1)	5	31	56
Comprehensive income	\$ 200	\$ 106	\$ 21	\$ 507

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

E-L Corporate (millions of dollars)	Third quarter		Year to date	
	2020	2019	2020	2019
Revenue				
Net gain (loss) on investments ⁽³⁾	\$ 184	\$ 54	\$ (74)	\$ 376
Investment and other income	30	37	96	118
Share of associates income (loss)	6	4	(56)	14
	220	95	(34)	508
Operating expenses	10	9	29	28
Income taxes	29	12	(5)	67
Non-controlling interests	31	8	19	59
	70	29	43	154
Net income (loss)	150	66	(77)	354
Other comprehensive (loss) income, net of taxes ⁽¹⁾	(1)	1	(5)	(7)
Comprehensive income (loss)	\$ 149	\$ 67	\$ (82)	\$ 347

Empire Life <i>(millions of dollars)</i>	Third quarter		Year to date	
	2020	2019	2020	2019
Revenue				
Net premiums	\$ 221	\$ 218	\$ 639	\$ 681
Net gain on investments ⁽³⁾	37	109	439	749
Investment income	82	84	244	241
Fee income	61	65	185	195
	401	476	1,507	1,866
Benefits and expenses	324	427	1,398	1,725
Income and other taxes	22	12	32	38
Non-controlling and participating policyholders' interests	4	2	10	6
	350	441	1,440	1,769
Net income	51	35	67	97
Other comprehensive income, net of taxes ⁽²⁾	—	4	36	63
Comprehensive income	\$ 51	\$ 39	\$ 103	\$ 160

⁽¹⁾ Net of non-controlling interests

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

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

E-L Financial reported a consolidated net income of \$201 million for the third quarter of 2020 or \$52.88 per common share compared to \$101 million or \$24.61 per common share in 2019. The increase in net income for the third quarter of 2020 is primarily due to a net gain on investments within the E-L Corporate segment of \$184 million compared to \$54 million in 2019 reflecting the continued recovery of global equity market losses experienced during the first quarter of 2020. The pre-tax total return on E-L Corporate's global investment portfolio for the third quarter of 2020 was 4% compared to 2% in the prior year.

The Empire Life segment reported net income of \$51 million in the third quarter of 2020 compared to \$35 million for the third quarter of 2019. The increase in third quarter earnings was primarily a result of the favourable impact from changes in the investments supporting the Individual Insurance line, partially offset by increases in policy liabilities for segregated fund guarantees.

E-L Financial reported a consolidated net loss of \$10 million for the first nine months of 2020 or \$5.70 per common share compared to net income of \$451 million or \$111.99 per common share in 2019. The Company was impacted by the declines in equity markets which occurred toward the end of the first quarter of 2020 and were mainly related to the international emergence and spread of the novel coronavirus (or COVID-19). Although equity markets have substantially recovered during the second and third quarters of 2020, E-L Financial and Empire Life continue to monitor the developments in equity and fixed income markets.

E-L Corporate reported a net loss of \$77 million for the first nine months of 2020 compared to net income of \$354 million for the comparable period in 2019. The decrease in earnings was primarily due to a net loss on investments of \$74 million for the first nine months of 2020 compared to a net gain of \$376 million in 2019. E-L Corporate's global investment portfolio had a pre-tax total return including dividend income of approximately nil in the first nine months of 2020 compared to a pre-tax total return of 10% in 2019.

The Empire Life segment reported net income of \$67 million for the first nine months of 2020 compared to \$97 million for the comparable period of 2019. The decrease in year to date earnings was primarily a result of significant strengthening of policy liabilities supporting segregated fund guarantees.

Consolidated comprehensive income was \$200 million in the third quarter of 2020 or \$52.50 per common share compared to \$106 million or \$25.88 per common share for the third quarter of 2019. Other

comprehensive loss ("OCL") was \$1 million in the third quarter of 2020 compared to (other comprehensive income ("OCI") of \$5 million in 2019. The decrease in OCI was primarily due to the lower unrealized fair value gains on Empire Life's available for sale ("AFS") assets and a larger loss on the remeasurement of the post-employment defined benefit plans in 2020 compared to 2019. The loss on these components of OCI was primarily attributable to fluctuations in interest rates and credit spreads during the third quarter of 2020.

Consolidated comprehensive income was \$21 million for the first nine months of 2020 or \$2.46 per common share compared to \$507 million or \$126.31 per common share for the first nine months of 2019. The decrease is primarily due to the above mentioned items.

Normal course issuer bid

On March 9, 2020, the Company obtained approval from the TSX to commence a normal course issuer bid ("NCIB") to purchase up to 200,970 Common Shares between March 9, 2020 and March 8, 2021. Daily purchases (other than pursuant to a block purchase exemption) on the TSX under the NCIB are limited to 1,000 Common Shares. The price that the Company pays for the Common Shares is the prevailing market price at the time of acquisition.

During the second quarter of 2020 the Company had purchased the maximum permitted shares under the NCIB totaling 200,970 Common Shares. The total consideration paid for the shares acquired was \$120 million with an average price of \$599.18 per share.

Senior unsecured notes

In the second quarter of 2020, the Company issued \$200 million principal amount of 4.0% senior unsecured notes. The notes mature on June 22, 2050 and bear interest at an annual rate of 4.0% calculated and payable semi-annually in arrears on June 22 and December 22 of each year commencing December 22, 2020 and ending June 22, 2050.

Substantial issuer bid

On November 9, 2020 the Company announced its intention to commence a substantial issuer bid (the "Offer") pursuant to which the Company will offer to purchase up to \$100 million of its outstanding Common Shares for cash. The Offer will proceed by way of a "modified Dutch auction". The Offer would be for approximately 4.0% of the total number of issued and outstanding Common Shares, if the purchase price is determined to be \$650 (which is the minimum price per Common Share under the Offer) or approximately 3.5% of the total number of issued and outstanding Common Shares if the purchase price is determined to be \$750 (which is the maximum price per Common Share under the Offer).

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:

<i>(millions of dollars, except per share amounts)</i>	Q3 2020	Q4 2019	Q3 2019
E-L Financial shareholders' equity	\$ 6,051	\$ 6,275	\$ 6,005
Less: First preference shares	(300)	(300)	(300)
	5,751	5,975	5,705
Adjustments for investments in associates not carried at fair value:			
Carrying value	(262)	(332)	(323)
Fair value ⁽¹⁾	274	331	335
	12	(1)	12
Non-controlling interest and deferred tax	(3)	—	(3)
	9	(1)	9
Net equity value	\$ 5,760	\$ 5,974	\$ 5,714
Common Shares ⁽²⁾ outstanding at period end	3,818,697	4,019,667	4,019,667
Net equity value per common share^{(2) (3)}	\$ 1,508.40	\$ 1,486.19	\$ 1,421.57

⁽¹⁾ Based on quoted market prices

⁽²⁾ Common Shares includes Series A Convertible Preference Shares

⁽³⁾ See non-GAAP measures

The Common Shares outstanding at period ended September 30, 2020 are lower compared to prior period amounts due to shares acquired as part of the Company's NCIB.

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*
	\$	%
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)
2019	1,486.19	15.1
Year to date		
September 30, 2020	1,508.40	3.4
Compounded annual growth in net equity value*		
2010 - 2019 - 10 years		8.8
1969 - 2019 - Since inception		12.5

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

Summary of quarterly results

The following table summarizes the quarterly results:

<i>(millions of dollars, except per share amounts)</i>	2020				2019			2018
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue								
Net gain (loss) on investments ⁽¹⁾	\$ 221	\$ 1,273	\$ (1,129)	\$ 139	\$ 163	\$ 209	\$ 753	\$ (419)
Net premium income	221	202	216	229	218	225	238	237
Investment and other income	173	177	176	178	186	200	168	175
Associates ⁽²⁾	6	29	(92)	10	4	7	3	(5)
Total	\$ 621	\$ 1,681	\$ (829)	\$ 556	\$ 571	\$ 641	\$ 1,162	\$ (12)
Net income (loss) ⁽³⁾	\$ 201	\$ 452	\$ (663)	\$ 293	\$ 101	\$ 42	\$ 309	\$ (238)
Earnings (loss) per common share								
- basic	\$ 52.88	\$ 119.36	\$ (170.26)	\$ 73.68	\$ 24.61	\$ 9.70	\$ 77.68	\$ (61.62)
- diluted	\$ 48.71	\$ 108.83	\$ (170.26)	\$ 67.58	\$ 23.26	\$ 9.70	\$ 71.45	\$ (61.62)

⁽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 2020 decreased compared to the prior quarter but increased compared to third quarter of 2019, with the fluctuation mainly due to the impact of net investment gains. The fair value change in fair value through profit and loss ("FVTPL") investments decreased compared to the second quarter of 2020, reflecting volatility in both bond and equity markets experienced during the year. The Company's income on investments in associates was mostly attributable to movements in stock market prices for these investments.

