E-L Financial Corporation Limited

FIRST QUARTER REPORT
March 31, 2023

Financial Highlights

(Millions of dollars, except per share amounts)

Three months ended March 31		2023		2022[1] restated
Net Equity Value per Common Share [2][3]	**$**	**1,775.42**	$	1,773.43
Net Income (Loss) per Common Share	**$**	**86.96**	$	(64.03)
Contribution to Shareholders' Net Income (Loss):				
E-L Corporate	**$**	**253**	$	(274)
Empire Life		**52**		47
Shareholders' Net Income (Loss)		**305**		(227)
Preferred Shareholder Dividends		**4**		4
Net Income (Loss) attributable to Common Shareholders	**$**	**301**	$	(231)
E-L Corporate				
Shareholders' Net Income (Loss)	**$**	**253**	$	(274)
Investments - Corporate	**$**	**5,906**	$	6,406
Investments in Associates	**$**	**425**	$	394
Empire Life				
Common Shareholders' Net Income	**$**	**52**	$	47
Net insurance and investment income	**$**	**77**	$	74
Life Insurance Capital Adequacy Test Total Ratio ("LICAT") (%)[3]		**152**		142

(1) Amounts have been restated to reflect the adoption of the IFRS 17 and IFRS 9 accounting standards, refer to note 2 of the interim condensed consolidated financial statements.

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

(3) 2022 amounts have not been adjusted for the impacts from the adoption of IFRS 17 and IFRS 9.

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 2023 should be read in conjunction with E-L Financial's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2023, as well as the MD&A and the audited consolidated financial statements which form part of the E-L Financial 2022 Annual Report dated March 2, 2023. 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 12, 2023.

The Company has adopted IFRS 17 Insurance Contracts ("IFRS 17") and IFRS 9 Financial Instruments ("IFRS 9") and has restated comparative information for 2022 applying these accounting standards. The comparative figures in this MD&A, to the extent applicable, have been restated for these accounting changes.

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 weighted 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; product 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 compliance risk, model risk, human resources risk, third party risk, technology, information security and business continuity risk; and business and strategic risk, including environmental and social risk, 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 and pandemic risk. 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.

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, assets under management, annualized premium sales, gross and net sales for mutual funds, segregated funds and fixed annuities to 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 IFRS 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 to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and to determine components of management compensation. Empire Life believes that these measures provide information useful to its shareholders and policyholders in evaluating the Empire's underlying financial results.

Return on Empire Life's common shareholders' equity is a profitability measure that is not prescribed under IFRS and a comparable measure under IFRS is not available. Empire Life calculates this measure as the net income available to common shareholders as a percentage of the average capital deployed to earn the income.

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. For segregated funds and annuity contracts, sales include new and renewal deposits to policy contracts. Net sales in the Wealth Management line reflect the gross sales less the effect of redemptions and surrenders.

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. It represents the total assets of Empire Life and the assets its customers invest in.

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

(in millions of dollars)	**March 31 2023**	December 31 2022 restated[1]
General fund assets	**$ 9,288**	$ 8,992
Segregated fund assets	**8,725**	8,566
Total Empire Life assets	**18,013**	17,558
Mutual fund assets	**—**	16
Total assets under management	**$ 18,013**	$ 17,574

[1] Amounts have been restated to reflect the adoption of the IFRS 17 and IFRS 9 accounting standards, refer to note 2 of the interim condensed consolidated financial statements

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 54.9% (December 31, 2022 - 54.9%) 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 36.6% (December 31, 2022 - 37.2%) interest in Algoma Central Corporation ("Algoma") and a 24.7% (December 31, 2022 - 24.7%) 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				First quarter
(millions of dollars)		**2023**		2022
				restated [1]
Contribution to net income (loss)				
E-L Corporate[2]	**$**	**253**	$	(274)
Empire Life[2]		**52**		47
Net income (loss)		**305**		(227)
Other comprehensive income[2]		**3**		16
Comprehensive income (loss)	**$**	**308**	$	(211)

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

E-L Corporate				**First quarter**
(millions of dollars)		**2023**		2022
				restated [1]
Net gain (loss) on investments	**$**	**323**	$	(462)
Investment and other income		**38**		25
Share of associates income		**10**		4
		371		(433)
Operating expenses		**14**		10
Income taxes		**44**		(59)
Non-controlling interests		**60**		(110)
		118		(159)
Net income (loss)		**253**		(274)
Other comprehensive income (loss), net of taxes[2]		**2**		(1)
Comprehensive income (loss)	**$**	**255**	$	(275)

Empire Life		**First quarter**
(millions of dollars)	**2023**	2022
		restated [1]
Insurance service result	**$ 44**	$ 41
Insurance investment result	**33**	33
Fee and other income[3]	**22**	1
	99	75
Expenses	**30**	16
Income and other taxes	**13**	13
Non-controlling interests and net income (loss) attributable to the participating account	**4**	(1)
	47	28
Net income	**52**	47
Other comprehensive income, net of taxes [2]	**1**	17
Comprehensive income	**$ 53**	$ 64

[1] Amounts have been restated to reflect the adoption of the IFRS 17 and IFRS 9 accounting standards, refer to note 2 of the interim condensed consolidated financial statements
[2] Net of non-controlling interests and net income attributable to the participating account
[3] Included in non-insurance investment results

E-L Financial reported a consolidated 2023 net income of $305 million or $86.96 per common share for the first quarter of 2023 compared to a net loss of $227 million or $64.03 per common share in 2022.

E-L Corporate reported net income of $253 million for the first quarter ended March 31, 2023 compared to a net loss of $274 million in 2022. The increase in earnings was due to a net gain on investments of $323 million in 2023 compared to a net loss of $462 million in 2022. E-L Corporate's global investment portfolio had a pre-tax total return, including dividend income, of 8% in 2023 compared to a pre-tax total return of negative 7% in the prior year.

Empire Life reported net income of $52 million for the for the first quarter of 2023 compared to $47 million for the first quarter of 2022. The increase in first quarter earnings over prior year was primarily a result of a more neutral economic environment.

Normal course issuer bid

On March 6, 2023, the Company obtained approval from the TSX to renew its normal course issuer bid ("NCIB") to purchase up to 177,854 common shares between March 9, 2023 and March 8, 2024. 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.

No shares were purchased under the NCIB for the three months ended March 31, 2023. For the 12 month period ended December 31, 2022, 40,660 were purchased under the NCIB at an average price of $872.05 for a total consideration of $35 million.

Net equity value per common share

E-L Corporate's investments in Algoma and Economic are accounted for using the equity method and are not carried at fair value. Therefore, to provide an indication of the accumulated shareholder value, the following table adjusts shareholders' equity to reflect investments in associates at fair value:

(millions of dollars, except per share amounts)	**Q1 2023**	Q4 2022	Q1 2022
E-L Financial shareholders' equity	**$ 6,628**	$ 6,657	$ 6,820
Less: First preference shares	**(300)**	(300)	(300)
	6,328	6,357	6,520
Adjustments for E-L Corporate's investments in associates not carried at fair value:			
Carrying value	**(425)**	(443)	(385)
Fair value[1]	**405**	433	414
	(20)	(10)	29
Non-controlling interest and deferred tax	**8**	6	(4)
	(12)	(4)	25
Net equity value	**$ 6,316**	$ 6,353	$ 6,545
Common shares[2] outstanding at year end	**3,557,348**	3,557,348	3,690,734
Net equity value per common share[2] [3]	**$ 1,775.42**	$ 1,785.66	$ 1,773.43

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

The Q4 2022 and Q1 2022 net equity value amounts per common share presented in the table above, have not been restated for the adoption of IFRS 17 and IFRS 9 reporting standards. However, these accounting changes did result in a $319 million reduction in shareholders' equity as of December 31, 2022 as presented in the interim consolidated financial statements as of March 31, 2023. The Q1 2023 net equity value per common share of $1,775.42 has reflected the reduction in shareholders' equity as a result of the adoption of IFRS 17 and IFRS 9.

