



Financial Corporation Limited

FIRST QUARTER REPORT

March 31, 2021

Financial Highlights

(Millions of dollars, except per share amounts)

Three months ended March 31	2021	2020
Net Equity Value per Common Share ⁽¹⁾	\$ 1,787.15	\$ 1,317.07
Net Income (Loss) per Common Share	\$ 127.90	\$ (170.26)
Comprehensive Income (Loss) per Common Share	\$ 114.05	\$ (174.12)
Contribution to Shareholders' Net Income (Loss):		
E-L Corporate	\$ 310	\$ (632)
Empire Life	156	(31)
Shareholders' Net Income (Loss)	466	(663)
Preferred Shareholder Dividends	5	4
Net Income (Loss) attributable to Common Shareholders	\$ 461	\$ (667)

E-L Corporate

Shareholders' Net Income (Loss)	\$ 310	\$ (632)
Investments - Corporate	\$ 5,973	\$ 4,430
Investments in Associates	\$ 346	\$ 240

Empire Life

Common Shareholders' Net Income (Loss)	\$ 156	\$ (31)
Net Premiums and Fee Income	\$ 291	\$ 281
Assets Under Management ⁽¹⁾	\$ 18,566	\$ 16,339
Life Insurance Capital Adequacy Test Total Ratio ("LICAT") (%)	148	132

⁽¹⁾ See Non-GAAP measures within the Management's Discussion and Analysis

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

REPORT ON E-L FINANCIAL CORPORATION LIMITED

The following Management's Discussion and Analysis ("MD&A") of the operating results and financial condition of E-L Financial Corporation Limited ("E-L Financial" or the "Company") for the first quarter of 2021 should be read in conjunction with E-L Financial's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2021, as well as the MD&A and the audited consolidated financial statements which form part of the E-L Financial 2020 Annual Report dated March 3, 2021. 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 May 6, 2021.

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 7. These terms do not have any standardized meaning according to IFRS and therefore may not be comparable to similar measures presented by other companies.

The MD&A also contains non-consolidated cash flow information of E-L Financial which is a non-GAAP presentation. The information is useful as it separates the Company's cash flows from the cash flows of its subsidiaries. This information is reconciled to the consolidated cash flows on page 9.

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

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

Sources of earnings breaks down Empire Life's earnings into several categories which are useful to assess the performance of the business. These categories include expected profit from in-force business,

impact of new business, experience gains and losses, management actions and changes in assumptions, and earnings on surplus. The sources of earnings components are reconciled to Empire Life's net income on page 15 of this report.

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

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

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

<i>(in millions of dollars)</i>	March 31	December 31
	2021	2020
General fund assets	\$ 9,796	\$ 10,259
Segregated fund assets	8,654	8,457
Total Empire Life assets	18,450	18,716
Mutual fund assets	116	120
Total assets under management	\$ 18,566	\$ 18,836

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 52.7% interest in a closed-end investment corporation, United Corporations Limited ("United") which is listed on the Toronto Stock Exchange. United is an investment vehicle for long-term growth through investments in common equities. The invested assets and operations of United are consolidated and included in the E-L Corporate segment. In addition, E-L Corporate has two significant investments in associates which includes a 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 <i>(millions of dollars)</i>	First quarter	
	2021	2020
Contribution to net income (loss)		
E-L Corporate ⁽¹⁾	\$ 310	\$ (632)
Empire Life ⁽²⁾	156	(31)
Net income (loss)	466	(663)
Other comprehensive loss ⁽²⁾	(50)	(15)
Comprehensive income (loss)	\$ 416	\$ (678)

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

E-L Corporate <i>(millions of dollars)</i>	First quarter	
	2021	2020
Revenue		
Net gain (loss) on investments ⁽³⁾	\$ 230	\$ (769)
Investment and other income	40	29
Share of associates income (loss)	106	(92)
	376	(832)
Operating expenses	11	7
Income taxes	43	(111)
Non-controlling interests	12	(96)
	66	(200)
Net income (loss)	310	(632)
Other comprehensive income, net of taxes ⁽¹⁾	2	3
Comprehensive income (loss)	\$ 312	\$ (629)

Empire Life <i>(millions of dollars)</i>	First quarter	
	2021	2020
Revenue		
Net premiums	\$ 225	\$ 216
Net loss on investments ⁽³⁾	(636)	(360)
Investment income	80	81
Fee income	66	65
	(265)	2
Benefits and expenses	(486)	45
Income and other taxes	59	(10)
Non-controlling and participating policyholders' interests	6	(2)
	(421)	33
Net income (loss)	156	(31)
Other comprehensive loss, net of taxes ⁽²⁾	(52)	(18)
Comprehensive income (loss)	\$ 104	\$ (49)

⁽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 first quarter 2021 net income of \$466 million or \$127.90 per common share compared to a net loss of \$663 million or \$170.26 per common share for the first quarter of 2020.

E-L Corporate reported a net income of \$310 million for the first quarter of 2021 compared to a net loss of \$632 million for the first quarter of 2020. The increase in earnings was primarily due to a higher net gain on investments of \$230 million in 2021 compared to a net loss of \$769 million in 2020. E-L Corporate's global investment portfolio had a pre-tax total return, including dividend income, of 5% in 2021 compared to a pre-tax total return of negative 14% for the first quarter of 2020. The international emergence and spread of COVID-19 in 2020 resulted in a significant decline in global stock markets in the first quarter of 2020.

Empire Life reported net income of \$156 million for the first quarter of 2021 compared to a net loss of \$31 million for the first quarter of 2020. The increase in the first quarter was primarily a result of a decrease in policy liabilities for segregated fund guarantees due to favourable equity market and interest rate movements.

Consolidated comprehensive income for the first quarter of 2021 was \$416 million or \$114.05 per common share compared to a net loss of \$678 million or \$174.12 per common share for the first quarter of 2020. Other comprehensive loss ("OCL") was \$50 million in 2021 compared to \$15 million in 2020. The increase in OCL was primarily due to higher unrealized fair value losses on available for sale ("AFS") investments, partially offset by a gain on the remeasurement of post-employment defined benefit plans. The loss on these components of OCI was primarily due to increases in interest rates and declines in credit spreads during the first quarter of 2021.

Normal course issuer bid

On March 4, 2021, the Company obtained approval from the TSX to renew its normal course issuer bid ("NCIB") to purchase up to 185,428 Common Shares between March 9, 2021 and March 8, 2022. 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 first quarter of 2021, 100 Common Shares were purchased under the NCIB at a price of \$987.00 per share.

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>	Q1 2021	Q4 2020	Q1 2020
E-L Financial shareholders' equity	\$ 6,882	\$ 6,474	\$ 5,409
Less: First preference shares	(300)	(300)	(300)
	6,582	6,174	5,109
Adjustments for investments in associates not carried at fair value:			
Carrying value	(346)	(245)	(240)
Fair value ⁽¹⁾	403	344	240
	57	99	—
Non-controlling interest and deferred tax	(10)	(23)	—
	47	76	—
Net equity value	\$ 6,629	\$ 6,250	\$ 5,109
Common Shares ⁽²⁾ outstanding at period end	3,708,734	3,708,834	3,878,935
Net equity value per common share^{(2) (3)}	\$ 1,787.15	\$ 1,684.93	\$ 1,317.07

⁽¹⁾ Based on quoted market prices

⁽²⁾ Common Shares includes Series A Convertible Preference Shares

⁽³⁾ See non-GAAP measures

The Common Shares outstanding for Q1 2021 and Q4 2020 are lower compared to Q1 2020 amounts due to shares acquired as part of the Company's NCIB and the substantial issuer bid completed in December of 2020.

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*
	\$	%
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
2020	1,684.93	15.4
Year to date		
March 31, 2021	1,787.15	6.1
Compounded annual growth in net equity value*		
2011 - 2020 - 10 years		9.3
1969 - 2020 - Since inception		12.8

* This chart was drawn from the individual annual reports and has not been restated for any subsequent changes in accounting policies. Net equity value amounts are reduced by deferred income tax liabilities on net unrealized investment gains.