Net premiums for the third quarter of 2020 increased compared to both the prior quarter and third quarter of 2019, with increases in all business lines compared to the second quarter of 2020.

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	
					2020	2019
Cash flows from:						
Operating activities	\$ 207	\$ 8	\$ 241	\$ (173)	\$ 283	\$ 325
Financing activities	(108)	(32)	(176)	172	(145)	(83)
Investing activities	11	30	35	1	77	(204)
Increase in cash and cash equivalents	110	6	99	—	215	38
Cash and cash equivalents, beginning of the period	125	38	140	—	303	333
Cash and cash equivalents, end of the period	\$ 235	\$ 44	\$ 239	\$ —	\$ 518	\$ 371

The decrease in cash provided from operating activities in 2020 relative to 2019, reflects the decrease in cash earnings during 2020 compared to the prior year, along with changes in working capital levels.

The increase in cash used for financing activities in 2020 relative to 2019 was due to the payment of a special cash dividend of \$25.00 per Common share in the second quarter of 2020, purchases of the Company's common shares under the NCIB program, a \$60 million repayment of the margin loan offset by the \$198 million issuance of 4% senior unsecured notes.

The increase in cash provided from investing activities in 2020 relative to 2019 was primarily due to Empire Life's purchases and sales of investments supporting policy liabilities and the capital and surplus account.

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

<i>(millions of dollars)</i>	2020	2019
Cash flows from:		
Operating activities		
Dividends from subsidiaries	\$ 167	\$ 64
Dividends and interest	58	71
Expenses and taxes, net of other income	(18)	(21)
	207	114
Financing activities		
Cash dividends	(125)	(27)
Share purchases	(120)	—
Issuance of 4% unsecured notes	198	—
Repayment of margin loan	(60)	(25)
Interest paid on borrowings	(1)	(1)
Purchases of subsidiary shares	—	(1)
	(108)	(54)
Investing activities		
Purchases of investments	(369)	(733)
Proceeds from sales of investments	360	701
Net sales of short-term investments	13	—
Dividends from associates	7	14
	11	(18)
Increase in cash and cash equivalents	110	42
Cash and cash equivalents, beginning of the period	125	75
Cash and cash equivalents, end of the period	\$ 235	\$ 117

For the nine month period ended September 30, 2020, the non-consolidated cash and cash equivalents of E-L Financial increased by \$110 million.

Operating cash flows for 2020 increased compared with the prior period due to an additional dividend received from Empire Life in 2020 compared with the prior period. The movement in financing and investing cash flows are due to the reasons noted above.

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.

Novel Coronavirus (or COVID-19)

The continued worldwide spread of novel coronavirus (or COVID-19) continues to impact international business operations, supply chains, travel, commodity prices, consumer confidence and business forecasts. This has created additional volatility in domestic and international equity markets. The Company continues to monitor developments in equity markets generally, and in connection with the Company's investment portfolio in particular. While it is too early to predict the impact of COVID-19 related factors, during a time of increased uncertainty and volatility, we expect that the performance of all portfolios, including the Company, will be affected in the near term.

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, 2020, investments - corporate had aggregate investments of \$5.2 billion, comprised primarily of common shares and units of investment funds, compared to aggregate investments at December 31, 2019 of \$5.3 billion. The fair value of investments - corporate is summarized in the table below:

<i>(millions of dollars)</i>	September 30 2020	December 31 2019
Short-term investments	\$ —	\$ 13
Preferred shares	1	1
Common shares and units		
Canada and U.S.	3,157	3,107
Europe and United Kingdom	1,089	1,158
Emerging Markets	413	454
Japan	466	468
Other	37	69
Total	5,162	5,256
Total invested assets	\$ 5,163	\$ 5,270

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

<i>(millions of dollars)</i>	Third quarter		Year to date	
	2020	2019	2020	2019
Revenue				
Net gain (loss) on investments	\$ 184	\$ 54	\$ (74)	\$ 376
Investment and other income	30	37	96	118
Share of associates income (loss)	6	4	(56)	14
	220	95	(34)	508
Operating expenses	10	9	29	28
Income taxes	29	12	(5)	67
Non-controlling interests	31	8	19	59
	70	29	43	154
Net income (loss)	150	66	(77)	354
Other comprehensive (loss) income, net of taxes	(1)	1	(5)	(7)
Comprehensive income (loss)	\$ 149	\$ 67	\$ (82)	\$ 347

E-L Corporate reported net income of \$150 million in the third quarter of 2020 compared to \$66 million in 2019. For the third quarter of 2020 there was a net gain on investments of \$184 million compared to \$54

million in 2019. The pre-tax total return on investments was 4% for the third quarter of 2020 compared to 2% in 2019.

During the nine months ended September 30, 2020, E-L Corporate incurred a net loss on investments of \$74 million compared to a net gain on investments of \$376 million in 2019. The international emergence and spread of COVID-19 in 2020 has negatively impacted global stock markets, and the Company's year to date investment returns resulting in a pre-tax total return on investments including dividend income of approximately nil compared to 10% in the prior year.

E-L Corporate's investment and other income declined by \$7 million for the third quarter of 2020 compared to 2019 and \$22 million on year-to-date basis. This decline is primarily attributable to the impact of lower foreign dividends as certain companies within the investment portfolio have suspended or reduced dividends during these periods.

Share of associates income

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

<i>(millions of dollars)</i>	Third quarter		Year to date	
	2020	2019	2020	2019
Algoma	\$ 8	\$ 7	\$ (44)	\$ 7
Economic	(2)	(3)	(12)	7
	\$ 6	\$ 4	\$ (56)	\$ 14

⁽¹⁾ Year to date includes a \$57 million impairment loss (September 30, 2019 - \$9 million).

During the first quarter of 2020 the stock market prices for Algoma and Economic declined significantly. Although the equity markets partially recovered during the second and third quarters of 2020, on a year to date basis the Company's investment portfolio has been negatively impacted.

Algoma's net income for the third quarter of 2020 increased over 2019 due to higher operating earnings partly offset by an impairment provision recorded on a vessel owned by a joint venture. Although Algoma's operating earnings were higher on a year to date basis, net earnings declined compared to the prior period mostly due to the impairment provision recorded by the joint venture, higher depreciation and a foreign currency loss versus a gain in 2019.

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 both 2020 and 2019. On a year to date basis, Economic's global investment portfolio had a pre-tax total return, gross of fees, of negative 1% during 2020 compared to a positive 13% return in 2019.

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

	June 30, 2020			December 31, 2019		
	Ownership	Carrying value	Fair value	Ownership	Carrying value	Fair value
Algoma	37.4 %	\$ 131	\$ 143	37.0 %	\$ 185	\$ 184
Economic	24.1 %	\$ 131	\$ 131	24.0 %	\$ 147	\$ 147
Total		\$ 262	\$ 274		\$ 332	\$ 331

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, 2020, 53% (December 31, 2019 - 49%) of the investment - corporate including cash and cash equivalents was denominated in U.S. dollars, 10% (December 31, 2019 - 10%) in Euros and 9% (December 31, 2019 - 9%) 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’s net income attributable to the owners of E-L Financial, after adjustment for non-controlling interests, is shown in the following table:

<i>(millions of dollars)</i>	Third quarter		Year to date	
	2020	2019	2020	2019
Empire Life common shareholders’ net income	\$ 51	\$ 35	\$ 67	\$ 98
Non-controlling interests	—	—	—	1
Net income, contribution to E-L Financial	\$ 51	\$ 35	\$ 67	\$ 97

Empire Life return on common shareholders’ equity (quarterly annualized)	16.9 %	8.7 %	5.8 %	8.4 %
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Empire Life reported third quarter common shareholders’ net income of \$51 million for 2020, compared to net income of \$35 million for the third quarter of 2019. The increase in third quarter earnings was primarily a result of the favourable impact from changes in the investments supporting the Individual Insurance line, partially offset by increases in policy liabilities for segregated fund guarantees. Year to date common shareholders’ net income was \$67 million compared to \$98 million in 2019. The decrease in year to date earnings was primarily a result of significant strengthening of policy liabilities supporting segregated fund guarantees.

The impact of COVID-19 on Canadian and international business operations, supply chains, travel, consumer confidence and business forecasts, and domestic and international securities markets, is expected to continue through the rest of 2020 and potentially beyond. Empire Life continues to monitor developments in equity and fixed income markets generally, and in connection with Empire Life’s investment portfolios in particular. While the impact of COVID-19 related factors on Empire Life’s financial results is described in the sections that follow, during a time of increased uncertainty and volatility we expect that these events will continue have an impact on Empire Life’s performance in the near term.