The common shares outstanding for Q1 2023 and Q4 2022 are lower compared Q1 2022 due to common shares acquired as part of the Company's NCIB and substantial issuer bid.

Growth in net equity value per common share

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 per common share and compounded annual growth in net equity value per common share is calculated as the change in net equity value per share for the respective period and includes dividends paid to common shareholders.

Annual	**Net equity value per common share ***	**Growth***
	$	%
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
2021	1,884.08	17.1
2022	1,785.66	(3.4)
Year to date		
March 31, 2023	1,775.42	(0.4)
Compounded annual growth in net equity value per common share*		
2013 - 2022 - 10 years		11.2
1969 - 2022 - Since inception		12.5

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

The net equity value per common share as at December 31, 2022 has not been adjusted to reflect the adoption of IFRS 17 and IFRS 9. These accounting changes resulted in a reduction to common shareholders' equity of $319 million as at December 31, 2022. Excluding the impact of this accounting change, the growth in net equity value per common share including dividends, would have been 4.9% for the first quarter of 2023.

Summary of quarterly results

The following table summarizes the quarterly results:

(millions of dollars, except per share amounts)	**2023**	2022 - restated				2021[4]		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Net insurance and investment result	**$ 77**	$ (3)	$ 50	$ (36)	$ 74			
Net premium income						$ 241	$ 227	$ 223
Net gain (loss) on investments[1]	**323**	451	(60)	(697)	(462)	562	9	507
Investment and other income	**60**	63	50	37	26	189	178	184
Associates[2]	**10**	24	30	2	4	15	23	14
Total revenue	**$ 470**	$ 535	$ 70	$ (694)	$ (358)	$ 1,007	$ 437	$ 928
Net income (loss)[3]	**$ 305**	$ 384	$ 29	$ (506)	$ (227)	$ 278	$ 168	$ 241
Earnings (loss) per common share								
- basic	**$ 86.96**	$ 109.81	$ 6.94	$ (138.87)	$ (64.03)	$ 75.82	$ 45.47	$ 65.47
- diluted	**$ 80.00**	$ 100.80	$ 6.94	$ (138.87)	$ (64.03)	$ 68.55	$ 41.50	$ 59.33

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

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 2023 decreased compared to the prior quarter but increased compared to the first quarter of 2022, 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 and movements in interest rates.

Net insurance and investment result increased for the first quarter of 2023 compared to both the prior quarter and the first quarter of 2022. The increase in first quarter of 2023 compared to the prior quarter is due to improvement in the insurance investment results.

Liquidity and cash flows

The cash flow information, noted below, provides supplemental information that is considered useful in understanding the components within the cash flow statement on both a consolidated and non-consolidated basis.

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**	
					2023	2022
Cash flows from:						restated [1]
Operating activities	$ 18	$ 7	$ 60	$ (9)	**$ 76**	$ (1)
Financing activities	(33)	(54)	(8)	3	**(92)**	(29)
Investing activities	(6)	56	(62)	6	**(6)**	(229)
(Decrease) increase in cash and cash equivalents	(21)	9	(10)	—	**(22)**	(259)
Cash and cash equivalents, beginning of the period	70	57	176	—	**303**	636
Cash and cash equivalents, end of the period	$ 49	$ 66	$ 166	$ —	**$ 281**	$ 377

[1] Amounts restated for the IFRS 17 and IFRS 9 accounting change

The increase in cash provided from operating activities in 2023 relative to 2022 reflects the increase in cash earnings during 2023 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.

Cash used for financing activities during the first quarter of 2023 was primarily due to United repaying the $50 million operating credit facility combined with E-L Financial (non-consolidated) repaying $20 million of the margin loan.

Cash used for investment activities was lower in 2023 compared to the prior year. During the first quarter of 2022 changes were made to E-L Corporate's investment managers which contributed to a significant increase in the investment portfolio turnover.

Non-consolidated cash flows of E-L Financial

E-L Financial's corporate cash flows from operating activities, before payment of dividends, are primarily comprised of dividends and interest received, less operating expenses and income taxes.

The following table details the non-consolidated cash flows of the Company on a direct basis, excluding the cash flows of the subsidiaries. This table has been prepared to assist the reader in isolating the cash flows of E-L Financial (non-consolidated).

Three months ended March 31 *(millions of dollars)*	**2023**	2022
Cash flows from:		
Operating activities		
Dividends from subsidiaries	**$ 2**	$ 20
Dividends and interest	**27**	18
Expenses and taxes, net of other income	**(11)**	(63)
	18	(25)
Financing activities		
Cash dividends	**(13)**	(13)
Common share purchases	**—**	(9)
Decrease in margin loan	**(20)**	—
	(33)	(22)
Investing activities		
Purchases of investments	**(111)**	(435)
Proceeds from sales of investments	**82**	256
Dividends from associates	**23**	14
	(6)	(165)
(Decrease) increase in cash and cash equivalents	**(21)**	(212)
Cash and cash equivalents, beginning of the period	**70**	381
Cash and cash equivalents, end of the period	**$ 49**	$ 169

During the first quarter of 2023, the non-consolidated cash and cash equivalents of E-L Financial decreased by $21 million.

Operating cash flows for the first quarter of 2023 increased compared with the prior year mainly due to a decrease in the expenses and taxes balance resulting from higher income taxes paid in the first quarter of 2022 relating to realized investment gains in 2021.

The increase in cash used for financing activities for the first quarter of 2023 are due to the reasons described under the consolidated cash flows narrative above.

The movement in investing cash flows from the purchases and proceeds from sale of investments are due to the reasons noted above. Cash flows from dividends from associates in 2023 included a special dividend paid by Algoma during the first quarter of 2023.

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.

Significant Developments

The Russian war with Ukraine and the resulting sanctions have negatively impacted global economic growth forecasts. Further, the novel coronavirus (or COVID-19) continues to impact international business operations, supply chains, travel, commodity prices, consumer confidence and business forecasts. These factors have led to higher levels of inflation and have created increased uncertainty and volatility, which impact the Company's investment portfolios.

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, 2023, investments - corporate had aggregate investments of $5.9 billion, comprised primarily of common shares and units of investment funds, compared to aggregate investments at December 31, 2022 of $5.6 billion. The fair value of investments - corporate is summarized in the table below:

(millions of dollars)		**March 31 2023**		**December 31 2022**
Preferred shares	**$**	**3**	$	3
Common shares and units				
Canada and U.S.		**4,050**		3,906
Europe and United Kingdom		**1,074**		945
Emerging Markets		**456**		433
Japan		**275**		251
Other		**48**		41
Total		**5,903**		5,576
Total invested assets	**$**	**5,906**	$	5,579

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

		First quarter		
(millions of dollars)		**2023**		2022
Net gain (loss) on investments	**$**	**323**	$	(462)
Investment and other income		**38**		25
Share of associates income		**10**		4
		371		(433)
Operating expenses		**14**		10
Income taxes		**44**		(59)
Non-controlling interests		**60**		(110)
		118		(159)
Net income (loss)		**253**		(274)
OCI, net of taxes		**2**		(1)
Comprehensive income (loss)	**$**	**255**	$	(275)

E-L Corporate reported a net income of $253 million in the first quarter of 2023 compared to a loss of $274 million in 2022. For the first quarter of 2023 there was a net gain on investments of $323 million compared to a loss of $462 million in 2022. E-L Corporate's global investment portfolio had pre-tax total return, including dividend income of 8% for the first quarter of 2023 compared to negative 7% for the first quarter of 2022.