Summary of quarterly results

The following table summarizes the quarterly results:

<i>(millions of dollars, except per share amounts)</i>	2021				2020			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue								
Net (loss) gain on investments ⁽¹⁾	\$ (406)	\$ 629	\$ 221	\$ 1,273	\$ (1,129)	\$ 139	\$ 163	\$ 209
Net premium income	225	221	221	202	216	229	218	225
Investment and other income	185	185	173	177	176	178	186	200
Associates ⁽²⁾	107	28	6	29	(92)	10	4	7
Total	\$ 111	\$ 1,063	\$ 621	\$ 1,681	\$ (829)	\$ 556	\$ 571	\$ 641
Net income (loss) ⁽³⁾	\$ 466	\$ 510	\$ 201	\$ 452	\$ (663)	\$ 293	\$ 101	\$ 42
Earnings (loss) per common share								
- basic	\$ 127.90	\$ 136.42	\$ 52.88	\$ 119.36	\$ (170.26)	\$ 73.68	\$ 24.61	\$ 9.70
- diluted	\$ 114.96	\$ 124.11	\$ 48.71	\$ 108.83	\$ (170.26)	\$ 67.58	\$ 23.26	\$ 9.70

⁽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 first quarter of 2021 decreased compared to the prior quarter but increased compared to the first quarter of 2020, with fluctuations mainly due to the impact of the net gain (loss) on investments. The fair value change in fair value through profit and loss ("FVTPL") investments have experienced significant movement over the past year, reflecting volatility in both the bond and equity markets.

Net premiums for the first quarter of 2021 increased relative to the fourth and first quarters of 2020. Net premiums were 4% higher compared to the first quarter of 2020, primarily due to growth in the Individual Insurance and Employee Benefits lines.

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:

Period ended March 31 (millions of dollars)	E-L Financial (non- consolidated)	United	Empire Life	Consolidation adjustments	E-L Financial Consolidated	
					2021	2020
Cash flows from:						
Operating activities	\$ 26	\$ 9	\$ 66	\$ (24)	\$ 77	\$ 35
Financing activities	(9)	(4)	180	14	181	(70)
Investing activities	(43)	26	(153)	10	(160)	100
(Decrease) increase in cash and cash equivalents	(26)	31	93	—	98	65
Cash and cash equivalents, beginning of the period	171	68	189	—	428	303
Cash and cash equivalents, end of the period	\$ 145	\$ 99	\$ 282	\$ —	\$ 526	\$ 368

The increase in cash provided from operating activities in 2021 relative to 2020 reflects the increase in cash earnings during 2021 compared to the prior year. For Empire Life, cash flows from operating activities include insurance premiums, net investment income and fee income. These funds are primarily used to pay policy benefits, commissions, operating expenses and policyholder dividends.

The increase in cash provided from financing activities in 2021 relative to 2020 was primarily due to Empire Life's issuance of Limited Recourse Capital Notes ("LRCN") in the first quarter of 2021. During the first quarter of 2020, \$47 million in cash was used to purchase the Company's Common Shares under the NCIB.

Cash used for investing activities increased in 2021 relative to 2020 primarily due to changes made to E-L Corporate's investment managers during January of 2021 which contributed to a significant increase in the investment portfolio turnover, combined with Empire Life investing the proceeds from the issuance of the LRCN during the first quarter of 2021.

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).

<i>(millions of dollars)</i>	2021	2020
Cash flows from:		
Operating activities		
Dividends from subsidiaries	\$ 2	\$ 2
Dividends and interest	32	18
Expenses and taxes, net of other income	(8)	(7)
	26	13
Financing activities		
Cash dividends	(9)	(9)
Share purchases	—	(47)
Interest paid on borrowings	—	(1)
	(9)	(57)
Investing activities		
Purchases of investments	(200)	(107)
Proceeds from sales of investments	121	181
Net sales of short-term investments	—	13
Dividends from associates	36	4
	(43)	91
(Decrease) increase in cash and cash equivalents	(26)	47
Cash and cash equivalents, beginning of the year	171	125
Cash and cash equivalents, end of the year	\$ 145	\$ 172

During 2021, the non-consolidated cash and cash equivalents of E-L Financial decreased by \$26 million.

Operating cash flows for 2021 increased compared with the prior period due to higher dividends received in the first quarter of 2021. The movement in financing cash flows are due to the reasons noted above.

Cash flows from investment activities in 2021 showed increased investment trading activity compared to the first quarter of 2020. Dividends received from associates in 2021 included a special dividend paid by Algoma.

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

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 increased uncertainty and volatility which will impact the performance and expected returns of the investment portfolios.

The Company 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 developments in equity markets generally, and in connection with the Company's investment portfolios in particular.

To date, the Company has taken proactive measures through business continuity plans, carefully planning the return to premises for some employees. Processes supporting ongoing systems availability, stability and security are operating effectively and the Company 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 economies as well as increased volatility in equity markets. Unexpected developments in financial markets, regulatory environments, may also have adverse impacts on the Company's financial results.

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 March 31, 2021, investments - corporate had aggregate investments of \$6.0 billion, comprised primarily of common shares and units of investment funds, compared to aggregate investments at December 31, 2020 of \$5.7 billion. The fair value of investments - corporate is summarized in the table below:

<i>(millions of dollars)</i>	March 31 2021	December 31 2020
Preferred shares	\$ 1	\$ 1
Common shares and units		
Canada and U.S.	3,977	3,491
Europe and United Kingdom	776	1,171
Emerging Markets	743	501
Japan	425	488
Other	51	37
Total	5,972	5,688
Total invested assets	\$ 5,973	\$ 5,689

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

<i>(millions of dollars)</i>	2021	First quarter 2020
Revenue		
Net gain on investments	\$ 230	\$ (769)
Investment and other income	40	29
Share of associates income (loss)	106	(92)
	376	(832)
Operating expenses	11	7
Income taxes	43	(111)
Non-controlling interests	12	(96)
	66	(200)
Net income (loss)	310	(632)
(OCL) OCI, net of taxes	2	3
Comprehensive income (loss)	\$ 312	\$ (629)

E-L Corporate reported a net gain on investments of \$230 million in the first quarter of 2021 compared to a net loss of \$769 million for the first quarter of 2020. The pre-tax total return on investments including dividend income was 5% for the first quarter of 2021 compared to a pre-tax total return on investments of negative 14% for the first quarter of 2020. The international emergence and spread of COVID-19 in 2020 resulted in a significant decline in global stock markets in the first quarter of 2020.

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>	First quarter ⁽¹⁾	
	2021	2020
Algoma	\$ 87	\$ (59)
Economic	19	(33)
	\$ 106	\$ (92)

⁽¹⁾ Includes a \$103 million impairment reversal (Q1 2020 - an impairment write down of \$63 million).

The nature of Algoma's business is such that earnings in the first quarter of each year typically reflects a loss due to the reduced level of shipping activity during the winter and the timing of maintenance spending. The net income for the first quarter of 2021 was mainly as a result of a \$95 million reversal of impairment write downs. The previously recognized impairment write downs were reversed as the investment's recoverable amount subsequently increased and there was a significant indication that the circumstances that led to the initial recognition of the impairment loss had improved. Excluding the impairment reversal, Algoma results for the first quarter of 2021 improved over the prior year, primarily due to a strong performance from Global Short Sea Shipping business segment.

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 4% in the first quarter 2021 compared to a negative pre-tax total return of 13% return in the first quarter of 2020.

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

	March 31, 2021			December 31, 2020		
	Ownership	Carrying value	Fair value	Ownership	Carrying value	Fair value
Algoma	37.4 %	\$ 186	\$ 243	37.4 %	\$ 98	\$ 197
Economic	24.1 %	160	160	24.1 %	147	147
Total		\$ 346	\$ 403		\$ 245	\$ 344

Algoma and Economic are Canadian public companies for which further information is publicly available.

Risk management

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

Market risk

Market risk is the most significant risk impacting E-L Corporate as its investing activities are influenced by market price, foreign currency and interest rate risk. As the Company's investment portfolio is represented by Canadian and global equities, the value of its investments will vary from day to day depending on a number of market factors including economic conditions, global events, market news, and on the performance of the issuers of the securities in which the Company invests. Changes in foreign currency exchange rates will also affect the value of investments of non-Canadian dollar securities. As of March 31, 2021, 57% (December 31, 2020 - 50%) of the investment - corporate including cash and cash equivalents was denominated in U.S. dollars, 6% (December 31, 2020 - 10%) in Euros and 7% (December 31, 2020 - 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>	First quarter	
	2021	2020
Empire Life common shareholders’ net income	\$ 157	\$ (32)
Non-controlling interests	1	(1)
Net income, contribution to E-L Financial	\$ 156	\$ (31)
Empire Life return on common shareholders’ equity (trailing four quarters)	20.3 %	6.5 %

Empire Life reported first quarter common shareholders’ net income of \$157 million for 2021, compared to a net loss of \$32 million for the first quarter of 2020. The increase in first quarter earnings was primarily a result of a decrease in policy liabilities for segregated fund guarantees due to favourable market and interest rate movements.