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

For the three months ended September 30 <i>(millions of dollars)</i>	Wealth Management		Employee Benefits		Individual Insurance		Capital and Surplus		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Expected profit on in-force business	\$ 32	\$ 27	\$ 7	\$ 6	\$ 14	\$ 13			\$ 53	\$ 46
Impact of new business	(2)	(3)	(3)	(6)	2	(4)			(3)	(13)
Experience (losses) gains	(12)	9	(5)	2	2	(12)			(15)	(1)
Management actions and changes in assumptions	—	—	—	—	16	(1)			16	(1)
Earnings (loss) on operations before income taxes	18	33	(2)	2	34	(4)	—	—	50	30
Earnings on surplus	—	—	—	—	—	—	23	18	23	18
Income (loss) before income tax	18	33	(2)	2	34	(4)	23	18	73	49
Income taxes	4	8	—	1	9	(2)	5	4	19	11
Empire Life's shareholders' net income (loss)	\$ 14	\$ 25	\$ (1)	\$ 1	\$ 25	\$ (2)	\$ 17	\$ 14	\$ 55	\$ 38
Dividends on preferred shares ⁽¹⁾									(3)	(3)
Empire Life common shareholders' net income									\$ 51	\$ 35

For the nine months ended September 30 <i>(millions of dollars)</i>	Wealth Management		Employee Benefits		Individual Insurance		Capital and Surplus		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Expected profit on in-force business	\$ 98	\$ 85	\$ 19	\$ 19	\$ 42	\$ 40			\$ 159	\$ 143
Impact of new business	(8)	(9)	(7)	(15)	1	3			(14)	(21)
Experience (losses) gains	(167)	11	5	5	13	(27)			(148)	(11)
Management actions and changes in assumptions	—	—	—	—	40	(11)			40	(11)
(Loss) earnings on operations before income taxes	(76)	87	17	9	95	4	—	—	37	100
Earnings on surplus	—	—	—	—	—	—	62	38	62	38
(Loss) income before income tax	(76)	87	17	9	95	4	62	38	99	138
Income taxes	(22)	21	4	2	24	(2)	15	8	21	30
Empire Life's shareholders' net (loss) income	\$ (54)	\$ 66	\$ 13	\$ 7	\$ 71	\$ 5	\$ 47	\$ 30	\$ 77	\$ 108
Dividends on preferred shares ⁽¹⁾									(10)	(10)
Empire Life common shareholders' net income									\$ 67	\$ 98

⁽¹⁾includes preference share dividends to E-L Financial

The expected profit on in-force business increased by 15% for the third quarter and by 12% on a year to date basis.

The impact of new business was lower in the third quarter of 2020 due to lower new business strain across all lines. Strain from the Individual Insurance line was positive in the third quarter compared to negative strain in the comparative period in 2019 and positive on a year to date basis compared to a positive amount in the comparative periods in 2019 primarily due to lower sales in 2020. 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 losses increased for the third quarter and increased for the year to date in 2020 compared to the same periods in 2019, primarily due to significant strengthening of policy liabilities supporting segregated fund benefit guarantees. This was partially offset by improved asset liability trading gains,

improved gains from increased yields on inforce assets backing the life insurance and annuity products and favourable claims experience in the Employee Benefits line.

Management actions and changes in assumptions were higher in the third quarter and year to date in 2020 relative to the same periods in 2019 primarily due to management's ongoing activities to improve the matching of assets and liabilities in the Individual Insurance line.

Earnings on surplus increased for the third quarter of 2020 relative to 2019, primarily due to higher realized fair value gains on Available for Sale ("AFS") bond assets in this segment.

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 2020 and 2019. A discussion of results is provided in the Product Line section of the MD&A.

Three months ended September 30 (millions of dollars)	Wealth Management		Employee Benefits		Individual Insurance		Capital & Surplus		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Revenue										
Net premium	\$ 28	\$ 30	\$ 90	\$ 91	\$ 104	\$ 97	\$ —	\$ —	\$ 221	\$ 218
Fee income	58	62	3	3	—	—	—	—	61	65
Investment income	9	10	1	1	55	55	16	17	81	84
Net gains on investments ⁽¹⁾	22	1	—	—	4	103	11	5	37	108
	117	103	93	95	163	254	27	22	401	475
Expenses										
Benefits and expenses	99	70	93	92	126	259	4	4	322	426
Income and other taxes	4	8	1	1	12	(1)	6	4	23	13
	104	78	94	94	138	258	10	8	345	439
Net income (loss) after tax	\$ 14	\$ 25	\$ (1)	\$ 1	\$ 25	\$ (4)	\$ 17	\$ 14	\$ 56	\$ 36
Participating policyholders' portion									1	(2)
Dividends on preferred shares									3	3
Empire Life's common shareholders' net income									51	35
Non-controlling interests in net income									—	—
Net income attributable to owners of E-L Financial									\$ 51	\$ 35

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

For the nine months ended September 30 (millions of dollars)	Wealth Management		Employee Benefits		Individual Insurance		Capital & Surplus		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Revenue										
Net premium	\$ 74	\$ 124	\$ 264	\$ 267	\$ 301	\$ 290	\$ —	\$ —	\$ 639	\$ 681
Fee income	175	186	9	9	—	—	—	—	185	195
Investment income	29	30	3	3	163	158	50	50	244	241
Net gains on investments ⁽¹⁾	20	24	6	5	389	718	24	1	439	750
	298	365	283	285	853	1,166	74	51	1,507	1,866
Expenses										
Benefits and expenses	374	277	259	270	751	1,163	12	12	1,397	1,722
Income and other taxes	(22)	21	11	8	30	4	15	8	35	41
	352	299	270	278	782	1,166	27	20	1,431	1,763
Net (loss) income after tax	\$ (54)	\$ 66	\$ 13	\$ 7	\$ 70	\$ —	\$ 47	\$ 31	\$ 76	\$ 103
Participating policyholders' portion									(1)	(5)
Dividends on preferred shares									10	10
Empire Life's common shareholders' net income									67	98
Non-controlling interests in net income									—	1
Net income attributable to owners of E-L Financial									\$ 67	\$ 97

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

Product Line Results - Wealth Management

Key Operating Results (millions of dollars)	Third quarter		Year to date	
	2020	2019	2020	2019
Fixed Annuities				
Assets under management	\$ 951	\$ 959	\$ 951	\$ 959
Gross sales	28	30	74	124
Net sales	2	1	(11)	13
Segregated Funds				
Assets under management	7,918	8,344	7,918	8,344
Gross sales	152	203	526	613
Net sales	(73)	(54)	(178)	(246)
Fee income	58	61	173	183
Mutual Funds				
Assets under management	120	141	120	141
Gross sales	1	2	6	6
Net sales	(4)	(8)	(15)	(21)
Fee income	—	1	1	2
Net premiums	\$ 28	\$ 30	\$ 74	\$ 124
Benefits and expenses	99	70	374	277
Net income (loss) after tax	\$ 14	\$ 25	\$ (54)	\$ 66

Fixed annuities assets under management were lower reflecting decreased sales of these products for the year to date. Gross sales in the third quarter were 7% lower and 40% for the year to date compared to the same periods in 2019.

Segregated fund assets under management are lower relative to the same period in 2019, reflecting the equity market declines experienced in late March this year. While equity markets have rebounded from their March lows, the TSX is still below its December 2019 levels. For the third quarter of 2020, gross sales were 25% lower than the same period in 2019 and 14% lower on a year to date basis.

Segregated fund fee income was 5% lower compared to the third quarter of 2019 and 5% lower on a year to date basis as lower average assets impacted fee revenues. Fee income from segregated funds and mutual funds is calculated daily for most products.

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.

This line had net income of \$14 million for the quarter and a net loss of \$54 million for the year to date compared to net income of \$25 million and \$66 million for the third quarter and year to date in 2019, respectively, primarily as a result of an increase in policy liabilities for segregated fund guarantees. These guarantees are only payable if fund values are below the guaranteed values when the insurable event occurs.

Product Line Results - Employee Benefits

Key Operating Results (millions of dollars)	Third quarter		Year to date	
	2020	2019	2020	2019
Annualized premium sales	\$ 8	\$ 31	\$ 54	\$ 83
Net premiums	90	91	264	267
Net (loss) income after tax	\$ (1)	\$ 1	\$ 13	\$ 7

Annualized premium sales decreased in the third quarter and year to date compared to the same periods in 2019, primarily due to a large block transfer from a new strategic distribution partner in 2019. Empire Life continues to increase sales of its core products in the small to medium-sized business market and to enter into strategic partnerships to expand market share.