Investment and other income was higher for the first quarter of 2023 compared to 2022. Investment and other income consists primarily of dividend income received from E-L Corporate's investment portfolio. In general, dividend income is impacted by the composition of the investment portfolio and foreign exchange rates. Dividend income during the first quarter of 2023 increased compared to the prior year mainly due to increased dividends from Canadian investments.

Operating expenses increased for the first quarter compared to 2022.

Share of associates income

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

	First quarter [1]	
(millions of dollars)	**2023**	2022
Algoma	**$ (3)**	$ (7)
Economic	**13**	10
	$ 10	$ 3

[1] Includes an $8 million impairment reversal (March 31, 2022 - $12 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.

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 pre-tax total return, gross of fees, of 5% during the first quarter of 2023 compared to negative 3% in 2022.

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

	March 31, 2023			December 31, 2022		
	Ownership	**Carrying value**	**Fair value**	Ownership	Carrying value	Fair value
Algoma	**36.6 %**	**$ 243**	**$ 223**	37.2 %	$ 268	$ 258
Economic	**24.7 %**	**182**	**182**	24.7 %	175	175
Total		**$ 425**	**$ 405**		$ 443	$ 433

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, 2023, 58% (December 31, 2022 - 58%) of the investment - corporate including cash and cash equivalents was denominated in U.S. dollars, 10% (December 31, 2022 - 9%) in Euros and 5% (December 31, 2022 - 5%) 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 11 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 equity 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 Group Solutions 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:

Financial analysis overview

	First quarter	
(millions of dollars)	**2023**	2022
		restated
Common shareholders' net income	**$ 52**	$ 47

Empire Life reported first quarter common shareholders' net income of $52 million for 2023, compared to a net income of $47 million for the first quarter of 2022. The increase in first quarter earnings over prior year was primarily a result of a more neutral economic environment.

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, 2023 and 2022. A discussion of results is provided in the Product Line section of the MD&A.

For the three months ended March 31, 2023 (in millions of dollars)	**Wealth Management**	**Group Solutions**	**Individual Insurance**	**Capital & Surplus**	**Total**
Insurance revenue	$ 58	$ 157	$ 111	$ —	**$ 326**
Insurance service expenses	(30)	(154)	(83)	—	**(267)**
Insurance service results	28	3	28	—	**59**
Net expense from reinsurance contracts held	—	(2)	(13)	—	**(15)**
Net insurance service result	**28**	**1**	**15**	**—**	**44**
Insurance finance income (expense) from insurance contracts issued, excluding segregated funds	(14)	(9)	(231)	—	**(254)**
Reinsurance finance income (expense) from reinsurance contracts held	—	4	(13)	—	**(9)**
Insurance finance result	**(14)**	**(5)**	**(244)**	**—**	**(263)**
Investment income, excluding segregated funds	15	5	250	50	**320**
Change in investment contracts	(24)	—	—	—	**(24)**
Net investment income, excluding segregated funds	**(9)**	**5**	**250**	**50**	**296**
Changes in underlying items of the segregated funds	(281)	—	—	—	**(281)**
Investment income (loss) related to segregated fund net assets	281	—	—	—	**281**
Segregated funds net finance and investment result	**—**	**—**	**—**	**—**	**—**
Net investment result	**(23)**	**—**	**6**	**50**	**33**
Fee and other income	15	2	—	5	**22**
Non-insurance operating expenses	(8)	(4)	(5)	(7)	**(24)**
Interest expenses (subordinated debt)	—	—	—	(7)	**(7)**
Total other income and expenses	**7**	**(2)**	**(5)**	**(9)**	**(9)**
Net income (loss) before taxes	**12**	**(1)**	**16**	**41**	**68**
Total income taxes	**(3)**	**—**	**(3)**	**(7)**	**(13)**
Net income (loss) after taxes	**$ 9**	**$ (1)**	**$ 13**	**$ 34**	**$ 55**
Net income attributable to the participating account					**2**
Dividends on preferred shares					**1**
Empire Life's common shareholder's net income					**52**
Non-controlling interests in net income					**—**
Net income attributable to owners of E-L Financial					**$ 52**

For the three months ended March 31, 2022 restated (in millions of dollars)	**Wealth Management**	**Group Solutions**	**Individual Insurance**	**Capital & Surplus**	**Total**
Insurance revenue	$ 57	$ 146	$ 101	$ —	$ 304
Insurance service expenses	(27)	(151)	(75)	—	(253)
Insurance service results	30	(5)	26	—	51
Net expense from reinsurance contracts held	—	1	(11)	—	(10)
Net insurance service result	30	(4)	15	—	41
Insurance finance income (expense) from insurance contracts issued, excluding segregated funds	35	15	790	—	840
Reinsurance finance income (expense) from reinsurance contracts held	(1)	(6)	48	—	41
Insurance finance result	34	9	838	—	881
Investment income, excluding segregated funds	(42)	(9)	(668)	(138)	(857)
Change in investment contracts	9	—	—	—	9
Net investment income, excluding segregated funds	(33)	(9)	(668)	(138)	(848)
Changes in underlying items of the segregated funds	119	—	—	—	119
Investment income (loss) related to segregated fund net assets	(119)	—	—	—	(119)
Segregated funds net finance and investment result	—	—	—	—	—
Net investment result	1	—	170	(138)	33
Fee and other income	(1)	1	—	1	1
Non-insurance operating expenses	(5)	(2)	(2)	(1)	(10)
Interest expenses (subordinated debt)	—	—	—	(5)	(5)
Total other income and expenses	(6)	(1)	(2)	(5)	(14)
Net income (loss) before taxes	25	(5)	183	(143)	60
Income taxes	(5)	1	(46)	36	(14)
Net income (loss) after taxes	$ 20	$ (4)	$ 137	$ (107)	$ 46
Net income attributable to the participating account					(2)
Dividends on preferred shares					1
Empire Life's common shareholder's net income					47
Non-controlling interests in net income					—
Net income attributable to owners of E-L Financial					$ 47

Net insurance service result increased $3 million or 8% compared to the same period in 2022, primarily due to improved long-term disability ("LTD") experience and growth in the Group Solutions line. This growth was driven by higher premium earned in our specialty and specialty reinsurance partnerships, partially offset by an increase in claims.

Net investment result was consistent with the same period in 2022. The economic environment in the two quarters was very different, primarily due to significant yield curve increases in Q1 2022, which were not repeated in 2023. In addition, while strong equity markets drove net income gains in both quarters, the impact was greater in Q1 2023.

Total other income and expenses improved $5 million or 37% compared to the same period in 2022 due to higher net deposits on annuities in Wealth Management and net earnings from TruStone Financial Inc, which was acquired on March 10, 2022.

Net Contractual Service Margin

(in millions of dollars)		First quarter 2023		2022
Net contractual service margin, beginning of period	**$**	**1,544**	$	1,358
Impact of new insurance business		**21**		17
Insurance experience		**10**		6
Economic experience		**6**		166
CSM recognized for services provided		**(41)**		(43)
Net contractual service margin, end of period	**$**	**1,540**	$	1,504

The contractual service margin ("CSM") in the first quarter of 2023 was relatively flat, compared to an increase of $146 million for the same period in 2022. The prior year's increase related mainly to segregated funds in the Wealth line of business, driven by increases in interest rates and credit spreads, which did not recur in the first quarter of 2023. The new insurance business CSM increased in the first quarter of 2023 primarily due to higher sales in the individual insurance line and higher margins from our Segregated fund products due to higher interest rates.