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 2021 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 these events will continue to have an impact on Empire Life’s performance in the near term.

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

For the three months ended March 31 <i>(millions of dollars)</i>	Wealth Management		Employee Benefits		Individual Insurance		Capital and Surplus		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Expected profit on in-force business	\$ 29	\$ 33	\$ 6	\$ 6	\$ 13	\$ 16			\$ 48	\$ 55
Impact of new business	(5)	(3)	(2)	(2)	7	(1)			—	(6)
Experience gains (losses)	150	(132)	(5)	(1)	5	5			150	(128)
Management actions and changes in assumptions	(1)	—	—	—	10	22			9	22
Earnings (loss) on operations before income taxes	174	(102)	—	3	35	41	—	—	208	(57)
Earnings on surplus	—	—	—	—	—	—	6	18	6	18
Income (loss) before income tax	174	(102)	—	3	35	41	6	18	215	(39)
Income taxes	45	(28)	—	1	8	11	1	4	54	(11)
Empire Life's shareholders' net income (loss)	\$ 129	\$ (74)	\$ (1)	\$ 2	\$ 27	\$ 30	\$ 5	\$ 14	\$ 161	\$ (28)
Dividends on preferred shares ⁽¹⁾									(3)	(3)
Empire Life common shareholders' net income (loss)									\$ 157	\$ (32)

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

The expected profit on in-force business decreased by 13% for the first quarter, primarily driven by the Wealth Management and Individual Insurance lines.

The impact of new business improved in the first quarter of 2021, primarily due to profit at issue in the Individual Insurance line, partially offset by increased strain at issue in the Wealth Management line compared to overall strain from new business in the first quarter of 2020. The impact of new business on the Individual Insurance line is positive, creating profit at issue, when the present value of future profits from the new business exceeds the sum of the margins in the initial policy liabilities for that business plus the expenses incurred at the point of sale.

Experience gains in the first quarter of 2021 were primarily driven by a reduction in policy liabilities for segregated fund benefit guarantees compared to an experience loss from a strengthening of these guarantee liabilities in the first quarter of 2020.

Management actions and changes in assumptions were driven by management's ongoing activities to improve the matching of assets of liabilities contributing to positive net income gains in the Individual Insurance line, although these gains were lower in the first quarter of 2021 relative to the same period in 2020.

Earnings on surplus declined for the first quarter, primarily due to lower unrealized fair value gains on the Empire Life's equity hedging program relative to the same period in 2020.

Results by major product line

The following tables provide a summary of Empire Life results by major product line for the three months ended March 31 for 2021 and 2020. A discussion of results is provided in the Product Line section of the MD&A.

Three months ended March 31 <i>(millions of dollars)</i>	Wealth Management		Employee Benefits		Individual Insurance		Capital & Surplus		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Revenue										
Net premiums	\$ 23	\$ 27	\$ 96	\$ 91	\$ 106	\$ 97	\$ —	\$ —	\$ 225	\$ 216
Fee income	63	62	3	3	—	—	—	—	66	65
Investment income	10	10	1	1	54	53	16	17	80	81
Net (losses) gains on investments ⁽¹⁾	(18)	(55)	(6)	(3)	(607)	(305)	(6)	4	(636)	(360)
	78	44	94	93	(447)	(155)	9	21	(265)	2
Expenses										
Benefits and expenses	(96)	145	92	88	(487)	(192)	3	4	(488)	44
Income and other taxes	45	(28)	3	3	11	12	1	4	60	(9)
	(51)	117	95	91	(476)	(180)	4	8	(428)	35
Net income (loss) after tax	\$ 129	\$ (74)	\$ (1)	\$ 2	\$ 29	\$ 25	\$ 6	\$ 13	\$ 163	\$ (33)
Participating policyholders' portion									2	(5)
Dividends on preferred shares									3	3
Empire Life's common shareholders' net income (loss)									157	(32)
Non-controlling interests in net income (loss)									1	(1)
Net income (loss) attributable to owners of E-L Financial									\$ 156	\$ (31)

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

Product line results - Wealth Management

Key Operating Results <i>(millions of dollars)</i>	First quarter	
	2021	2020
Fixed Annuities		
Assets under management	\$ 912	\$ 891
Gross sales	23	27
Net sales	(13)	(8)
Segregated Funds		
Assets under management	8,654	7,051
Gross sales	269	243
Net sales	(101)	(81)
Fee income	62	61
Net Premiums	\$ 23	\$ 27
Net income (loss) after tax	\$ 129	\$ (74)

Fixed annuities assets under management were 2% higher relative to the same period in 2020. Gross sales in the first quarter were 15% lower compared to the same period in 2020.

Segregated fund assets under management are higher relative to the same period in 2020, reflecting the rebound in equity markets from the lows experienced in March 2020. For the first quarter of 2021, gross sales were 11% higher than the same period in 2020.

Segregated fund fee income was 1% higher compared to the first quarter of 2020 basis as higher average assets impacted fee revenues. Fee income from segregated funds is calculated daily for most products.

This line had net income of \$129 million for the quarter compared to a net loss of \$74 million for the first quarter in 2020, primarily as a result of the changes 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 <i>(millions of dollars)</i>	First quarter	
	2021	2020
Core	\$ 19	\$ 13
Other	6	17
Annualized premium sales	\$ 26	\$ 30
Net premiums	96	91
Net income (loss) after tax	\$ (1)	\$ 2

Total annualized premium sales decreased in the first quarter compared to the same period in 2020, primarily due to a large block transfer from a new strategic distribution partner. 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 first quarter increased by 5% relative to the same period in 2020 primarily from growth in Empire Life's core group benefits offerings. 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 first quarter declined compared to 2020 primarily due unfavourable claims experience for long-term disability benefits.

Product line results - Individual Insurance

Key Operating Results <i>(millions of dollars)</i>	First quarter	
	2021	2020
Shareholders'		
Annualized premium sales	\$ 10	\$ 5
Net premiums	73	68
Net income after tax	27	30
Policyholders'		
Annualized premium sales	5	3
Net premiums	33	30
Net income (loss) after tax	2	(5)
Net income after tax	\$ 29	\$ 25

Shareholders' annualized premium sales increased by 103% in the first quarter compared to the same period in 2020, primarily from increases in sales of Empire Life's term products. Policyholders' annualized premium sales increased 37% in the first quarter. Shareholders' net premiums were 7% higher and policyholders' net premiums were 12% higher in the first quarter reflecting recent strength in policyholders' new premium sales.

Shareholders' net income for this product line was \$27 million for the first quarter of 2021 compared to \$30 million for the same period in 2020. The reduction in the favourable impact on policy liabilities from

asset mix changes in the portfolio of investments supporting this line more than offset the more favourable impact of new business issue strain in 2021 compared to 2020.

Results - Capital and Surplus

<i>(millions of dollars)</i>	First quarter	
	2021	2020
Income (loss) from investments	\$ 17	\$ (11)
(Losses) gains on hedging instrument	(8)	33
Interest and other expenses	(3)	(4)
Earnings before income taxes	6	18
Income taxes	1	4
Net income after tax shareholders' portion	\$ 5	\$ 14
Net loss after tax policyholders' portion	—	(1)
Net income after tax	\$ 6	\$ 13

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 first quarter of 2021 increased primarily due to unrealized losses on preferred share assets valued as FVTPL in the first quarter of 2020 in this segment. In addition, Empire Life experienced losses on the hedging program (discussed in the Risk Management section) in the first quarter of 2021 compared to a gain in the first quarter of 2020, primarily related to rising Canadian equity markets in the current 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, preferred shares and limited recourse capital notes are as follows:

<i>(millions of dollars)</i>	Date Issued	Earliest redemption date	Interest rate	Face amounts as at	
				March 31 2021	December 31 2020
Subordinated debentures					
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.