Net premiums for the third quarter and year to date decreased by 1%, relative to the same periods in 2019 as premium rebates were offered to customers to reflect lower health claims experience, as many health care providers were either closed or operating at a limited capacity and offering emergency services only, due to the COVID-19 pandemic. 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 third quarter declined on lower net premiums and higher claims relative to the same period in 2019. For the year to date, net income has increased, primarily due to favourable claims experience for dental and extended health benefits, driven by COVID-19 related closures of dental and paramedical offices.

Product Line Results - Individual Insurance

Key Operating Results <i>(millions of dollars)</i>	Third quarter		Year to date	
	2020	2019	2020	2019
Shareholders'				
Annualized premium sales	\$ 7	\$ 5	\$ 17	\$ 16
Net premiums	71	67	207	205
Net income (loss) after tax	25	(2)	71	5
Policyholders'				
Annualized premium sales	3	4	9	12
Net premiums	33	30	94	85
Net loss after tax	—	(2)	(1)	(6)
Net income (loss) after tax	\$ 25	\$ (4)	\$ 70	\$ —

Shareholders' annualized premium sales increased by 33% in the third quarter and 4% for the year to date compared to the same periods in 2019, while policyholders' annualized premium sales declined 25% in the third quarter and 24% for the year to date as the impact of COVID-19 lockdowns and physical distancing made underwriting of sales more challenging. Shareholders' net premiums were 5% higher in the quarter and 1% higher for the year to date compared to the prior periods. Policyholders' net premiums increased by 12% in the third quarter and by 11% for the year to date compared to the same periods in 2019, reflecting recent strength in policyholders' new premium sales.

Shareholders' net income for this product line was \$25 million for the third quarter of 2020 compared to a loss of \$2 million for the same period in 2019, primarily due to the favourable impact on policy liabilities from asset mix changes in the portfolio of investments supporting this line, as well as improved experience on non-economic assumptions. On a year to date basis, net shareholders' net income was \$71 million for the year to date compared to \$5 million in 2019 primarily due to gains from asset mix improvements and favourable experience gains. As of September 30, 2020, this product line has not had a significant increase in mortality experience due to COVID-19 related claims.

Results - Capital and Surplus

Key Operating Results <i>(millions of dollars)</i>	Third quarter		Year to date	
	2020	2019	2020	2019
Income from investments	\$ 31	\$ 24	\$ 71	\$ 61
(Losses) gains on hedging instrument	(4)	(1)	3	(12)
Interest and other expenses	(4)	(4)	(12)	(12)
Earnings before income taxes	23	18	62	38
Income taxes	5	4	15	8
Net income after tax shareholders' portion	17	14	47	30
Net income after tax policyholders' portion	—	—	—	1
Net income after tax	\$ 17	\$ 14	\$ 47	\$ 31

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 of 2020 was higher than the same period in 2019, primarily due to unrealized gains on assets valued as FVTPL in this line. For the year to date, income from investments was higher than the prior year, primarily due to higher realized gains on assets classified as AFS. Losses on the hedging program (discussed in the Risk Management section) in the third quarter were greater than the third quarter of 2019, primarily related to unrealized losses on Empire Life's hedging

instruments as equity markets continued to rebound in the third quarter from the lows experienced in March. On a year to date basis, Empire Life had a gain on its hedging program relative to a loss in the prior year.

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 2020	December 31 2019
Series 2016-1 ⁽¹⁾	December 2016	December 16, 2021	3.383 %	\$ 200	\$ 200
Series 2017-1 ⁽²⁾	September 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 the 3-month CDOR.

Preferred Shares				Principal amounts as at	
(millions of dollars)	Date Issued	Earliest redemption date	Yield	September 30 2020	December 31 2019
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", its subordinated debt rating is "A (low)", its financial strength rating is "A" and its Preferred Share rating is Pfd-2. All ratings have a stable trend.

A.M. Best ratings of Empire Life are "A Excellent" financial strength rating, "a" long-term issuer credit rating, "bbb+" Subordinated Debt rating, and "bbb" Preferred Share rating. All ratings have a stable trend.

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, 2020, the Total Ratio and Core Ratio reduced significantly from December 31, 2019 primarily due to the significant strengthening of policy liabilities and regulatory capital supporting segregated fund benefit guarantees.

LICAT (millions of dollars)	September 30 2020	June 30 2020	March 31 2020	December 31 2019	September 30 2019
Available capital					
Tier 1	\$ 1,544	\$ 1,527	\$ 1,435	\$ 1,616	\$ 1,562
Tier 2	703	710	671	669	681
Total	\$ 2,247	\$ 2,237	\$ 2,106	\$ 2,285	\$ 2,243
Surplus allowance and eligible deposits	\$ 1,111	\$ 1,094	\$ 1,029	\$ 1,109	\$ 944
Base solvency buffer	\$ 2,542	\$ 2,510	\$ 2,371	\$ 2,191	\$ 2,133
LICAT Total Ratio	132 %	133 %	132 %	155 %	149 %
LICAT Core Ratio	91 %	91 %	91 %	109 %	104 %

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.

Significant Developments

Commencing in the first quarter of 2020, the spread of the COVID-19 pandemic, given its severity and scale, continues to affect Empire Life's business, some of our clients and also continues to pose risks to the Canadian economy. Empire Life continues to adjust operations as government restrictions and measures evolve. As the impacts of the COVID-19 pandemic continue to materialize, management is monitoring the effects of the disruption on Empire Life's business strategies and initiatives and the effects on its financial results.

The COVID-19 pandemic has and may continue to result in disruptions to clients and the way in which business is conducted, including prolonged duration of employees working from home. To date, Empire Life has taken proactive measures through business continuity plans, carefully planning the return to premise for some employees, and management teams have increased their efforts to preserve the well-being of employees and our ability to serve clients. Processes supporting ongoing systems availability, stability and security are operating effectively and Empire Life continues to monitor the threat landscape.

The duration and impacts of the COVID-19 outbreak cannot currently be determined. If the COVID-19 pandemic is prolonged, or further diseases emerge that give rise to similar effects, there may be further negative effects on the Canadian economy as well as increased volatility in equity and fixed income markets. Unexpected developments in financial markets, regulatory environments, or consumer

behaviour and confidence may also have adverse impacts on Empire Life's financial results and condition, and business.

Market Risk

Empire Life has equity market risk related to its segregated fund products and from equity assets backing life insurance liabilities. Empire Life has a semi-static hedging program. The 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. For the third quarter, Empire Life experienced a loss of \$3 million after tax, and a gain of \$2 million after tax on its hedging program for the year to date, primarily due to volatile Canadian equity markets. This compares to a hedge cost of \$1 million and \$9 million after tax, respectively, for the comparable period in 2019.

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, 2020, Empire Life had \$7.9 billion of segregated fund assets and liabilities. Of this amount, approximately \$7.7 billion have guarantees. The following table provides a percentage breakdown by type of guarantee.

	September 30 2020	December 31 2019
Percentage of segregated fund liabilities with:		
75% maturity guarantee and a 75% death benefit guarantee	5 %	4 %
75% maturity guarantee and a 100% death benefit guarantee	45 %	46 %
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, 2020 and December 31, 2019, 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 Impact on net income (<i>millions of dollars after tax</i>)	Increase		Decrease		
	20%	10%	10%	20%	30%
As at September 30, 2020					
Segregated fund guarantees	\$ 113	\$ 61	\$ (18)	\$ (127)	\$ (255)
Other equity risk	32	15	(14)	(25)	(89)
Equity hedge	(10)	(5)	7	16	28
Total	\$ 135	\$ 71	\$ (25)	\$ (136)	\$ (317)

As at December 31, 2019

Segregated fund guarantees	\$ —	\$ —	\$ (10)	\$ (76)	\$ (229)
Other equity risk	33	15	(12)	(20)	(65)
Equity hedge	(2)	(1)	4	16	38
Total	\$ 31	\$ 14	\$ (18)	\$ (80)	\$ (256)

Sensitivity to equity risk Impact on LICAT	Increase		Decrease		
	20%	10%	10%	20%	30%
As at September 30, 2020					
Segregated fund guarantees	7%	4%	(1)%	(9)%	(16)%
Other equity risk	—%	—%	—%	—%	(1)%
Equity hedge	(1)%	—%	—%	1%	1%
Total	6%	4%	(1)%	(7)%	(16)%

As at December 31, 2019

Segregated fund guarantees	3%	—%	(6)%	(16)%	(22)%
Other equity risk	(1)%	(1)%	—%	1%	1%
Equity hedge	(3)%	(2)%	1%	3%	3%
Total	(1)%	(2)%	(4)%	(12)%	(18)%

Empire Life's equity market sensitivity in a 20% and 30% stock market decline increased primarily as a result of the significant decline in equity markets during the first quarter of 2020. The segregated fund guarantee liability was strengthened during the quarter as the value of withdrawal and guarantee benefits increase there is a decline in equity markets. This increases net income sensitivity as any changes to the liability when it is above the zero floor will flow through net income.