Product Line Results - Wealth Management

(in millions of dollars)		First quarter 2023		2022 restated
Fixed annuities				
Assets under management(1)	**$**	**811**	$	798
Gross sales(1)		**45**		23
Net sales(1)		**8**		(1)
Segregated funds				
Assets under management(1)	**$**	**8,707**		9,046
Gross sales(1)		**244**		262
Net sales(1)		**(52)**		(30)
Net insurance service result		**28**		30
Net investment result		**(23)**		1
Fee and other income		**15**		(1)
Non-insurance operating expenses		**(8)**		(5)
Total income taxes		**(3)**		(5)
Net income (loss) after taxes	**$**	**9**	$	20

(1) See Non-IFRS Measures section.

Fixed annuities assets under management were 2% higher relative to the same period in 2022. Gross sales in the first quarter were 96% higher than the same period in 2022, due to strong demand for the product, continuing since the latter half of 2022.

Segregated fund assets under management are lower relative to the same period in 2022, reflecting a decline in equity market performance within the funds, partially offset by the net inflows. For the first quarter of 2023, gross sales were 7% lower than the same period in 2022.

Although, net insurance service result held relatively stable year over year with a decrease of 3%, net income of $9 million decreased $11 million or 55% compared to the first quarter in 2022, primarily driven by interest rate movements and model refinements.

Product line results - Group Solutions

(in millions of dollars)		2023		First quarter 2022 restated
Selected financial information				
Core	**$**	**11**	$	15
Other		**7**		7
Annualized premium sales[(1)]	**$**	**18**	$	22
Insurance revenue, gross	**$**	**156**	$	146
Net insurance service result	**$**	**1**	$	(4)
Fee and other income		**2**		1
Non-insurance operating expenses		**(4)**		(2)
Total income taxes		**—**		1
Net income (loss) after taxes	**$**	**(1)**	**$**	**(4)**

(1) See Non-IFRS Measures section.

Total annualized premium sales decreased in the first quarter compared to the same period in 2022, primarily due to lower sales of the Company's core product offerings. The Company continues to focus on sales of its core products in the small to medium-sized business market while also entering into strategic partnerships to expand market share.

Total insurance revenue increased 7% in the first quarter compared to the same period in 2022, primarily due to growth in existing specialty partnerships and maintenance of the Company's core group benefit offerings.

Net loss for the first quarter improved compared to the same period in 2022 due to the growth in our specialty and specialty reinsurance partnerships and improvements in long-term disability claims experience, partially offset by an increase in claims driven by utilization of health and dental benefits and inflationary pressures.

Product line results - Individual Insurance

(in millions of dollars)		2023		First quarter 2022 restated
Shareholders'				
Shareholders' annualized premium sales[(1)]	**$**	**10**	$	6
Net income (loss) after taxes		**11**		**139**
Policyholders'				
Policyholders' annualized premium sales[(1)]	**$**	**4**	$	4
Net income (loss) after taxes		**2**		**(2)**
Net insurance service result	**$**	**15**	$	15
Net investment result		**6**		170
Non-insurance operating expenses		**(5)**		(2)
Income taxes		**(3)**		(46)
Net income after taxes	**$**	**13**	**$**	**137**

(1) See Non-IFRS Measures section.

Shareholders' annualized premium sales increased by 67% in the first quarter compared to the same period in 2022, primarily from stronger sales on our term insurance products. Policyholders' annualized premium sales was consistent with the prior year.

Shareholders' net income decreased $128 million or 92% compared to the first quarter of 2022. Although net insurance service result was consistent with the prior year, Shareholder' net income was impacted from large interest rate increases experienced in the first quarter of 2022 which were not experienced in 2023.

Results - Capital and Surplus

			First quarter	
(in millions of dollars)		**2023**		2022 restated
Net finance and investment results	**$**	**50**	$	(138)
Other income and expenses		**(9)**		(5)
Net income (loss) before taxes		**41**		(143)
Income taxes		**(7)**		36
Net income (loss) after taxes	**$**	**34**	$	(107)

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.

Compared to the prior year, net income improved in the Capital and Surplus segment as the first quarter of 2023 included investment gains driven by the impact from decreasing interest rates. Net losses in the first quarter of 2022 were mainly due to the impact from rising interest rates and credit spreads on our investment portfolio.

Financial Instruments

Empire Life buys investment quality bonds to support, to a very large extent, the liabilities under the insurance and investment contracts of the Company. Empire Life's investment strategy also includes the use of publicly listed common stocks or exchange-traded funds ("ETFs") to support the liabilities under its insurance contracts. Cash flows arising from these financial instruments are intended to match the liquidity requirements of Empire Life's insurance and investment contract liabilities, within the limits prescribed by the Company. Empire Life is subject to credit and market risk on these financial instruments.

Credit risk on these financial instruments could result in a financial loss should the other party fail to discharge an obligation. This credit risk is derived primarily from investments in bonds, debentures, preferred shares, short-term investments and mortgages. The investment guidelines establish minimum credit ratings for issuers of bonds, debentures and preferred share investments, and provide for concentration limits by issuer of such debt instruments. Management reviews credit quality relative to investment purchases and monitors the credit quality of invested assets over time. Management reports regularly to the Investment Committee of Empire Life's Board on the credit risk to which the portfolio is exposed.

Empire Life manages market risk exposure mainly through investment limits and oversight of its in-house investment managers and external investment firms by the Chief Investment Officer, Chief Actuary, Asset Management Committee and Investment Committee of the Board. The Investment Committee actively monitors the portfolio and asset mix. Empire Life has a semi-static hedging program as part of its approach to managing this risk. Empire Life manages credit risk by applying its investment guidelines established by the Investment Committee of the Board of Directors.

Empire Life manages credit risk with respect to derivatives by applying limits and credit rating restrictions established by the Investment Committee in its investment guidelines, which set out permitted derivatives and permitted uses for derivatives, as well as limits to the use of these instruments. In particular, no leverage is permitted in the use of derivatives and strict counterparty credit restrictions are imposed. Effective January 1, 2023, we adopted IFRS 9 Financial Instruments. Except for assets impacted by the overlay approach, results from periods prior to January 1, 2023 are reported in accordance with IAS 39

Financial Instruments: Recognition and Measurement. For further details on the impacts of the adoption of IFRS 9, including the description of accounting policies selected, refer to note 2 of the interim condensed consolidated financial statements.

Sources of capital

Empire Life has issued private and public securities to strengthen its capital position and fund new business growth. The securities outstanding are summarized in the following table:

(in millions of dollars)	As at **March 31 2023**	As at December 31 2022
Subordinated debentures	**$ 399**	$ 399
Equity		
Preferred shares and other equity instruments	**297**	297
Common shares	**1**	1
Total Equity	**$ 298**	$ 298

Details of the Company's outstanding subordinated debentures are as follows:

(in millions of dollars)	Date Issued	Earliest Redemption Date	Yield	As at **March 31 2023**	As at December 31 2022
Series 2017-1 (1)	September 2017	March 15, 2023	3.664%	**$ —**	$ 200
Series 2021-1 (2)	September 2021	September 24, 2026	2.024%	**$ 199**	$ 199
Series 2023-1 (3)	January 2023	January 13, 2028	5.503%	**$ 200**	$ —

(1) All of the outstanding Series 2017-1 Subordinated 3.664% Unsecured Debentures were redeemed on March 15, 2023.