<i>(millions of dollars)</i>	Date Issued	Earliest redemption date	Yield	As at	
				March 31 2021	December 31 2020
Preferred Shares and Other Equity Instruments					
Preferred shares, Series 1	January 2016	April 17, 2021	5.75 %	\$ 150	\$ 150
Preferred shares, Series 2	November 2017	January 17, 2023	4.90 %	\$ 100	\$ 100
Limited Recourse Capital Notes, Series 1	February 2021	April 17, 2026	3.625 %	\$ 200	\$ —

On February 17, 2021, Empire Life completed an offering of \$200 million aggregate principal 3.625% Limited Recourse Capital Notes Series 1 ("Notes"). In connection with the issuance of the Notes, Empire Life issued Non-Cumulative 5-Year Fixed Rate Reset Preferred Shares, Series 5 (Preferred Shares Series 5) to be held by a trustee for a newly formed trust. In case of non-payment of interest on or principal of the Notes when due, the recourse of each Note holder will be limited to that holder's proportionate share of the Limited Recourse Trust's assets, which will consist of the Preferred Shares Series 5 except in limited circumstances. The purpose of the sale of the Notes is to enlarge Empire Life's

Tier 1 capital base with a view to optimizing Empire Life's capital structure within the parameters prescribed by the Office of the Superintendent of Financial Institutions for regulatory capital requirements.

On April 17, 2021, Empire Life redeemed all of the outstanding Preferred Shares, Series 1 at the price of \$25.00 per share for an aggregate total of \$149.5 million plus declared dividends.

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 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 March 31, 2021, the Total Ratio and Core Ratio increase significantly from December 31, 2020 primarily due the additional capital provided by the issuance of Limited Recourse Capital Notes and the significant decrease in policy liabilities and regulatory capital supporting segregated fund benefit guarantees.

Subsequent to the date of this MD&A, on April 17, 2021, Empire Life redeemed all of the Series 1 Preferred Shares for aggregated total of \$149.5 million. The LICAT Total Ratio and Core Ratio as at March 31, 2021 would have been 142% and 102%, respectively, excluding the Series 1 Preferred Shares.

LICAT (millions of dollars)	Mar 31 2021	Dec 31 2020	Sep 30 2020	Jun 30 2020	Mar 31 2020
Available capital					
Tier 1	\$ 1,908	\$ 1,623	\$ 1,544	\$ 1,527	\$ 1,435
Tier 2	664	677	703	710	671
Total	\$ 2,572	\$ 2,300	\$ 2,247	\$ 2,237	\$ 2,106
Surplus allowance and eligible deposits	\$ 1,121	\$ 1,156	\$ 1,111	\$ 1,094	\$ 1,029
Base solvency buffer	\$ 2,503	\$ 2,541	\$ 2,542	\$ 2,510	\$ 2,371
LICAT Total Ratio	148 %	136 %	132 %	133 %	132 %
LICAT Core Ratio	108 %	96 %	91 %	91 %	91 %

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 the actual impact will be consistent with the estimates provided. Changes in risk variables in excess of the ranges illustrated may result in other than proportionate impacts.

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 premises for some employees, and management teams have increased their efforts to preserve the well-being of all 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 objective of the hedging program is to partially protect Empire Life from future regulatory ("LICAT") ratio declines that might result from adverse stock market prices. 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 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 first quarter, Empire Life experienced a loss of \$6 million after tax primarily due to rising Canadian equity markets. This compares to a hedge gain of \$24 million after tax for the comparable period in 2020.

Empire Life's LICAT ratio is also sensitive to stock market volatility, due primarily to liability and capital requirements related to segregated fund guarantees. As of March 31, 2021, Empire Life had \$8.7 billion of segregated fund assets and liabilities. Of this amount, approximately \$8.4 billion have guarantees. The following table provides a percentage breakdown by type of guarantee:

	March 31 2021	December 31 2020
Percentage of segregated fund liabilities with:		
75% maturity guarantee and a 75% death benefit guarantee	6 %	6 %
75% maturity guarantee and a 100% death benefit guarantee	44 %	44 %
100% maturity and death benefit guarantee (with a minimum of 15 years between deposit and maturity date)	7 %	7 %
Guaranteed minimum withdrawal benefit ("GMWB")	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 March 31, 2021 and December 31, 2020, the sensitivity of Empire Life shareholders' net income and LICAT Total 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 March 31, 2021					
Segregated fund guarantees	\$ —	\$ —	\$ (11)	\$ (73)	\$ (194)
Other equity risk	40	19	(17)	(32)	(44)
Equity hedge	(10)	(5)	7	17	31
Total	\$ 30	\$ 14	\$ (22)	\$ (89)	\$ (208)
As at December 31, 2020					
Segregated fund guarantees	\$ 108	\$ 104	\$ (13)	\$ (86)	\$ (220)
Other equity risk	37	18	(16)	(29)	(78)
Equity hedge	(8)	(4)	5	12	20
Total	\$ 137	\$ 117	\$ (23)	\$ (103)	\$ (278)

Sensitivity to equity risk	Increase		Decrease		
	20%	10%	10%	20%	30%
Impact on LICAT					
As at March 31, 2021					
Segregated fund guarantees	13%	7%	(1)%	(6)%	(14)%
Other equity risk	—%	1%	1%	—%	—%
Equity hedge	(1)%	(1)%	1%	2%	2%
Total	12%	7%	—%	(4)%	(11)%
As at December 31, 2020					
Segregated fund guarantees	6%	5%	(1)%	(8)%	(16)%
Other equity risk	—%	—%	—%	—%	(1)%
Equity hedge	(1)%	—%	—%	1%	1%
Total	6%	5%	—%	(7)%	(16)%

Empire Life's equity market sensitivity in a 20% and 30% stock market decline decreased primarily as a result of the improvement in equity markets and the increase in bond yields during the first quarter of 2020. The segregated fund guarantee liability was reduced during the quarter as the value of withdrawal and guarantee benefits decreases when there is an increase in equity markets. This decreases 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	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		
<i>(millions of dollars)</i>								
March 31, 2021	\$ 2,642	\$ 842	\$ 46	\$ 2	\$ 404	\$ 6	\$ —	\$ 660
December 31, 2020	\$ 2,687	\$ 931	\$ 52	\$ 2	\$ 654	\$ 12	\$ 147	\$ 682

The first six columns of the above table show all segregated fund policies where the future withdrawal benefit, future maturity guarantee, or future death benefit guarantee is greater than the fund value. The amount at risk represents the excess of the future withdrawal benefit, future maturity guarantee or future death benefit guarantee amount over the fund value for these policies. The withdrawal benefit amounts in the above table relate to GMWB products. The GMWB withdrawal benefit amount at risk represents the amount that could be paid by Empire Life to GMWB policyholders if the net return on each GMWB policyholder's assets is zero for the remainder of each GMWB policyholder's life, based on life expectancy. As at March 31, 2021, the aggregate amount at risk for all three categories of risk was \$0.8 billion. As at December 31, 2020, the aggregate amount at risk for these three categories of risk was \$946 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 March 31, 2021 and December 31, 2020, 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
March 31, 2021 LICAT total ratio	1%
December 31, 2020 LICAT total ratio	3%

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

	March 31 2021	December 31 2020
Assets		
Cash and cash equivalents	\$ 526,217	\$ 427,757
Investments - corporate (Note 3)	5,972,997	5,688,889
Investments - insurance (Note 4)	9,304,529	9,855,846
Investments in associates (Note 5)	368,023	266,570
Insurance receivable	39,853	46,533
Other assets	183,557	202,211
Segregated fund assets (Note 7)	8,654,452	8,457,417
Total assets	\$ 25,049,628	\$ 24,945,223
Liabilities		
Reinsurance liabilities	\$ 349,365	\$ 384,761
Insurance contract liabilities	6,484,971	7,216,402
Investment contract liabilities	28,687	29,041
Deferred tax liabilities	329,662	321,587
Dividends payable	8,523	8,523
Other liabilities	321,768	274,737
Borrowings	602,446	602,268
Segregated fund liabilities (Note 7)	8,654,452	8,457,417
Total liabilities	\$ 16,779,874	\$ 17,294,736
Equity		
Capital stock	\$ 366,791	\$ 366,793
Retained earnings	6,508,545	6,050,795
Accumulated other comprehensive income ("AOCI")	6,329	56,411
Total E-L Financial shareholders' equity	6,881,665	6,473,999
Non-controlling interests in subsidiaries ("NCI")	1,341,241	1,132,340
Participating policyholders' interests ("PAR")	46,848	44,148
Total equity	8,269,754	7,650,487
Total liabilities and equity	\$ 25,049,628	\$ 24,945,223