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 <i>(millions of dollars)</i>	Withdrawal Benefit > Fund Value		Maturity Guarantee > Fund Value		Death Benefit > Fund Value		Policy Liabilities	LICAT Capital
	Fund Value	Amount at Risk	Fund Value	Amount at Risk	Fund Value	Amount at Risk		
September 30, 2020	\$ 2,664	\$ 993	\$ 201	\$ 12	\$ 2,827	\$ 80	\$ 154	\$ 696
December 31, 2019	\$ 2,701	\$ 882	\$ 51	\$ 2	\$ 650	\$ 6	\$ —	\$ 465

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, 2020, the aggregate amount at risk for all three categories of risk was \$1.1 billion. At December 31, 2019, the aggregate amount at risk for these three categories of risk was \$890 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 the assumed initial reinvestment rate ("IRR") for non-participating insurance business and segregated fund guarantees for September 30, 2020 and December 31, 2019, 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, 2020 LICAT total ratio	(1)%
December 31, 2019 LICAT total ratio	1%

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

	September 30 2020	December 31 2019
Assets		
Cash and cash equivalents	\$ 517,872	\$ 303,085
Investments - corporate (Note 3)	5,163,077	5,270,128
Investments - insurance (Note 4)	9,683,882	9,152,734
Investments in associates (Note 5)	283,020	349,899
Insurance receivable	49,852	48,728
Other assets	162,521	125,810
Segregated fund assets (Note 7)	7,934,434	8,498,583
Total assets	\$ 23,794,658	\$ 23,748,967
Liabilities		
Reinsurance liabilities	\$ 705,683	\$ 698,372
Insurance contract liabilities	6,801,843	6,141,016
Investment contract liabilities	28,755	28,866
Deferred tax liabilities	227,387	268,468
Dividends payable	8,661	8,912
Other liabilities	322,686	257,807
Borrowings (Note 12)	602,752	464,098
Segregated fund liabilities (Note 7)	7,934,434	8,498,583
Total liabilities	\$ 16,632,201	\$ 16,366,122
Equity		
Capital stock	\$ 368,768	\$ 372,388
Retained earnings	5,627,006	5,878,228
Accumulated other comprehensive income ("AOCI")	55,169	24,156
Total E-L Financial shareholders' equity	6,050,943	6,274,772
Non-controlling interests in subsidiaries ("NCI")	1,069,762	1,067,961
Participating policyholders' interests ("PAR")	41,752	40,112
Total equity	7,162,457	7,382,845
Total liabilities and equity	\$ 23,794,658	\$ 23,748,967

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 (LOSS)
UNAUDITED
(in thousands of Canadian dollars, except per share amounts)

	Three months ended		Nine months ended	
	September 30		September 30	
	2020	2019	2020	2019
Revenue				
Gross premiums	\$ 276,108	\$ 265,650	\$ 798,508	\$ 810,352
Premiums ceded to reinsurers	(54,838)	(48,129)	(159,749)	(129,645)
Net premiums	221,270	217,521	638,759	680,707
Investment and other income (Note 6)	172,542	186,137	525,343	554,961
Share of income (loss) of associates (Note 5)	6,310	4,473	(55,814)	13,819
Fair value change in fair value through profit or loss investments	215,905	156,723	341,670	1,113,205
Realized gain on available for sale investments	5,076	6,167	23,303	11,721
	621,103	571,021	1,473,261	2,374,413
Expenses				
Gross claims and benefits	279,236	339,540	1,214,224	1,414,956
Claims and benefits ceded to reinsurers	(50,435)	(10,091)	(96,034)	19,402
Net claims and benefits	228,801	329,449	1,118,190	1,434,358
Change in investment contracts provision	207	181	682	411
Commissions	49,534	50,425	142,560	148,369
Operating	49,905	53,156	152,313	157,102
Interest expense	6,402	4,201	14,567	12,524
Premium taxes	4,210	2,193	13,853	12,720
	339,059	439,605	1,442,165	1,765,484
Income before income taxes	282,044	131,416	31,096	608,929
Income taxes	46,269	21,086	12,769	92,806
Net income	235,775	110,330	18,327	516,123
Less: Participating policyholders' income (loss)	653	(1,781)	(1,023)	(4,715)
Non-controlling interests in net income	34,202	11,577	29,341	69,399
	34,855	9,796	28,318	64,684
E-L Financial shareholders' net income (loss)	\$ 200,920	\$ 100,534	\$ (9,991)	\$ 451,439
Earnings per share attributable to E-L Financial shareholders				
Basic	\$ 52.88	\$ 24.61	\$ (5.70)	\$ 111.99
Diluted	\$ 48.71	\$ 23.26	\$ (5.70)	\$ 104.44

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		Nine months ended	
	September 30		September 30	
	2020	2019	2020	2019
Net income	\$ 235,775	\$ 110,330	\$ 18,327	\$ 516,123
Other comprehensive (loss) (“OCL”) income (“OCI”), net of taxes (Note 8)				
Items that may be reclassified subsequently to net income:				
Net unrealized fair value change on available for sale investments (“AFS”)	19	4,294	56,903	74,014
Share of (OCL) OCI of associates	(2,302)	1,192	2,510	(4,273)
	(2,283)	5,486	59,413	69,741
Items that will not be reclassified to net income:				
Net remeasurement of defined benefit plans	1,198	457	(18,237)	(6,348)
Share of OCI (OCL) of associates	701	(321)	(7,923)	(3,152)
	1,899	136	(26,160)	(9,500)
Total (OCL) OCI	(384)	5,622	33,253	60,241
Comprehensive income	235,391	115,952	51,580	576,364
Less: Participating policyholders' comprehensive income (loss)	1,867	(1,275)	1,640	(218)
Non-controlling interests in comprehensive income	34,015	11,714	28,918	68,920
	35,882	10,439	30,558	68,702
E-L Financial shareholders' comprehensive income	\$ 199,509	\$ 105,513	\$ 21,022	\$ 507,662

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, 2020	\$ 372,388	\$ 5,878,228	\$ 24,156	\$ 6,274,772	\$ 1,067,961	\$ 40,112	\$ 7,382,845
Net (loss) income	—	(9,991)	—	(9,991)	29,341	(1,023)	18,327
OCl (OCL)	—	—	31,013	31,013	(423)	2,663	33,253
Comprehensive (loss) income	—	(9,991)	31,013	21,022	28,918	1,640	51,580
Dividends	—	(124,452)	—	(124,452)	(19,127)	—	(143,579)
Share purchases (Note 11)	(3,620)	(116,797)	—	(120,417)	—	—	(120,417)
Acquisition of subsidiary shares	—	18	—	18	(7,990)	—	(7,972)
At September 30, 2020	\$ 368,768	\$ 5,627,006	\$ 55,169	\$ 6,050,943	\$ 1,069,762	\$ 41,752	\$ 7,162,457

	E-L Financial shareholders' equity						
	Capital stock	Retained earnings	AOCI (AOCL)	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
OCl (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

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	
	2020	2019
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net income	\$ 18,327	\$ 516,123
Items not affecting cash resources:		
Change in insurance and investment contract liabilities	666,743	949,583
Realized gain on available for sale of investments	(23,303)	(11,721)
Fair value change in fair value through profit or loss investments	(341,670)	(1,113,205)
Deferred taxes	(33,049)	40,146
Share of loss (income) of associates	55,814	(13,819)
Amortization related to bond investments	(60,491)	(65,357)
Other items	1,303	55,371
	283,674	357,121
Net change in other assets and liabilities	(512)	(31,314)
	283,162	325,807
Financing		
Cash dividends to shareholders	(124,703)	(26,735)
Cash dividends by subsidiaries to non-controlling interests	(19,154)	(18,431)
Purchases of subsidiary shares	(7,972)	(1,057)
Share purchases (Note 11)	(120,417)	—
Repayment of margin loan (Note 12)	(60,000)	(25,000)
Issuance of 4.0% senior unsecured notes (Note 12)	197,778	—
Interest paid on borrowings	(11,232)	(12,178)
	(145,700)	(83,401)
Investing		
Purchases of investments	(2,445,477)	(2,393,725)
Proceeds from sale or maturity of investments	2,490,374	2,174,344
Net sales of short-term investments	31,559	9,845
Net purchases of other assets	(7,628)	(11,849)
Dividends from associates	8,497	17,435
	77,325	(203,950)
Increase in cash and cash equivalents	214,787	38,456
Cash and cash equivalents, beginning of the period	303,085	332,558
Cash and cash equivalents, end of the period	\$ 517,872	\$ 371,014
Fair value hierarchy for cash and cash equivalents:		
Level 1	\$ 382,457	\$ 129,242
Level 2	135,415	241,772
	\$ 517,872	\$ 371,014

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 9, 2020.

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, 2019.