(2) Series 2021-1 Subordinated 2.024% Unsecured Debentures due 2031. From September 24,2026, interest is payable at 0.67% over CDOR.

(3) Series 2023-1 Subordinated 5.503% Unsecured Debentures due 2033. From January 13, 2028, interest is payable at 2.26% over CORRA.

Details of the Company's outstanding preferred shares are as follows:

(in millions of dollars)	Date Issued	Earliest Redemption Date	Yield	As at March 31 2023		As at December 31 2022	
Preferred shares, Series 3	November 2017	January 17, 2028	6.187%	**$**	**100**	$	100
Limited Recourse Capital Notes, Series 1	February 2021	April 17, 2026	3.625%	**$**	**197**	$	197

The securities issued by Empire Life are rated by DBRS Limited (DBRS). DBRS has assigned the following ratings to the Company's securities:

Evaluation type	**Rating**	**Trend**	**Date of last rating action**
Financial strength rating	A	Stable	May 30, 2022
Issuer rating	A	Stable	May 30, 2022
Subordinated debt	A(low)	Stable	May 30, 2022
Preferred shares	Pfd-2	Stable	May 30, 2022
Limited Recourse Capital Notes	BBB(high)	Stable	May 30, 2022

In the fourth quarter of 2022, Empire Life provided notice to E-L Financial Corporation Limited that it did not intend to exercise its right to redeem all or any part of the currently outstanding 4,000,000 Series 3 Preferred Shares of Empire Life on January 17, 2023 and, as a result and subject to certain conditions, the holders of the Series 3 Preferred Shares had the right, at their option on the Series 3 Conversion Date, to convert all or part of their Series 3 Preferred Shares on a one-for-one basis into Series 4 Preferred Shares. In early 2023, E-L Financial irrevocably elected not to exercise this right. Effective January 18, 2023, holders of Series 3 Preferred Shares are entitled to receive fixed non-cumulative quarterly dividends yielding 6.187% annually, as and when declared by the Board of Directors of Empire Life, for the renewal period ending on and including January 17, 2028. Thereafter, the dividend rate will be reset every five years at a rate equal to the 5-year Government of Canada bond yield plus 3.24%.

Debenture Issue

On January 13, 2023, the Company issued $200 million principal amount of unsecured debentures with a maturity date of January 13, 2033. The net proceeds of the issue will be used for regulatory capital purposes and for general corporate purposes which may include the redemption of outstanding debt.

The interest rate from January 13, 2023 to January 13, 2028 is 5.503% payable semi-annually until the interest reset date, which is January 13, 2028. The interest rate from January 13, 2028 until January 13, 2033 is the daily compounded Canadian Overnight Repo Rate Average (CORRA) plus 2.26%, payable quarterly.

The Company may call for redemption of the debentures any time after January 13, 2028 subject to the prior written approval of OSFI.

The debentures are subordinated in right of payment to all policy contract liabilities of the Company and all other senior indebtedness of the Company.

Debenture Redemption

On February 7, 2023, the Company announced that it intends to redeem, on March 15, 2023 (the "Redemption Date"), all of its outstanding $200 million 3.664% Unsecured Subordinated Debentures, Series 2017-1 due March 15, 2028 (the "Notes"). Notice will be delivered to the Note holders in accordance with the terms and conditions set forth in the related trust indenture. Interest on the Notes will cease to accrue from and after the Redemption Date.

The redemption has been approved by the OSFI.

Regulatory capital

The Life Insurance Capital Adequacy Test ("LICAT") is intended to measure a life insurer's solvency position by recognizing the long-term economics of the life insurance business. The Company 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%. The Office of the Superintendent of Financial Institutions ("OSFI") has established supervisory target levels of 70% for Core and 100% for Total ratio.

LICAT (in millions of dollars)		**Mar 31** **2023**		Dec 31 2022 (1)		Sep 30 2022 (1)		Jun 30 2022 (1)		Mar 31 2022 (1)
Available capital										
Tier 1	$	2,213	$	1,776	$	1,729	$	1,695	$	1,775
Tier 2		647		600		587		576		573
Total	$	2,860	$	2,376	$	2,316	$	2,271	$	2,348
Surplus allowance and eligible deposits		598		916		933		1,001		1,074
Base solvency buffer		2,276		2,393		2,366		2,363		2,410
LICAT total ratio		152%		138%		137%		139%		142%
LICAT core ratio		116%		101%		101%		101%		105%

(1) Amounts prior to January 1, 2023 have not been adjusted for the impacts from the adoption of IFRS 17 and IFRS 9. See Note 2 in the interim condensed consolidated financial statements for additional details.

The increase in the LICAT ratio in the first quarter of 2023 is due to the adoption of IFRS 17 and IFRS 9 as well as changes to OSFI's regulatory capital calculations. Significant drivers of the change include OSFI's changes to the base solvency buffer ("BSB") scalar from 105% to 100%, as well as the impact of revised valuation treatment for segregated fund contracts.

IFRS 17 *Insurance Contracts* (IFRS 17) and IFRS 9 *Financial Instruments* (IFRS 9) adopted in 2023

For periods beginning on or after January 1, 2023, the Company has adopted IFRS 17, which replaces IFRS 4 *Insurance Contracts,* and has restated comparative information for 2022 applying the transition provisions in IFRS 17. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts. Effective January 1, 2023, we have also adopted IFRS 9, which replaces IAS 39 *Financial Instruments: Recognition and Measurement.*

IFRS 17

The adoption of IFRS 17 did not change the classification of the majority of the Company's insurance or investment contract liabilities. Up to and including December 31, 2022, the insurance industry has been permitted to continue using IFRS 4 and the Canadian Asset Liability Method ("CALM") as prescribed by the CIA to measure insurance and investment contract liabilities. The exception is deferred annuities which were classified as insurance contracts under IFRS 4 and are now classified as investment contracts under IFRS 9. IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Company.

The primary principles of IFRS 17 are that the Company:

- Identifies insurance contracts as those under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.
- Divides the insurance and reinsurance contracts held into groups of either assets or liabilities that it will recognize and measure.
- Recognizes profit from a group of insurance contracts over the period that insurance coverage is provided and as the Company is released from risk. If a group of insurance contracts is expected

to be onerous (loss making, exclusive of ceded risks) over the remaining coverage period, losses are recognized immediately.

- Measures insurance contract liabilities as the total of the following measurement components:
    - probability weighted, discounted, future cash flows;
    - a risk adjustment (RA); and
    - CSM.

Transition

Changes in accounting policies resulting from the adoption of IFRS 17 will be applied using a full retrospective approach where practicable. If it is impracticable to apply the full retrospective approach, then the Company is permitted to choose between the modified retrospective approach and the fair value approach. For group insurance contracts, the full retrospective approach was applied. For all other insurance business, the fair value approach was applied.

For additional information on IFRS 17 refer to note 2 in the interim condensed consolidated financial statements.

IFRS 9

Financial asset classification is based on the cash flow characteristics and the business model in which an asset is held. The classification determines how a financial instrument is accounted for and measured. IFRS 9 includes three measurement categories for financial assets:

1. Measured at amortized cost
2. Fair Value Other Comprehensive Income (FVOCI)
3. Fair Value Through Profit and Loss (FVTPL)

Most financial assets are designated as FVTPL under IAS 39 and will continue to be measured at FVTPL under IFRS 9.

Equity investments that are classified as available for sale under IAS 39 will be measured at FVTPL under IFRS 9.

Mortgages and loans measured at amortized cost under IAS 39 will be designated as FVTPL under IFRS 9. Some investment contracts that were treated as insurance under IFRS 4 will be treated as financial liabilities under IFRS 9. Investment contracts will be designated as FVTPL under IFRS 9.