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	
	March 31	
	2021	2020
Revenue		
Gross premiums	\$ 278,250	\$ 270,702
Premiums ceded to reinsurers	(53,211)	(54,904)
Net premiums	225,039	215,798
Investment and other income (Note 6)	185,480	175,704
Share of income (loss) of associates (Note 5)	105,729	(91,518)
Fair value change in fair value through profit or loss investments	(407,533)	(1,133,570)
Realized gain on available for sale investments	1,968	4,674
	110,683	(828,912)
Expenses		
Gross claims and benefits	(524,352)	7,207
Claims and benefits ceded to reinsurers	(70,044)	(58,435)
Net claims and benefits	(594,396)	(51,228)
Change in investment contracts provision	296	333
Commissions	60,823	48,772
Operating	52,949	51,092
Interest expense	4,862	4,017
Premium taxes	5,819	4,650
	(469,647)	57,636
Income (loss) before income taxes	580,330	(886,548)
Income taxes	95,900	(125,360)
Net income (loss)	484,430	(761,188)
Less: Participating policyholders' income (loss)	2,178	(5,189)
Non-controlling interests in net income (loss)	15,896	(92,943)
	18,074	(98,132)
E-L Financial shareholders' net income (loss)	\$ 466,356	\$ (663,056)
Earnings (loss) per share attributable to E-L Financial shareholders		
Basic	\$ 127.90	\$ (170.26)
Diluted	\$ 114.96	\$ (170.26)

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

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

	Three months ended	
	March 31	
	2021	2020
Net income (loss)	\$ 484,430	\$ (761,188)
Other comprehensive (loss) (“OCL”) income (“OCI”), net of taxes (Note 20)		
Items that may be reclassified subsequently to net income:		
Net unrealized fair value change on available for sale investments (“AFS”)	(75,251)	(19,611)
Share of (OCL) OCI of associates	(1,167)	8,393
	(76,418)	(11,218)
Items that will not be reclassified to net income:		
Net remeasurement of defined benefit plans	22,557	899
Share of OCI (OCL) of associates	4,375	(5,726)
	26,932	(4,827)
Total OCL	(49,486)	(16,045)
Comprehensive income (loss)	434,944	(777,233)
Less: Participating policyholders' comprehensive income (loss)	2,700	(6,338)
Non-controlling interests in comprehensive income (loss)	15,970	(92,731)
	18,670	(99,069)
E-L Financial shareholders' comprehensive income (loss)	\$ 416,274	\$ (678,164)

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 (Note 11)	Retained earnings	AOCI	Total	NCI	PAR	Total equity
At January 1, 2021	\$ 366,793	\$ 6,050,795	\$ 56,411	\$ 6,473,999	\$ 1,132,340	\$ 44,148	\$ 7,650,487
Net income	—	466,356	—	466,356	15,896	2,178	484,430
(OCL) OCI	—	—	(50,082)	(50,082)	74	522	(49,486)
Comprehensive income (loss)	—	466,356	(50,082)	416,274	15,970	2,700	434,944
Dividends	—	(8,523)	—	(8,523)	(4,025)	—	(12,548)
Share purchase	(2)	(88)	—	(90)	—	—	(90)
Subsidiary issuance of limited recourse capital notes (Note 12)	—	—	—	—	197,275	—	197,275
Acquisition of subsidiary shares	—	5	—	5	(319)	—	(314)
At March 31, 2021	\$ 366,791	\$ 6,508,545	\$ 6,329	\$ 6,881,665	\$ 1,341,241	\$ 46,848	\$ 8,269,754

	E-L Financial shareholders' equity						
	Capital stock (Note 11)	Retained earnings	(AOCL) 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	—	(663,056)	—	(663,056)	(92,943)	(5,189)	(761,188)
(OCL) OCI	—	—	(15,108)	(15,108)	212	(1,149)	(16,045)
Comprehensive loss	—	(663,056)	(15,108)	(678,164)	(92,731)	(6,338)	(777,233)
Dividends	—	(107,110)	—	(107,110)	(4,699)	—	(111,809)
Share purchases	(2,534)	(78,158)	—	(80,692)	—	—	(80,692)
Acquisition of subsidiary shares	—	18	—	18	(6,055)	—	(6,037)
At March 31, 2020	\$ 369,854	\$ 5,029,922	\$ 9,048	\$ 5,408,824	\$ 964,476	\$ 33,774	\$ 6,407,074

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

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

	Three months ended	
	March 31	
	2021	2020
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net income (loss)	\$ 484,430	\$ (761,188)
Items not affecting cash resources:		
Change in insurance and investment contract liabilities	(767,086)	(212,762)
Realized gain on available for sale of investments	(1,968)	(4,674)
Fair value change in fair value through profit or loss investments	407,533	1,133,570
Deferred taxes	(524)	(118,776)
Share of (income) loss of associates (Note 5)	(105,729)	91,518
Amortization related to bond investments	(18,225)	(21,677)
Other items	60,123	(69,022)
	58,554	36,989
Net change in other assets and liabilities	18,746	(1,570)
	77,300	35,419
Financing		
Cash dividends to shareholders	(8,523)	(8,912)
Cash dividends by subsidiaries to non-controlling interests	(3,961)	(3,991)
Purchases of subsidiary shares	(314)	(6,037)
Share purchases (Note 11)	(90)	(47,336)
Issuance of limited recourse capital notes (Note 12)	197,275	—
Interest paid on borrowings	(3,670)	(3,920)
	180,717	(70,196)
Investing		
Purchases of investments	(2,368,790)	(759,590)
Proceeds from sale or maturity of investments	2,160,488	819,085
Net sales of short-term investments	4,508	39,574
Net purchases of other assets	(1,531)	(3,389)
Dividends from associates	45,768	4,151
	(159,557)	99,831
Increase in cash and cash equivalents	98,460	65,054
Cash and cash equivalents, beginning of the period	427,757	303,085
Cash and cash equivalents, end of the period	\$ 526,217	\$ 368,139
Fair value hierarchy for cash and cash equivalents:		
Level 1	\$ 390,802	\$ 230,909
Level 2	135,415	137,230
	\$ 526,217	\$ 368,139

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 May 6, 2021.

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, 2020.

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 solutions for insurance companies relating to IFRS 9:

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

The Company has evaluated the criteria and will apply the temporary exemption for periods beginning before January 1, 2023, which allows continued application of IAS 39 instead of adopting IFRS 9, if the Company’s activities are ‘predominantly connected 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 and 5 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, 2020 and December 31, 2019 include mortgages with fair values of \$13,200 and \$10,400, 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 will replace IFRS 4. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts. In June 2020, the IASB issued amendments to IFRS 17, which include deferral of the effective date to annual periods beginning on or after January 1, 2023 from the original effective date of January 1, 2021. The deferral option of IFRS 9 for insurers was also extended to that same date. IFRS 17 will affect how we account for our insurance contracts and how we report our financial performance in our consolidated statements of operations.

3. Investments – corporate

Invested assets

Investments – corporate includes the investments held at the corporate level of E-L Financial and the investment holdings of it’s subsidiary, United Corporations Limited (“United”).

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

Carrying value	March 31 2021	December 31 2020
Preferred shares	\$ 1,058	\$ 1,058
Common shares and units		
Canadian	839,249	741,352
U.S.	3,137,599	2,750,146
Europe and United Kingdom	776,597	1,170,713
Other	1,218,494	1,025,620
Total common shares and units	5,971,939	5,687,831
Total	\$ 5,972,997	\$ 5,688,889

The Company’s investment in common shares and units includes shares of public and private companies and units in pooled funds. As at March 31, 2021 and December 31, 2020 all of the invested assets have been designated FVTPL.