All figures included in the interim consolidated financial statements are presented in thousands of Canadian dollars, except per share amounts and where otherwise stated.

(b) Accounting changes

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 three measurement categories of amortized cost, fair value through other comprehensive income (“FVTOCI”) and 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 OCI.

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

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

The Company has evaluated the criteria and will apply the temporary exemption for periods beginning before January 1, 2023, which allows continued application of IAS 39 instead of adopting IFRS 9, if the Company’s activities are ‘predominantly connected with insurance’. 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 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 Note 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 do not have SPPI qualifying cash flows as at December 31, 2019 and December 31, 2018 include mortgages with fair values of \$10,400 and \$11,500, 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 on its consolidated financial statements.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, which provides a comprehensive principle-based framework for the recognition, measurement, presentation and disclosures of all insurance contracts. The new standard will replace IFRS 4 Insurance contracts. IFRS 17 requires entities to measure insurance contract liabilities at their current fulfillment cash flows and for revenue to be recognized as the service is provided over the coverage period.

This new standard is required to be adopted retrospectively, if this is impracticable, the modified retrospective or fair value method may be used.

The IASB published the amended version of IFRS 17 on June 25, 2020. The amendments made to the standard were based on an exposure draft issued in June 2019. The effective dates for IFRS 17 and IFRS 9 have been deferred to annual reporting periods beginning on or after January 1, 2023.

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 2020	December 31 2019
Short-term investments - Canadian corporate	\$ —	\$ 13,189
Preferred shares	1,058	1,058
Common shares and units		
Canadian	613,779	731,691
U.S.	2,543,637	2,375,662
Europe and United Kingdom	1,088,870	1,157,509
Other	915,733	991,019
Total common shares and units	5,162,019	5,255,881
Total	\$ 5,163,077	\$ 5,270,128

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, 2020 and December 31, 2019 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, 2020			
	Quoted Prices (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
Preferred shares	\$ —	\$ —	\$ 1,058	\$ 1,058
Common shares and units				
Canadian	10,387	68,824	534,568	613,779
U.S.	2,287,296	138,928	117,413	2,543,637
Europe and United Kingdom	921,538	76,133	91,199	1,088,870
Other	475,462	390,954	49,317	915,733
Total common shares and units	3,694,683	674,839	792,497	5,162,019
Total	\$ 3,694,683	\$ 674,839	\$ 793,555	\$ 5,163,077

Fair value	As at December 31, 2019			
	Quoted Prices (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
Short-term investments - Canadian corporate	\$ —	\$ 13,189	\$ —	\$ 13,189
Preferred shares	—	—	1,058	1,058
Common shares and units				
Canadian	12,430	90,255	629,006	731,691
U.S.	2,146,843	138,154	90,665	2,375,662
Europe and United Kingdom	994,946	72,950	89,613	1,157,509
Other	536,826	395,675	58,518	991,019
Total common shares and units	3,691,045	697,034	867,802	5,255,881
Total	\$ 3,691,045	\$ 710,223	\$ 868,860	\$ 5,270,128

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, 2020 or during the year ended December 31, 2019. Included in Level 2 are the Company's investments in pooled funds and limited partnerships which at September 30, 2020 had a carrying value of \$674,839 (December 31, 2019 - \$697,034).

Included in Level 3 are investments in common and preferred shares in private companies and limited partnerships. A summary of changes in the fair values of Level 3 financial instruments measured at FVTPL for the period:

	2020	2019
Balance - January 1	\$ 868,860	\$ 787,322
Net fair value change	(88,336)	57,486
Sales	(1,419)	—
Purchases	14,450	—
Balance - September 30	\$ 793,555	\$ 844,808

Investment commitments

In the normal course of business, outstanding investment commitments are not reflected in the consolidated financial statements. As of September 30, 2020, the Company has \$111,974 (December 31, 2019 - \$86,401).

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, 2020 the fair value of the interest rate swap was a liability of \$3,594 (December 31, 2019 - \$543).

The contract matures on November 1, 2022. The interest rate swap is valued based on the contract notional amount, calculating the difference between the fixed and floating interest rates at the end of a given period. The interest rate swap is classified as Level 2 as the interest rates between the two parties are observable and reliable.

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

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 Asset category	As at September 30, 2020			As at December 31, 2019		
	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	\$ 5,995	\$ 4,995	\$ 10,990	\$ 13,988	\$ —	\$ 13,988
Canadian provincial governments	—	—	—	6,463	—	6,463
Canadian municipal governments	—	—	—	897	—	897
Corporate	3,024	—	3,024	11,036	—	11,036
Total short-term investments	9,019	4,995	14,014	32,384	—	32,384
Bonds						
Federal government	119,169	227,527	346,696	106,106	226,594	332,700
Provincial governments	3,551,445	541,013	4,092,458	3,706,755	475,970	4,182,725
Municipal governments	119,413	95,084	214,497	106,418	102,340	208,758
Total Canadian government bonds	3,790,027	863,624	4,653,651	3,919,279	804,904	4,724,183
Energy	124,946	60,600	185,546	107,996	60,018	168,014
Materials	16,245	7,010	23,255	15,799	6,822	22,621
Industrials	77,216	60,224	137,440	61,155	66,411	127,566
Consumer discretionary	14,972	6,319	21,291	15,263	991	16,254
Consumer staples	192,282	77,839	270,121	130,116	65,905	196,021
Health care	91,381	22,462	113,843	87,721	22,081	109,802
Financial services	633,390	331,157	964,547	615,089	296,760	911,849
Information technology	181	5,111	5,292	—	—	—
Communication services	250,523	82,784	333,307	181,108	75,261	256,369
Utilities	614,726	84,864	699,590	479,903	99,925	579,828
Real estate	40,364	18,694	59,058	18,145	18,591	36,736
Infrastructure	401,597	51,620	453,217	319,442	30,810	350,252
Total Canadian corporate bonds	2,457,823	808,684	3,266,507	2,031,737	743,575	2,775,312
Total foreign bonds	11,141	—	11,141	10,157	—	10,157
Total bonds	6,258,991	1,672,308	7,931,299	5,961,173	1,548,479	7,509,652
Preferred shares - Canadian	591,950	9,807	601,757	463,826	10,203	474,029
Common shares						
Canadian common shares	137,597	45,283	182,880	111,461	44,247	155,708
Exchange-traded funds	487,428	—	487,428	494,131	—	494,131
Canadian real estate limited partnership units	113,664	—	113,664	120,884	—	120,884
U.S.	38,090	—	38,090	42,306	—	42,306
Other	30,881	—	30,881	29,000	—	29,000
Total common shares	807,660	45,283	852,943	797,782	44,247	842,029
Derivative assets	6,858	—	6,858	2,930	—	2,930
Loans and receivables:						
Mortgages	—	—	155,930	—	—	169,827
Loans on policies	—	—	56,189	—	—	55,363
Policy contract loans	—	—	64,892	—	—	66,520
Total	\$ 7,674,478	\$ 1,732,393	\$ 9,683,882	\$ 7,258,095	\$ 1,602,929	\$ 9,152,734

Empire Life investments – measured at fair value

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

Fair value Asset category	As at September 30, 2020			As at December 31, 2019		
	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	\$ —	\$ 14,014	\$ 14,014	\$ —	\$ 32,384	\$ 32,384
Bonds	—	7,931,299	7,931,299	—	7,509,652	7,509,652
Preferred shares	601,757	—	601,757	474,029	—	474,029
Common shares	852,943	—	852,943	721,105	120,924	842,029
Derivative assets	6,858	—	6,858	2,928	2	2,930
Loans and receivables:						
Mortgages	—	166,052	166,052	—	175,229	175,229
Loans on policies	—	56,189	56,189	—	55,363	55,363
Policy contract loans	—	64,892	64,892	—	66,520	66,520
Total	\$ 1,461,558	\$ 8,232,446	\$ 9,694,004	\$ 1,198,062	\$ 7,960,074	\$ 9,158,136

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, 2020 or during the year ended December 31, 2019.

Impairment

Based on an impairment review of the AFS investments at September 30, 2020, Empire Life reclassified a pre-tax loss of \$4,252 from OCI to net income due to write downs of impaired AFS common and preferred shares (September 30, 2019 - \$1,106). Impairment was assessed on these investments due to a number of factors, including the severity of the unrealized loss compared to the cost and the amount of time the investment had an unrealized loss.

Investment commitments

In the normal course of business, outstanding investment commitments are not reflected in the consolidated financial statements. There were outstanding commitments as at September 30, 2020 of \$24,478 (December 31, 2019 - \$22,867). These outstanding commitments are payable at any time up to and including April 30, 2021.