Because the majority of financial assets are measured at fair value both before and after the transition to IFRS 9, the new classification requirements will not have a material impact on total equity upon adoption.

IFRS 9 replaces the incurred loss impairment model in IAS 39 with a forward-looking expected credit loss impairment model. After adoption of IFRS 9, the majority of financial assets will be reported at FVTPL, so the expected credit loss model will not have a significant impact.

Overlay approach

As permitted, the Company has elected to apply the overlay approach, which allows the classification and remeasurement requirements of IFRS 9 to be applied to all financial assets held in comparative periods, including those that were derecognized during that period, in order to reduce the volatility in profit or loss arising from the different effective dates of IFRS 9, "Financial Instruments", and IFRS 17, "Insurance Contracts".

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 was initially applied on January 1, 2023 without restatement of comparatives. For additional information on the impact of the Overlay approach and the IFRS 9 transition, refer to note 2 of the interim condensed consolidated financial statements.

Risk Management

Empire Life is a financial institution offering wealth management, employee benefits and individual insurance products. The Company is exposed to a number of risks as a result of its business activities. The goal of the Company's risk management program is to ensure that risk-taking activities are aligned with its strategy, in order to achieve business goals and deliver acceptable shareholder returns.

Caution Related to Sensitivities

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. The sensitivities do not take into account indirect effects such as potential impacts on goodwill impairments or valuation allowances on deferred tax assets. Actual results can differ materially from these estimates for a variety of reasons, including differences in the pattern or distribution of market shocks, 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, CSM, Equity 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.

Significant Developments

Similar to the latter half of 2022, the first part of 2023 has continued to see significant volatility across global markets. While COVID risks continue to linger, many countries are treating it as endemic, countering it with far less stringent measures. The economic outlook is still uncertain due to global inflation, recessionary pressures and geopolitical tensions. In addition, the banking crisis experienced in the U.S. and collapse of Credit Suisse have added to the market volatility. In many countries, growth has slowed.

Continued economic and political uncertainty, including international conflicts, may give rise to increased business and strategic risks. In addition, adverse economic conditions often arise in conjunction with volatile and deteriorating market conditions which may have an adverse impact on customer behaviour, sales and future financial results.

The Company has considered these events and their effects when applying the measurement techniques for critical accounting estimates and judgments provided in Note 2. The potential effects on the Company's financial results due to fluctuations in equity markets and interest rates are provided in Note 11.

Market Risk

Empire Life has equity market risk related to its segregated fund products and from equity assets supporting its life insurance and investment contract liabilities. Empire Life maintains a semi-static hedging program. The objective of the hedging program is to partially protect the Company from regulatory capital (LICAT) ratio declines that might result from adverse stock market price changes. The hedging program may employ derivatives positions including put options and futures. The extent of derivatives used is monitored and managed on an ongoing basis, giving consideration to equity market 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 as well as liabilities on the statement of financial position related to segregated fund guarantees. Some net income volatility can result from the hedging instruments, as gains or losses are not directly offset by changes in the value of other assets and liabilities exposed to equity risk. For the quarter, Empire Life experienced a loss of $6.1 million after tax, due to realized and unrealized fair value losses. This compares to a hedge loss of $1.9 million after tax over the same period in 2022.

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, 2023, 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 2023	December 31 2022
Percentage of segregated fund liabilities with:		
75% maturity guarantee and a 75% death benefit guarantee	8 %	8 %
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")	41 %	41 %
Total	100 %	100 %

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 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 sensitivity test. 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 framework includes the use of various constraints that provide a partial cushion against impacts. As a result, the sensitivity impacts are often non-linear or asymmetric. In addition, the contractual service margin provides a significant offset to potential impacts in the segregated fund guarantee liability. This significantly reduces the net income impacts from changes in interest rates or stock market levels.

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, 2023 and December 31, 2022, the sensitivity of Empire Life shareholders' net income resulting from stock market increases and decreases is provided in the following table:

Sensitivity to equity risk	**Increase**		**Decrease**		
Impact on net income *(millions of dollars after tax)*	**20%**	**10%**	**10%**	**20%**	**30%**
As at March 31, 2023					
Segregated fund guarantees	**$ —**	**$ —**	**$ (2)**	**$ (4)**	**$ (17)**
Other equity risk	**61**	**30**	**(30)**	**(61)**	**(92)**
Equity hedge	**(3)**	**(2)**	**6**	**20**	**44**
Total	**$ 58**	**$ 28**	**$ (26)**	**$ (45)**	**$ (65)**
As at December 31, 2022 - restated					
Segregated fund guarantees	$ —	$ —	$ (2)	$ (4)	$ (17)
Other equity risk	66	34	(28)	(60)	(92)
Equity hedge	(4)	(3)	6	20	40
Total	$ 62	$ 31	$ (24)	$ (44)	$ (69)

Based on stock market levels as at March 31, 2023, the sensitivity of Empire Life LICAT Total ratio resulting from stock market increases and decreases is provided in the following table:

Sensitivity to equity risk	**Increase**		**Decrease**		
Impact on LICAT	**20%**	**10%**	**10%**	**20%**	**30%**
As at March 31, 2023					
Segregated fund guarantees	**15%**	**7%**	**(2)%**	**(11)%**	**(22)%**
Other equity risk	**1%**	**1%**	**—%**	**(1)%**	**(2)%**
Equity hedge	**(2)%**	**(1)%**	**1%**	**1%**	**1%**
Total	**14%**	**7%**	**(1)%**	**(11)%**	**(23)%**

(1) LICAT ratios prior to January 1, 2023 have not been adjusted for the impacts from the adoption of IFRS 17 and IFRS 9. For additional details on the 2022 amounts, please refer to the audited Consolidated Financial Statements which form part of the Empire Life 2022 Annual Report dated February 24, 2023.

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

Segregated funds	**Withdrawal benefit > fund value**		**Maturity guarantee > fund value**		**Death benefit > fund value**			
(millions of dollars)	**Fund value**	**Amount at risk**	**Fund value**	**Amount at risk**	**Fund value**	**Amount at risk**	**Policy liabilities(2)**	**LICAT capital(1)**
March 31, 2023	**$ 2,639**	**$ 987**	**$ 128**	**$ 6**	**$ 2,698**	**$ 58**	**$ 81**	**$ 480**
December 31, 2022	$ 2,651	$ 1,048	$ 160	$ 10	$ 3,073	$ 104	$ 79	$

(1) LICAT ratios prior to January 1, 2023 have not been adjusted for the impacts from the adoption of IFRS 17 and IFRS 9. For additional details on the 2022 amounts, please refer to the audited Consolidated Financial Statements which form part of the Empire Life 2022 Annual Report dated February 24, 2023.

(2) December 31, 2022 amount has been adjusted to reflect the impacts from the adoption of IFRS 17.

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. At March 31, 2023, the aggregate amount at risk for all three categories of risk was $1,051 million. At December 31, 2022, the aggregate amount at risk for these three categories of risk was $1,163 million. For these three categories of risk, the amount at risk is not currently payable, as 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 a 50 basis point decrease in interest rates for non-participating insurance business and segregated fund guarantees for March 31, 2023 and December 31, 2022, is shown in the table below:

Sensitivity to market interest rates LICAT	**Impact of 50 bps decrease**
March 31, 2023 LICAT total ratio	**2%**

Empire Life has some policy liabilities that are linked to measures of inflation. Certain group long-term disability contracts and a small closed block of annuity contracts have benefit payments that are linked to an indexing formula containing an inflation price index. These exposures are considered as part of the Empire Life's asset/liability management activities and are not material.