Investments – measured at fair value

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

Fair value		As at March 31, 2021			
Asset category	Quoted Prices (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value	
Preferred shares	\$ —	\$ —	\$ 1,058	\$ 1,058	
Common shares and units					
Canadian	21,096	89,419	728,734	839,249	
U.S.	2,811,185	161,738	164,676	3,137,599	
Europe and United Kingdom	641,695	82,239	52,663	776,597	
Other	758,124	392,095	68,275	1,218,494	
Total common shares and units	4,232,100	725,491	1,014,348	5,971,939	
Total	\$ 4,232,100	\$ 725,491	\$ 1,015,406	\$ 5,972,997	

Fair value		As at December 31, 2020			
Asset category	Quoted Prices (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value	
Preferred shares	\$ —	\$ —	\$ 1,058	\$ 1,058	
Common shares and units					
Canadian	14,621	78,426	648,305	741,352	
U.S.	2,472,958	150,900	126,288	2,750,146	
Europe and United Kingdom	989,339	81,645	99,729	1,170,713	
Other	531,454	440,056	54,110	1,025,620	
Total common shares and units	4,008,372	751,027	928,432	5,687,831	
Total	\$ 4,008,372	\$ 751,027	\$ 929,490	\$ 5,688,889	

The classification of a financial instrument into a level is based on the lowest level of input that is significant to the determination of the fair value. Transfers between fair value hierarchy levels are considered effective from the beginning of the reporting period in which the transfer is identified. There were no transfers of financial instruments between Level 1, Level 2 or Level 3 for the period ended March 31, 2021 or during the year ended December 31, 2020.

Included in Level 2 are the Company's investments in pooled funds and limited partnerships which at March 31, 2021 had a carrying value of \$725,491 (December 31, 2020 - \$751,027).

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

	2021	2020
Balance - January 1	\$ 929,490	\$ 868,860
Net fair value change	78,401	(143,865)
Sales	(618)	—
Purchases	8,133	4,384
Balance - March 31	\$ 1,015,406	\$ 729,379

In the normal course of business, investment commitments are outstanding which are not reflected in the consolidated financial statements. As of March 31, 2021, E-L Corporate has \$132,867 (December 31, 2020 - \$144,321) in unfunded commitments in limited partnerships.

Derivative financial instrument

On November 1, 2017, the Company entered into an interest rate swap with a \$100,000 notional principal. The use of derivatives is measured in terms of notional principal amounts, which serve as the basis for calculating payments but is not the actual amount that is exchanged. At March 31, 2021 the fair value of the interest rate swap was a liability of \$2,736 (December 31, 2020 - \$3,263).

The contract matures on November 1, 2022. The interest rate swap is valued based on the contract notional amount and changes in underlying interest rates, 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 March 31, 2021			As at December 31, 2020		
	Fair value through profit or loss	Available for sale	Total carrying value	Fair value through profit or loss	Available for sale	Total carrying value
Short-term investments						
Canadian federal government	\$ 3,500	\$ 5,000	\$ 8,500	\$ 4,999	\$ 4,999	\$ 9,998
Corporate	—	—	—	3,010	—	3,010
Total short-term investments	3,500	5,000	8,500	8,009	4,999	13,008
Bonds						
Federal government	9,707	276,756	286,463	8,013	252,719	260,732
Provincial governments	3,055,936	535,305	3,591,241	3,554,583	543,756	4,098,339
Municipal governments	105,963	88,340	194,303	117,558	95,069	212,627
Total Canadian government bonds	3,171,606	900,401	4,072,007	3,680,154	891,544	4,571,698
Energy	148,434	64,368	212,802	141,206	62,341	203,547
Materials	16,062	6,986	23,048	16,193	7,030	23,223
Industrials	79,669	41,292	120,961	90,584	49,751	140,335
Consumer discretionary	33,453	6,235	39,688	15,068	6,336	21,404
Consumer staples	180,222	55,898	236,120	198,407	72,255	270,662
Health care	75,679	8,826	84,505	81,884	9,319	91,203
Financial services	603,745	422,223	1,025,968	642,664	363,736	1,006,400
Information technology	178	5,049	5,227	181	5,116	5,297
Communication services	280,912	66,159	347,071	284,443	42,202	326,645
Utilities	556,855	83,223	640,078	628,449	77,174	705,623
Real estate	40,158	13,023	53,181	42,655	18,718	61,373
Infrastructure	396,406	64,350	460,756	418,409	59,328	477,737
Total Canadian corporate bonds	2,411,773	837,632	3,249,405	2,560,143	773,306	3,333,449
Foreign bonds						
Government	98,552	—	98,552	111,399	—	111,399
Corporate	10,034	—	10,034	11,234	—	11,234
Total foreign bonds	108,586	—	108,586	122,633	—	122,633
Total bonds	5,691,965	1,738,033	7,429,998	6,362,930	1,664,850	8,027,780
Preferred shares - Canadian	620,803	10,985	631,788	606,664	10,238	616,902
Common shares						
Canadian common shares	197,439	48,399	245,838	172,172	47,734	219,906
Exchange-traded funds	517,279	—	517,279	501,905	—	501,905
Canadian real estate limited partnership units	118,146	—	118,146	121,290	—	121,290
U.S.	43,314	—	43,314	42,046	—	42,046
Other	33,575	—	33,575	33,553	—	33,553
Total common shares	909,753	48,399	958,152	870,966	47,734	918,700
Derivative assets	5,774	—	5,774	5,377	—	5,377
Loans and receivables:						
Mortgages	—	—	153,972	—	—	157,214
Loans on policies	—	—	56,330	—	—	56,458
Policy contract loans	—	—	60,015	—	—	60,407
Total	\$ 7,231,795	\$ 1,802,417	\$ 9,304,529	\$ 7,853,946	\$ 1,727,821	\$ 9,855,846

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 March 31, 2021			As at December 31, 2020		
	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	\$ —	\$ 8,500	\$ 8,500	\$ —	\$ 13,008	\$ 13,008
Bonds	—	7,429,998	7,429,998	—	8,027,780	8,027,780
Preferred shares	631,788	—	631,788	616,902	—	616,902
Common shares	839,605	118,547	958,152	797,009	121,691	918,700
Derivative assets	5,550	224	5,774	5,358	19	5,377
Loans and receivables:						
Mortgages	—	167,049	167,049	—	170,886	170,886
Loans on policies	—	56,330	56,330	—	56,458	56,458
Policy contract loans	—	60,015	60,015	—	60,407	60,407
Total	\$ 1,476,943	\$ 7,840,663	\$ 9,317,606	\$ 1,419,269	\$ 8,450,249	\$ 9,869,518

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 March 31, 2021 or during the year ended December 31, 2020.

Impairment

Based on an impairment review of the AFS investments, there was no impairment at March 31, 2021 (March 31, 2020 - \$nil). Impairment was assessed on these investments due to a number of factors, including the severity of the unrealized loss compared to the cost and the amount of time the investment had an unrealized loss.

Investment commitments

In the normal course of business, investment commitments are outstanding which are not reflected in the consolidated financial statements. There were outstanding commitments as of March 31, 2021 of \$39,748 (December 31, 2020 - \$40,012). These unfunded commitments are payable at any time up to and including December 31, 2023.

Empire Life derivative financial instruments

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

	March 31, 2021			December 31, 2020		
	Notional Principal	Fair Value Assets	Fair Value Liabilities	Notional Principal	Fair Value Assets	Fair Value Liabilities
Exchange-traded						
Equity index futures	\$ 111,010	\$ 2,847	\$ 78	\$ 104,315	\$ 3,325	\$ 43
Equity options	269,727	2,703	—	122,828	2,033	—
Over-the-counter						
Foreign currency forwards	34,843	174	44	34,114	16	7
Cross currency swaps	20,980	50	1,586	20,980	3	1,360
Total	\$ 436,560	\$ 5,774	\$ 1,708	\$ 282,237	\$ 5,377	\$ 1,410

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:

	March 31 2021	December 31 2020
E-L Corporate	\$ 346,401	\$ 245,269
Empire Life	21,622	21,301
Total	\$ 368,023	\$ 266,570

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.