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, 2020			December 31, 2019		
	Notional Principal	Fair Value Assets	Fair Value Liabilities	Notional Principal	Fair Value Assets	Fair Value Liabilities
Exchange-traded						
Equity index futures	\$ 51,916	\$ 2,325	\$ 96	\$ 49,964	\$ 585	\$ 28
Equity options	177,941	4,022	—	537,772	2,342	—
Over-the-counter						
Foreign currency forwards	35,706	511	2	37,103	3	402
Cross currency swaps	20,980	—	1,734	20,980	—	1,610
Total	\$ 286,543	\$ 6,858	\$ 1,832	\$ 645,819	\$ 2,930	\$ 2,040

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

Investments in associates by operating segment are as follows:

	September 30 2020	December 31 2019
E-L Corporate	\$ 261,808	\$ 332,359
Empire Life	21,212	17,540
Total	\$ 283,020	\$ 349,899

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

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

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

	September 30, 2020			December 31, 2019		
	Ownership	Carrying value	Fair value	Ownership	Carrying value	Fair value
Algoma	37.4 %	\$ 130,362	\$ 142,399	37.0 %	\$ 185,409	\$ 184,397
Economic	24.1 %	131,446	131,446	24.0 %	146,950	146,950
Total		\$ 261,808	\$ 273,845		\$ 332,359	\$ 331,347

The following table details the movement during the period:

	9 months September 30 2020	12 months December 31 2019
Balance, beginning of the period	\$ 332,359	\$ 334,913
Income recorded in the statements of income:		
Share of income	1,261	29,331
Net impairment loss	(57,075)	(5,779)
	(55,814)	23,552
Share of other comprehensive loss	(6,240)	(6,710)
	(62,054)	16,842
Dividends received during the period	(8,497)	(19,396)
Balance, end of the period	\$ 261,808	\$ 332,359

The E-L Corporate’s associates are measured using the equity method. As at September 30, 2020, the fair value of the investments in associates was \$273,845 (December 31, 2019 - \$331,347). Fair value is based on the close price for each investment multiplied by the corresponding number of common shares held.

Impairment

Based on an impairment review of the investments in associates at September 30, 2020, an impairment loss of \$57,075 (September 30, 2019 - \$8,285) on Economic and Algoma has been recorded in net income. Impairment was assessed on these investments due to a number of factors, including the severity of the unrealized loss compared to the carrying value.

Financial information

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

	Algoma		Economic	
	September 30 2020	December 31 2019	September 30 2020	December 31 2019
Cash and cash equivalents	\$ 13,508	\$ 18,865	\$ 9,734	\$ 36,106
Other current assets	86,230	95,564	864,474	948,089
Non-current assets	1,051,693	1,032,948	—	—
	1,151,431	1,147,377	874,208	984,195
Current liabilities	327,325	156,845	729	3,093
Non-current liabilities	178,197	330,111	60,860	77,486
	505,522	486,956	61,589	80,579
Net assets	\$ 645,909	\$ 660,421	\$ 812,619	\$ 903,616

	Algoma		Economic	
	September 30		September 30	
	2020	2019	2020	2019
Revenue	\$ 391,369	\$ 398,923	\$ (85,380)	\$ 77,856
Net income (loss)	\$ 16,351	\$ 20,362	\$ (75,075)	\$ 65,275
Other comprehensive loss	(16,683)	(19,472)	—	—
Total comprehensive (loss) income	\$ (332)	\$ 890	\$ (75,075)	\$ 65,275

At September 30, 2020, Algoma has capital asset commitments of \$44,232 (December 31, 2019 - \$105,404).

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

	Algoma		Economic		Total	
	2020	2019	2020	2019	2020	2019
Dividends received	\$ 5,234	\$ 14,847	\$ 3,263	\$ 2,588	\$ 8,497	\$ 17,435

6. Investment and other income

Investment and other income is comprised of the following:

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Interest income	\$ 67,224	\$ 72,217	\$ 204,700	\$ 207,631
Fee income	61,471	65,232	184,864	195,409
Dividend income	42,838	47,377	131,122	148,075
Other	1,009	1,311	4,657	3,846
Total	\$ 172,542	\$ 186,137	\$ 525,343	\$ 554,961

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Interest income received	\$ 40,138	\$ 46,496	\$ 136,755	\$ 132,060
Dividend income received	41,572	67,373	121,003	193,278
Total	\$ 81,710	\$ 113,869	\$ 257,758	\$ 325,338

7. Segregated funds

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

	September 30 2020	December 31 2019
Cash and cash equivalents	\$ 225,569	\$ 8,482
Short-term investments	231,922	595,621
Bonds	1,849,814	1,857,955
Common and preferred shares	5,686,794	6,100,714
Other assets	17,943	13,577
	8,012,042	8,576,349
Less segregated funds held within general fund investments	(77,608)	(77,766)
Total	\$ 7,934,434	\$ 8,498,583

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, 2020			December 31, 2019		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Cash and cash equivalents	\$ 225,569	\$ —	\$ 225,569	\$ 8,482	\$ —	\$ 8,482
Short-term investments	—	231,922	231,922	—	595,621	595,621
Bonds	—	1,849,814	1,849,814	—	1,857,955	1,857,955
Common and preferred shares	5,686,794	—	5,686,794	6,100,714	—	6,100,714
Total	\$ 5,912,363	\$ 2,081,736	\$ 7,994,099	\$ 6,109,196	\$ 2,453,576	\$ 8,562,772

There were no transfers between Level 1 and Level 2 during the nine months ended September 30, 2020 or during the year ended December 31, 2019. There were no level 3 investments as at September 30, 2020 and December 31, 2019.

The following table presents the change in segregated funds:

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Segregated funds - beginning of the period	\$ 7,733,130	\$ 8,340,918	\$ 8,498,583	\$ 7,822,790
Additions to segregated funds:				
Amount received from policyholders	154,472	212,512	523,172	635,976
Interest	15,191	16,244	46,209	46,377
Dividends	32,440	35,335	98,777	162,775
Other income	5,436	6,263	16,238	18,720
Net realized gains on sale of investments	60,146	86,021	—	193,462
Net unrealized increase in fair value of investments	228,315	—	—	549,327
	496,000	356,375	684,396	1,606,637
Deductions from segregated funds:				
Amounts withdrawn or transferred by policyholders	233,470	266,056	729,154	881,975
Net realized losses on sale of investments	—	—	69,660	—
Net unrealized decrease in fair value of investments	—	5,811	295,395	—
Management fees and other operating costs	58,224	62,261	154,494	177,201
	291,694	334,128	1,248,703	1,059,176
Net change in segregated funds held within general fund investments	(3,002)	(1,491)	158	(8,577)
Segregated funds - end of the period	\$ 7,934,434	\$ 8,361,674	\$ 7,934,434	\$ 8,361,674

Empire Life's exposure to segregated fund guarantee risk

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

8. Other comprehensive (loss) income

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

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Items that may be reclassified subsequently to net income:				
Net unrealized fair value change on AFS investments				
Unrealized fair value change on AFS investments	\$ 3,743	\$ 8,908	\$ 74,003	\$ 82,738
Less: Realized gain on AFS investments reclassified to net income	(3,724)	(4,614)	(17,100)	(8,724)
	19	4,294	56,903	74,014
Share of (OCL) OCI of associates	(2,302)	1,192	2,510	(4,273)
	(2,283)	5,486	59,413	69,741
Items that will not be reclassified to net income:				
Net remeasurement of defined benefit plans				
	1,198	457	(18,237)	(6,348)
Share of OCI (OCL) of associates	701	(321)	(7,923)	(3,152)
	1,899	136	(26,160)	(9,500)
(OCL) OCI, net of tax	\$ (384)	\$ 5,622	\$ 33,253	\$ 60,241

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

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Items that may be reclassified subsequently to net income:				
Net unrealized fair value change on AFS investments				
Unrealized fair value change on AFS investments	\$ 1,351	\$ 3,240	\$ 26,723	\$ 30,092
Less: Realized gain on AFS investments reclassified to net income	(1,352)	(1,553)	(6,203)	(2,997)
	(1)	1,687	20,520	27,095
Share of (OCL) OCI of associates	(351)	183	383	(652)
	(352)	1,870	20,903	26,443
Items that will not be reclassified to net income:				
Net remeasurement of defined benefit plans				
	432	164	(6,585)	(2,308)
Share of OCI (OCL) of associates	108	(49)	(1,210)	(481)
	540	115	(7,795)	(2,789)
Total tax recognized in (OCL) OCI	\$ 188	\$ 1,985	\$ 13,108	\$ 23,654

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.