Internal Controls Over Financial Reporting

As a result of the adoption of IFRS 17 on January 1, 2023, the Company revised its internal controls over financial reporting. The revisions were principally for implementation governance and controls over the initial implementation of IFRS 17 and ongoing controls in the Company's actuarial and financial reporting processes, including the adoption of IFRS 17 accounting policies and significant judgements and estimates, the use of new information technology systems and the reconciliation of financial data between existing reporting processes and IFRS 17.

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

	March 31 2023	December 31 2022 restated	January 1 2022 restated
Assets			
Cash and cash equivalents	**$ 281,339**	$ 302,946	$ 636,102
Investments - corporate (Note 3)	**5,906,055**	5,579,239	6,405,716
Investments - insurance (Note 4)	**8,465,750**	8,160,299	9,839,335
Investments in associates (Note 5)	**454,426**	473,008	416,866
Reinsurance contract held assets (Note 9)	**309,907**	310,044	283,299
Other assets (Note 8)	**299,099**	266,152	133,192
Deferred tax asset	**93,300**	89,623	93,123
Segregated fund assets (Note 7)	**8,725,014**	8,565,675	9,257,298
Total assets	**$ 24,534,890**	$ 23,746,986	$ 27,064,931
Liabilities			
Insurance contract liabilities (Note 9)	**$ 14,795,032**	$ 14,424,326	$ 16,546,290
Reinsurance contract liabilities (Note 9)	**265,406**	217,056	338,922
Investment contract liabilities	**655,281**	621,391	631,686
Deferred tax liabilities	**291,716**	247,441	328,214
Dividends payable	**17,227**	12,780	13,141
Other liabilities (Note 10)	**133,226**	129,061	396,488
Borrowings (Note 15)	**632,549**	702,915	602,158
Total liabilities	**$ 16,790,437**	$ 16,354,970	$ 18,856,899
Equity			
Capital stock (Note 13)	**$ 364,064**	$ 364,064	$ 366,663
Retained earnings	**6,237,355**	5,949,494	6,543,200
Accumulated other comprehensive income (“AOCI”) loss (“AOCL”)	**26,732**	24,247	(8,967)
Total E-L Financial shareholders' equity	**6,628,151**	6,337,805	6,900,896
Non-controlling interests in subsidiaries (“NCI”)	**1,090,461**	1,030,156	1,277,207
PAR account	**25,841**	24,055	29,929
Total equity	**7,744,453**	7,392,016	8,208,032
Total liabilities and equity	**$ 24,534,890**	$ 23,746,986	$ 27,064,931

Approved by the Board

Duncan N.R. Jackman, Director

Peter J. Levitt, 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	
	2023	2022 restated
Insurance service result		
Insurance service revenue	**$ 325,514**	303,644
Insurance service expenses	**(267,432)**	(253,015)
Net expenses from reinsurance contracts held	**(13,973)**	(9,830)
Insurance service result	**44,109**	40,799
Insurance investment income		
Insurance finance (expense) income from insurance contracts issued, excluding segregated fund account balances	**(254,252)**	839,877
Reinsurance finance (expense) income from reinsurance contracts held	**(8,862)**	41,337
Investment income, excluding segregated funds	**320,162**	(857,642)
Change in investment contracts	**(24,463)**	9,165
Changes in underlying items of the segregated funds	**(281,254)**	119,144
Investment income (loss) related to segregated fund net assets	**281,254**	(119,144)
Insurance investment result	**32,585**	32,737
Net insurance and investment income	**76,694**	73,536
Non-insurance investment income		
Investment and other income (Note 6)	**60,025**	25,564
Share of income of associates	**10,067**	3,574
Fair value change in fair value through profit or loss investments	**322,978**	(462,005)
Non-insurance investment result	**393,070**	(432,867)
Expenses		
Operating	**34,402**	16,337
Interest expense	**9,417**	7,116
	43,819	23,453
Income (loss) before income taxes	**425,945**	(382,784)
Income taxes	**56,880**	(45,775)
Net income (loss)	**369,065**	(337,009)
Less: Net income (loss) attributable to the participating account	**1,786**	(2,008)
Non-controlling interests in net (loss) income	**62,191**	(108,079)
	63,977	(110,087)
E-L Financial shareholders' net income (loss)	**$ 305,088**	$ (226,922)
Earnings (loss) per share attributable to E-L Financial shareholders		
Basic	**$ 86.96**	$ (64.03)
Diluted	**$ 80.00**	$ (64.03)

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	
	2023	2022 restated
Net income (loss)	**$ 369,065**	$ (337,009)
Other comprehensive income ("OCI") (loss) ("OCL"), net of taxes		
Items that may be reclassified subsequently to net income:		
Share of OCI (OCL) of associates	**10**	(1,478)
Provision for taxes	**(1)**	196
Share of OCI (OCL) of associates	**9**	(1,282)
Items that will not be reclassified to net income:		
Net remeasurement of defined benefit plans	**3,146**	20,189
Provision for taxes	**(832)**	(5,323)
Net remeasurement of defined benefit plans	**2,314**	14,866
Share of OCI of associates	**222**	3,461
Provision for taxes	**(30)**	(459)
Share of OCI of associates	**192**	3,002
	2,506	17,868
Total OCL	**2,515**	16,587
Comprehensive income (loss)	**371,580**	(320,422)
Less: Comprehensive income (loss) attributable to the participating account	**1,786**	(2,008)
Non-controlling interests in comprehensive income (loss)	**62,221**	(107,769)
	64,007	(109,777)
E-L Financial shareholders' comprehensive income (loss)	**$ 307,573**	$ (210,645)

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

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

	E-L Financial shareholders' equity						
	Capital stock	**Retained earnings**	**AOCI (AOCL)**	**Total**	**NCI**	**PAR Account**	**Total equity**
Restated balance as at January 1, 2023	**$ 364,064**	**$ 5,949,494**	**$ 24,247**	**$ 6,337,805**	**$ 1,030,156**	**$ 24,055**	**$ 7,392,016**
Net income	**—**	**305,088**	**—**	**305,088**	**62,191**	**1,786**	**369,065**
OCI	**—**	**—**	**2,485**	**2,485**	**30**	**—**	**2,515**
Comprehensive income	**—**	**305,088**	**2,485**	**307,573**	**62,221**	**1,786**	**371,580**
Dividends	**—**	**(17,227)**	**—**	**(17,227)**	**(1,772)**	**—**	**(18,999)**
Acquisition of subsidiary shares	**—**	**—**	**—**	**—**	**(144)**	**—**	**(144)**
At March 31, 2023	**$ 364,064**	**$ 6,237,355**	**$ 26,732**	**$ 6,628,151**	**$ 1,090,461**	**$ 25,841**	**$ 7,744,453**

	E-L Financial shareholders' equity						
	Capital stock	Retained earnings	AOCI (AOCL)	Total	NCI	PAR	Total equity
Balance December 31, 2021 as previously reported	$ 366,663	$ 6,852,884	$ 40,705	$ 7,260,252	$ 1,279,377	$ 55,380	$ 8,595,009
Impact of initial application of IFRS 17, net of taxes	—	(359,768)	—	(359,768)	(2,172)	(27,951)	(389,891)
Impact of initial application of IFRS 9 overlay, net of taxes	—	50,084	(49,672)	412	2	2,500	2,914
Restated balance as at January 1, 2022	366,663	6,543,200	(8,967)	6,900,896	1,277,207	29,929	8,208,032
Net loss restated	—	(226,922)	—	(226,922)	(108,079)	(2,008)	(337,009)
OCI restated	—	—	16,277	16,277	310		16,587
Comprehensive (loss) income	—	(226,922)	16,277	(210,645)	(107,769)	(2,008)	(320,422)
Dividends	—	(105,395)	—	(105,395)	(1,913)	—	(107,308)
Common share purchases (Note 13)	(196)	(9,673)	—	(9,869)	—	—	(9,869)
Acquisition of subsidiary shares	—	—	—	—	(1,406)	—	(1,406)
Restated balance as at March 31, 2022	**$ 366,467**	**$ 6,201,210**	**$ 7,310**	**$ 6,574,987**	**$ 1,166,119**	**$ 27,921**	**$ 7,769,027**