	Ownership	March 31, 2021		December 31, 2020	
		Carrying value	Fair value	Carrying value	Fair value
Algoma	37.4 %	\$ 186,644	\$ 243,224	\$ 98,306	\$ 196,841
Economic	24.1 %	159,757	159,757	146,963	146,963
Total		\$ 346,401	\$ 402,981	\$ 245,269	\$ 343,804

The following table details the movement during the period:

		3 months March 31 2021	12 months December 31 2020
Balance, beginning of the period	\$	245,269	\$ 332,359
Income recorded in the statements of income:			
Share of income		2,377	29,552
Net impairment reversal (loss)		103,352	(58,410)
		105,729	(28,858)
Share of other comprehensive income (loss)		3,698	(10,020)
		109,427	(38,878)
Dividends received during the period		(8,295)	(48,212)
Balance, end of the period	\$	346,401	\$ 245,269

The E-L Corporate's associates are measured using the equity method. As at March 31, 2021, the fair value of the investments in associates was \$402,981 (December 31, 2020 - \$343,804). 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 March 31, 2021, an impairment reversal of \$103,352 (March 31, 2020 - an impairment loss of \$62,536) has been recorded in net income. The previously recognized impairment write downs were reversed as the investment's recoverable amount subsequently increased and there was a significant indication that the circumstances that led to the initial recognition of the impairment loss had improved. The recoverable amount was based on quoted market prices, which are classified as Level 1 in the fair value measurement hierarchy.

Financial information

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

	Algoma		Economic	
	March 31 2021	December 31 2020	March 31 2021	December 31 2020
Cash and cash equivalents	\$ 53,076	\$ 103,910	\$ 5,043	\$ 11,246
Other current assets	78,264	84,866	1,074,074	980,608
Non-current assets	1,021,001	1,034,320	—	—
	1,152,341	1,223,096	1,079,117	991,854
Current liabilities	142,245	179,323	882	817
Non-current liabilities	468,391	483,157	88,528	75,046
	610,636	662,480	89,410	75,863
Net assets	\$ 541,705	\$ 560,616	\$ 989,707	\$ 915,991

	Algoma		Economic	
	2021	2020	2021	2020
Three months ended March 31				
Revenue	\$ 77,599	\$ 85,097	\$ 113,821	\$ (179,785)
Net (loss) income	\$ (22,416)	\$ (23,626)	\$ 98,205	\$ (159,374)
Other comprehensive income	9,884	8,219	—	—
Total comprehensive (loss) income	\$ (12,532)	\$ (15,407)	\$ 98,205	\$ (159,374)

At March 31, 2021, Algoma has capital asset commitments of \$34,960 (December 31, 2020 - \$38,807).

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

	Algoma		Economic		Total	
	2021	2020	2021	2020	2021	2020
Three months ended March 31						
Dividends received	\$ 2,404	\$ 1,697	\$ 5,891	\$ 2,454	\$ 8,295	\$ 4,151

6. Investment and other income

Investment and other income is comprised of the following:

	Three months ended March 31	
	2021	2020
Interest income	\$ 66,804	\$ 69,795
Fee income	65,737	65,285
Dividend income	51,362	38,606
Other	1,577	2,018
Total	\$ 185,480	\$ 175,704

	Three months ended March 31	
	2021	2020
Interest income received	\$ 39,314	\$ 37,388
Dividend income received	77,941	34,746
Total	\$ 117,255	\$ 72,134

7. Segregated funds

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

	March 31 2021	December 31 2020
Cash and cash equivalents	\$ 78,745	\$ 34,871
Short-term investments	412,420	410,641
Bonds	1,856,795	1,866,564
Common and preferred shares	6,361,809	6,207,527
Other assets	32,262	20,320
	8,742,031	8,539,923
Less segregated funds held within general fund investments	(87,579)	(82,506)
Total	\$ 8,654,452	\$ 8,457,417

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

	March 31, 2021			December 31, 2020		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Cash and cash equivalents	\$ 78,745	\$ —	\$ 78,745	\$ 34,871	\$ —	\$ 34,871
Short-term investments	—	412,420	412,420	—	410,641	410,641
Bonds	—	1,856,795	1,856,795	—	1,866,564	1,866,564
Common and preferred shares	6,361,809	—	6,361,809	6,207,527	—	6,207,527
Total	\$ 6,440,554	\$ 2,269,215	\$ 8,709,769	\$ 6,242,398	\$ 2,277,205	\$ 8,519,603

There were no transfers between Level 1 and Level 2 during the three months period ended March 31, 2021 or during the year ended December 31, 2020. There were no level 3 investments as at March 31, 2021 and December 31, 2020.

The following table presents the change in segregated funds:

	Three months ended March 31	
	2021	2020
Segregated funds - beginning of the period	\$ 8,457,417	\$ 8,498,583
Additions to segregated funds:		
Amount received from policyholders	281,812	230,236
Interest	14,070	17,004
Dividends	34,868	35,676
Other income	4,868	14,930
Net realized gains on sale of investments	149,476	—
Net unrealized increase in fair value of investments	158,614	—
	643,708	297,846
Deductions from segregated funds:		
Amounts withdrawn or transferred by policyholders	379,780	321,411
Net realized losses on sale of investments	—	2,113
Net unrealized decrease in fair value of investments	—	1,357,058
Management fees and other operating costs	61,820	60,541
	441,600	1,741,123
Net change in segregated funds held within general fund investments	(5,073)	9,706
Segregated funds - end of the period	\$ 8,654,452	\$ 7,065,012

Empire Life's exposure to segregated fund guarantee risk

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

8. Other comprehensive loss

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

	Three months ended March 31	
	2021	2020
Items that may be reclassified subsequently to net income:		
Net unrealized fair value change on AFS investments		
Unrealized fair value change on AFS investments	\$ (73,833)	\$ (16,181)
Less: Realized gain on AFS investments reclassified to net income	(1,418)	(3,430)
	(75,251)	(19,611)
Share of (OCL) OCI of associates	(1,167)	8,393
	(76,418)	(11,218)
Items that will not be reclassified to net income:		
Net remeasurement of defined benefit plans	22,557	899
Share of OCI (OCL) of associates	4,375	(5,726)
	26,932	(4,827)
OCL, net of tax	\$ (49,486)	\$ (16,045)

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

	Three months ended March 31	
	2021	2020
Items that may be reclassified subsequently to net income:		
Net unrealized fair value change on AFS investments		
Unrealized fair value change on AFS investments	\$ (26,660)	\$ (5,842)
Less: Realized gain on AFS investments reclassified to net income	(550)	(1,243)
	(27,210)	(7,085)
Share of (OCL) OCI of associates	(178)	1,282
	(27,388)	(5,803)
Items that will not be reclassified to net income:		
Net remeasurement of defined benefit plans	8,081	324
Share of OCI (OCL) of associates	668	(874)
	8,749	(550)
Total tax recognized in OCL	\$ (18,639)	\$ (6,353)

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 the actual impact will be consistent with the estimates provided. Changes in risk variables in excess of the ranges illustrated may result in other than proportionate impacts.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes a financial loss to another party.

The gross credit risk exposure for the Company related to its financial instruments is as follows:

	March 31 2021	December 31 2020
Cash and cash equivalents	\$ 526,217	\$ 427,757
Short-term investments	8,500	13,008
Bonds	7,429,998	8,027,780
Preferred shares	632,846	617,960
Derivative assets	5,774	5,377
Mortgages	153,972	157,214
Reinsurance	145,044	141,136
Loans on policies	56,330	56,458
Policy contract loans	60,015	60,407
Accrued investment income	41,641	79,140
Insurance receivable	39,853	46,533
Total	\$ 9,100,190	\$ 9,632,770

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 March 31, 2021 the Company had loaned securities with a fair value of \$3,360,513 (December 31, 2020 - \$3,285,748) and received approximately \$3,449,690 (December 31, 2020 - \$3,367,380) 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	
	March 31 2021	December 31 2020
Holdings of fixed income securities* in the 10 issuers (excluding federal governments) to which the operating segments had the greatest exposure	\$ 4,521,216	\$ 4,886,504
Percentage of the segment's total cash and investments	47 %	49 %
Exposure to the largest single issuer of corporate bonds	\$ 218,882	\$ 236,086
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	March 31, 2021		December 31, 2020	
	Fair value	%	Fair value	%
AAA	\$ 404,515	5 %	\$ 394,570	5 %
AA	2,013,582	27 %	2,289,540	28 %
A	3,533,093	48 %	3,910,974	49 %
BBB	1,475,366	20 %	1,429,025	18 %
BB (and lower ratings)	3,442	— %	3,671	— %
Total	\$ 7,429,998	100 %	\$ 8,027,780	100 %

b) Preferred shares

Empire Life's preferred share investments are all issued by Canadian companies with 1% (December 31, 2020 – 1%) of these investments rated as P1 as at March 31, 2021, 97% (December 31, 2020 – 97%) rated as P2 and the remaining 2% (December 31, 2020 - 2%) rated as P3.

c) Mortgages

Empire Life's mortgages in the province of Ontario represent the largest concentration with \$153,618 or 99% (December 31, 2020 – \$156,445 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's liquidity is comprised of \$244,549 in cash and cash equivalents at March 31, 2021 (December 31, 2020 - \$238,401).