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 2020	December 31 2019
Cash and cash equivalents	\$ 517,872	\$ 303,085
Short-term investments	14,014	45,573
Bonds	7,931,299	7,509,652
Preferred shares	602,815	475,087
Derivative assets	6,858	2,930
Mortgages	155,930	169,827
Reinsurance	134,368	113,107
Loans on policies	56,189	55,363
Policy contract loans	64,892	66,520
Accrued investment income	53,011	38,302
Insurance receivable	49,852	48,728
Total	\$ 9,587,100	\$ 8,828,174

The Company has securities lending agreements with its custodian. Under these agreements, the custodian may lend securities from the Company's portfolio to other institutions, as approved by the Company, for periods of time. The custodian receives collateral which exceeds the market value of the loaned securities. In the event that any of the loaned securities are not returned to the custodian, at its option the custodian may either restore to the Company securities identical to the loaned securities or it will pay to the Company the value of the collateral up to but not exceeding the market value of the loaned securities on the date on which the loaned securities were to have been returned ("Valuation Date") to the custodian. If the collateral is not sufficient to allow the custodian to pay such market value to the Company, the custodian shall indemnify the Company only for the difference between the market value of

the securities and the value of such collateral on the Valuation Date. As a result, there is no significant exposure to credit risk associated with these securities lending agreements.

At September 30, 2020 the Company had loaned securities with a fair value of \$3,032,775 (December 31, 2019 - \$3,581,738) and received approximately \$3,117,221 (December 31, 2019 - \$3,680,099) 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 2020	December 31 2019
Holdings of fixed income securities* in the 10 issuers (excluding federal governments) to which the operating segments had the greatest exposure	\$ 4,821,871	\$ 4,744,433
Percentage of the segment's total cash and investments	49 %	51 %
Exposure to the largest single issuer of corporate bonds	\$ 255,029	\$ 199,877
Percentage of the segment's total cash and investments	2 %	2 %

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

a) Investments in bonds and debentures

Empire Life	September 30, 2020		December 31, 2019	
	Fair value	%	Fair value	%
AAA	\$ 351,895	4 %	\$ 348,815	5 %
AA	1,288,538	16 %	1,167,357	16 %
A	4,882,243	62 %	4,831,528	64 %
BBB (and lower ratings)	1,408,623	18 %	1,161,952	15 %
Total	\$ 7,931,299	100 %	\$ 7,509,652	100 %

b) Preferred shares

Empire Life's preferred share investments are all issued by Canadian companies with 1% (December 31, 2019 – 1%) of these investments rated as P1 as at September 30, 2020, 97% (December 31, 2019 – 99%) rated as P2 and the remaining 2% (December 31, 2019 - nil %) rated as P3.

c) Mortgages

Empire Life's mortgages in the province of Ontario represent the largest concentration with \$155,195 or 99% (December 31, 2019 – \$169,058 or 99%) 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 \$278,400 in cash and cash equivalents at September 30, 2020 (December 31, 2019 - \$162,752) and short-term investments of \$nil (December 31, 2019 - \$13,189).

Empire Life:

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

	September 30, 2020		December 31, 2019	
	Fair value	%	Fair value	%
1 year or less	\$ 148,484	2 %	\$ 75,119	1 %
1 - 5 years	728,585	9 %	769,237	10 %
5 - 10 years	696,717	9 %	700,976	9 %
Over 10 years	6,357,513	80 %	5,964,320	80 %
Total	\$ 7,931,299	100 %	\$ 7,509,652	100 %

Market risk

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

a) Interest rate risk

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, 2020	50 bps increase	50 bps decrease	100 bps increase	100 bps decrease
Shareholders' net income	\$ 6,751	\$ (7,520)	\$ 12,822	\$ (15,884)
Shareholders' OCI	\$ (49,936)	\$ 59,471	\$ (90,336)	\$ 128,477
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

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, 2020		September 30, 2019	
	Effect on shareholders' net income	Effect on shareholders' OCI	Effect on shareholders' net income	Effect on shareholders' OCI
Corporate Investments:				
Investments - corporate				
10% fluctuation	\$ 371,134	\$ nil	\$ 359,910	\$ nil
20% fluctuation	\$ 742,268	\$ nil	\$ 719,820	\$ nil
Investments in associates				
10% fluctuation	\$ 15,071	\$ nil	\$ 15,275	\$ nil
20% fluctuation	\$ 30,142	\$ nil	\$ 30,550	\$ 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.

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

	September 30, 2020		September 30, 2019	
	Effect on shareholders' net income ⁽¹⁾	Effect on shareholders' OCI	Effect on shareholders' net income ⁽¹⁾	Effect on shareholders' OCI
Empire Life				
10% increase	\$ 70,257	\$ 3,004	\$ 13,871	\$ 2,841
10% decrease	\$ (24,512)	\$ (3,004)	\$ (17,051)	\$ (2,841)
20% increase	\$ 134,754	\$ 6,008	\$ 30,766	\$ 5,682
20% decrease	\$ (135,171)	\$ (6,008)	\$ (98,905)	\$ (5,682)

⁽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 \$261,808 (December 31, 2019 – \$332,359) which represents 5% (December 31, 2019 – 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 2020	December 31 2019
Exposure to the ten largest common share holdings	\$ 643,043	\$ 648,049
As a percentage of the segment's total cash and investments	7 %	7 %
Exposure to the largest single issuer of common shares	\$ 436,821	\$ 444,366
As a percentage of the segment's total cash and investments	4 %	5 %

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 \$194,161 (September 30, 2019 – \$171,999) on shareholders' net income and \$11,884 (September 30, 2019 – \$10,040) on other comprehensive income.

Empire Life: Approximately \$nil (September 30, 2019 – \$nil) on shareholders' net income and \$nil (September 30, 2019 – \$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.

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, 2020			
Revenue	\$ 220,404	\$ 400,699	\$ 621,103
Shareholders' net income	\$ 150,091	\$ 50,829	\$ 200,920
September 30, 2019			
Revenue	\$ 95,995	\$ 475,026	\$ 571,021
Shareholders' net income	\$ 65,989	\$ 34,545	\$ 100,534
Nine months ended			
September 30, 2020			
Revenue	\$ (34,130)	\$ 1,507,391	\$ 1,473,261
Shareholders' net (loss) income	\$ (76,845)	\$ 66,854	\$ (9,991)
September 30, 2019			
Revenue	\$ 508,024	\$ 1,866,389	\$ 2,374,413
Shareholders' net income	\$ 354,211	\$ 97,228	\$ 451,439
Segment assets and liabilities			
	E-L Corporate	Empire Life	Total
September 30, 2020			
Segment assets ⁽¹⁾	\$ 5,732,111	\$ 18,062,547	\$ 23,794,658
Segment liabilities	\$ 459,508	\$ 16,172,693	\$ 16,632,201
December 31, 2019			
Segment assets ⁽¹⁾	\$ 5,788,178	\$ 17,960,789	\$ 23,748,967
Segment liabilities	\$ 345,175	\$ 16,020,947	\$ 16,366,122

⁽¹⁾ Segment assets for E-L Corporate include investments in associates of \$261,808 (December 31, 2019 - \$332,359).

11. Normal course issuer bid

On March 9, 2020, the Company obtained approval from the TSX to commence a normal course issuer bid ("NCIB") to purchase up to 200,970 Common Shares between March 9, 2020 and March 8, 2021. Daily purchases (other than pursuant to a block purchase exemption) on the TSX under the NCIB were limited to 1,000 common shares. The price that the Company pays for the Common Shares is the prevailing market price at the time of acquisition.

For the nine month period ended September 30, 2020, 200,970 shares were purchased under the NCIB at an average price of \$599.18 per share for total consideration of \$120,417. The total amount paid to purchase the shares is allocated to share capital and retained earnings in the consolidated statements of

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

As of September 30, 2020 the Company had 3,818,439 issued and outstanding Common Shares.

12. Borrowings

The table below presents the debt obligations of the Company:

		September 30 2020	December 31 2019
Empire Life	Subordinated debt	399,354	\$ 399,098
E-L Corporate	Unsecured notes	198,398	—
	Margin Loan	5,000	65,000
		\$ 602,752	\$ 464,098

In the second quarter of 2020, the Company issued \$200 million principal amount of 4.0% senior unsecured notes. The notes mature on June 22, 2050 and bear interest at an annual rate of 4.0% calculated and payable semi-annually in arrears on June 22 and December 22 of each year commencing December 22, 2020 and ending June 22, 2050.

13. 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, 2020, Empire Life was in compliance with these ratios.

14. Subsequent events

On November 9, 2020 the Company announced its intention to commence a substantial issuer bid (the “Offer”) pursuant to which the Company will offer to purchase up to \$100,000 of its outstanding Common Shares for cash. The Offer will proceed by way of a “modified Dutch auction”. The Offer would be for approximately 4.0% of the total number of issued and outstanding Common Shares, if the purchase price is determined to be \$650 (which is the minimum price per Common Share under the Offer) or approximately 3.5% of the total number of issued and outstanding Common Shares if the purchase price is determined to be \$750 (which is the maximum price per Common Share under the Offer).

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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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.