Empire Life

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

	March 31, 2021		December 31, 2020	
	Fair value	%	Fair value	%
1 year or less	\$ 238,132	3 %	\$ 188,385	2 %
1 - 5 years	735,361	10 %	678,391	8 %
5 - 10 years	698,004	9 %	696,271	9 %
Over 10 years	5,758,501	78 %	6,464,733	81 %
Total	\$ 7,429,998	100 %	\$ 8,027,780	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:

March 31, 2021	50 bps increase	50 bps decrease	100 bps increase	100 bps decrease
Shareholders' net income	\$ 5,889	\$ (6,547)	\$ 11,195	\$ (13,843)
Shareholders' OCI	\$ (46,553)	\$ 54,812	\$ (84,847)	\$ 117,883
March 31, 2020	50 bps increase	50 bps decrease	100 bps increase	100 bps decrease
Shareholders' net income	\$ 13,707	\$ (15,160)	\$ 26,113	\$ (31,978)
Shareholders' OCI	\$ (44,348)	\$ 52,567	\$ (80,477)	\$ 113,352

b) Equity risk

E-L Corporate

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

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

	March 31, 2021		March 31, 2020	
	Effect on shareholders' net income	Effect on shareholders' OCI	Effect on shareholders' net income	Effect on shareholders' OCI
Corporate Investments:				
Investments - corporate				
10% fluctuation	\$ 436,710	\$ nil	\$ 317,841	\$ nil
20% fluctuation	\$ 873,420	\$ nil	\$ 635,682	\$ nil
Investments in associates				
10% fluctuation	\$ 16,909	\$ nil	\$ 13,793	\$ nil
20% fluctuation	\$ 33,818	\$ nil	\$ 27,586	\$ 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.

	March 31, 2021		March 31, 2020	
	Effect on shareholders' net income ⁽¹⁾	Effect on shareholders' OCI	Effect on shareholders' net income ⁽¹⁾	Effect on shareholders' OCI
Empire Life				
10% increase	\$ 13,953	\$ 3,544	\$ (14,732)	\$ 2,916
10% decrease	\$ (21,570)	\$ (3,544)	\$ (134,787)	\$ (2,916)
20% increase	\$ 30,164	\$ 7,084	\$ 29,737	\$ 5,833
20% decrease	\$ (88,193)	\$ (7,084)	\$ (286,109)	\$ (5,833)

⁽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 \$346,401 (December 31, 2020 – \$245,269) which represents 6% (December 31, 2020 – 4%) of E-L Corporate's total assets.

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

Empire Life	March 31 2021	December 31 2020
Exposure to the ten largest common share holdings	\$ 695,070	\$ 675,244
As a percentage of the segment's total cash and investments	7 %	7 %
Exposure to the largest single issuer of common shares	\$ 458,504	\$ 447,166
As a percentage of the segment's total cash and investments	5 %	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 \$235,727 (March 31, 2020 – \$160,228) on shareholders' net income and \$10,726 (March 31, 2020 – \$11,884) on other comprehensive income.

Empire Life: Approximately \$nil (March 31, 2020 – \$nil) on shareholders' net income and \$nil (March 31, 2020 – \$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
March 31, 2021			
Revenue	\$ 375,940	\$ (265,257)	\$ 110,683
Shareholders' net income	\$ 309,865	\$ 156,491	\$ 466,356
March 31, 2020			
Revenue	\$ (830,754)	\$ 1,842	\$ (828,912)
Shareholders' net loss	\$ (631,671)	\$ (31,385)	\$ (663,056)
	E-L Corporate	Empire Life	Total
March 31, 2021			
Segment assets ⁽¹⁾	\$ 6,599,587	\$ 18,450,041	\$ 25,049,628
Segment liabilities	\$ 570,621	\$ 16,209,253	\$ 16,779,874
December 31, 2020			
Segment assets ⁽¹⁾	\$ 6,229,470	\$ 18,715,753	\$ 24,945,223
Segment liabilities	\$ 526,053	\$ 16,768,683	\$ 17,294,736

⁽¹⁾ Segment assets for E-L Corporate include investments in associates of \$346,401 (December 31, 2020 - \$245,269).

11. Capital stock

	Authorized	March 31, 2021		March 31, 2020	
		Issued and outstanding		Issued and outstanding	
Preferred shares					
Series A Preference Shares	402,733	258	\$ 1	258	\$ 1
First Preference Shares, Series 1	unlimited	4,000,000	100,000	4,000,000	100,000
First Preference Shares, Series 2	unlimited	4,000,000	100,000	4,000,000	100,000
First Preference Shares, Series 3	unlimited	4,000,000	100,000	4,000,000	100,000
Common Shares	unlimited	3,708,476	66,790	4,019,409	69,853
Total			\$ 366,791		\$ 369,854

On March 4, 2021, the Company obtained approval from the TSX to renew its normal course issuer bid ("NCIB") to purchase up to 185,428 Common Shares between March 9, 2021 and March 8, 2022. 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 first quarter of 2021, 100 Common Shares were purchased under the NCIB at an average price of \$987.00 per share for a total consideration of \$90. The total amount paid to purchase the shares is allocated to share capital and retained earnings in the statements of changes in equity. The amount

allocated to share capital is based on the average cost per Common Share and amounts paid above the average cost are allocated to retained earnings.

The movement in share capital is as follows:

	March 31, 2021		March 31, 2020	
	Number of shares	Share capital	Number of shares	Share capital
Common Shares				
Balance, beginning of the period	3,708,576	\$ 66,792	4,019,409	\$ 72,387
Repurchase and cancellation of shares	(100)	(2)	(140,732)	(2,534)
Balance, end of the period	3,708,476	\$ 66,790	3,878,677	\$ 69,853

On May 6, 2021, subsequent to the date of the interim consolidated financial statements, the Board declared a quarterly dividend of \$2.50 per Common Share payable on July 16, 2021.

12. Capital management

Empire Life manages its regulatory capital in order to meet the regulatory capital adequacy requirements of the Insurance Companies Act (Canada) as established and monitored by OSFI. OSFI has implemented the Life Insurance Capital Adequacy Test (“LICAT”) framework to monitor capital adequacy. Under this framework, Empire Life’s capital adequacy is 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 regulator has established a Supervisory Target Total Ratio of 100% and a Supervisory Target Core Ratio of 70%. As at March 31, 2021 and December 31, 2020 Empire Life was in compliance with the applicable regulatory capital ratios.

On February 17, 2021, Empire Life issued \$200 million of Limited Recourse Capital Notes Series 1 (“LRCN Series 1”) with recourse limited to assets held by a third party trustee in a trust which will be consolidated in these financial statements. Payments of interest and principal in cash on the LRCN Series 1 are made at the discretion of Empire Life and non-payment of interest and principal in cash does not constitute an event of default. In the event of a non-payment of interest, the sole remedy of note holders shall be the delivery of the holders’ proportionate share of the trust assets. In such an event, the delivery of the trust assets will represent the full and complete extinguishment of the Company’s obligations under the LRCN Series 1.

The trust assets consist of \$200 million of Empire Life Non-Cumulative 5-year Fixed Rate Reset Preferred Shares, Series 5 which were issued concurrently with the LRCN Series 1 at a rate of \$1000 per Series 5. Holders of the LRCN Series 1 are entitled to receive semi-annual payments at a rate of 3.625% per annum until April 17, 2026. Thereafter, the yield will reset every five years at a rate equal to the 5-year Government of Canada bond yield plus 3.082%.

On April 17, 2021, subsequent to the date of these interim consolidated financial statements, Empire Life redeemed all of their outstanding Preferred Shares, Series 1 at the price of \$25.00 per share for an aggregate total of \$149.5 million plus declared dividends.

13. COVID-19 pandemic

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 increased uncertainty and volatility which will impact the performance and expected returns of the portfolio and the Company in the near term.

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.

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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.