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 2023	2022 restated
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net income (loss)	**$ 369,065**	$ (337,009)
Items not affecting cash resources:		
Changes in the insurance contract liabilities	**220,632**	(890,506)
Changes for reinsurance contracts held	**22,835**	(31,507)
Fair value change in fair value through profit or loss investments	**(551,716)**	1,393,086
Deferred taxes	**41,343**	(29,094)
Share of income of associates	**(10,067)**	(3,574)
Other items	**10,322**	24,983
	102,414	126,379
Net change in other assets and liabilities	**(25,360)**	(126,776)
	77,054	(397)
Financing		
Cash dividends to shareholders	**(12,780)**	(13,141)
Cash dividends by subsidiaries to non-controlling interests	**(1,664)**	(1,917)
Purchases of subsidiary shares	**(144)**	(1,406)
Share purchases (Note 13)	**—**	(9,247)
Decrease in borrowings (Note 15)	**(70,000)**	—
Repayment of subordinated debt by Empire Life (Note 15)	**(199,964)**	—
Issuance of capital instruments by Empire Life (Note 15)	**199,329**	—
Interest paid on borrowings	**(7,006)**	(3,674)
	(92,229)	(29,385)
Investing		
Purchases of investments	**(1,023,908)**	(1,576,367)
Proceeds from sale or maturity of investments	**996,228**	1,335,107
Net purchases of other assets	**(7,632)**	(2,690)
Dividends from associates	**28,880**	14,748
	(6,432)	(229,202)
Decrease in cash and cash equivalents	**(21,607)**	(258,984)
Cash and cash equivalents, beginning of the period	**302,946**	636,101
Cash and cash equivalents, end of the period	**$ 281,339**	$ 377,117
Fair value hierarchy for cash and cash equivalents:		
Level 1	**$ 138,562**	$ 265,911
Level 2	**142,777**	111,206
	$ 281,339	$ 377,117

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

1. Business operations

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

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

The consolidated financial statements were approved by the Company's Board of Directors on May 12, 2023.

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").

The accounting policies and methods used for these interim consolidated financial statements are amended to reflect the accounting change for IFRS 17 Insurance Contracts ("IFRS 17") and IFRS 9 Financial Instruments ("IFRS 9"). The accounting policy changes for these financial reporting standards are disclosed below. Other than these accounting changes, the accounting policies and methods used for the interim consolidated financial statements are the same as those used for the most recent annual financial statements.

IFRS 17 replaces IFRS 4 Insurance Contracts ("IFRS 4") for annual periods beginning on or after January 1, 2023. The Company has restated comparative information for 2022 applying the transition provisions in IFRS 17.

In 2014, the IASB issued IFRS 9, replacing IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). IFRS 9 is effective for annual periods beginning on or after January 1, 2023.

In these financial statements, the Company has applied IFRS 17 and IFRS 9, for the first time. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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, 2022.

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) Critical accounting estimates, assumptions and judgements

The preparation of consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities as at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the year. On an ongoing basis, management evaluates its judgments, estimates and critical assumptions in relation to assets, liabilities, revenues and expenses. Actual results could differ from these estimates and changes in estimates are recorded in the accounting period in which they are determined. The items particularly susceptible to changes in estimates and judgements were disclosed in the Company's December 31, 2022 consolidated financial statements. The following are the additional items susceptible to changes in estimates and judgements which pertain to the IFRS 17 accounting change associated with insurance and reinsurance contracts held by the Company's subsidiary The Empire Life Insurance

Company ("Empire Life"). See further details on important judgements and estimates made for IFRS 17 transition and the fair value approach applied.

Insurance and reinsurance contracts held

Key assumptions and sources of estimation that can result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Company bases assumptions and estimates on parameters available when the financial statements were prepared. The Company applies estimates in the period on a quarter-to-quarter basis. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are unpredictable. Such changes are reflected in the assumptions as they occur. The Company disaggregates information to disclose insurance contracts issued and reinsurance contracts held within Note 9.

Methods used to measure insurance contracts

Empire Life uses the probability weighted average of expected cash flows to estimate the present value of future cash flows. A full stochastic modeling approach is used to value its segregated fund guarantees and guarantees within its universal life and participating products are also valued using probabilistic techniques.

The following assumptions were used when estimating future cash flows:

Mortality rates (life insurance risk)

Best estimate assumptions are based on a combination of Empire Life experience and recent industry experience. Mortality projections are further adjusted for expected future improvements. Assumptions are differentiated by policyholder age, sex, underwriting class and contract type.

In general, an increase in expected mortality rates for life insurance business will increase the expected claim cost which will reduce future expected profits of Empire Life.

Morbidity rates (health insurance risk)

Morbidity rates relate to contracts that have health risks. Morbidity refers to both the rates of accident or sickness and the rates of recovery from the accident or sickness. Assumptions are based on a combination of Empire Life experience and recent Canadian Institute of Actuaries ("CIA") industry experience. Multiple factors go into rate derivation including age, contract type, sex, policy size and type of employment.

An increase in expected incidence rates (rate of accident and sickness) or a decrease in termination rates (rate of recovery) will increase the expected claim costs which will reduce future expected profits of Empire Life.

Longevity (immediate annuity business)

Assumptions are based on a combination of Empire Life experience and recent industry experience. An appropriate allowance is made for expected future improvements.

An increase in expected longevity (decrease in mortality rates) will lead to an increase in the expected cost of immediate annuity payments which will reduce future expected profits of Empire Life.

Expenses

Policy liabilities provide for the future expense of administering policies in force, renewal commissions, acquisition costs, general expenses and taxes. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation.

An increase in the expected level of expenses will reduce future expected profits of the Company.

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

The cash flows within the contract boundary include an allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts. Such overheads are allocated to groups of contracts using methods that are systematic and rational.

Policyholder behaviour

Policy lapse and surrender assumptions are based on a combination of Empire Life's internal termination studies and recent industry experience. Policy termination assumptions are derived separately for each product group. For example, in setting policy lapse rates for renewable term insurance, it is assumed that extra lapses will occur at each renewal point and that healthy policyholders are more likely to lapse at that time than those who have become uninsurable.

Acquisition costs may not be recovered fully if lapses in the early policy years exceed the expected lapse assumptions. An increase in policy lapse rates early in the life of the policy would tend to reduce profits of Empire Life. An increase in policy lapse rates later in the life of the policy would tend to increase profits of Empire Life if the product is lapse supported (such as term insurance to age 100) but decrease profits of Empire Life for other types of policies.

Discount rates

IFRS 17 differentiates the requirements for discount rates for contracts whose cash flows do not vary based on the returns of any underlying items from contracts whose cash flows do vary based on the returns of any underlying items. For those that do not vary, insurance contract liabilities are calculated by discounting expected future cash flows at risk free rates, plus an illiquidity premium. For the observable period (30 years), risk free rates are determined by reference to the yields of highly liquid AAA-rated Canadian sovereign securities. The ultimate (year 70) risk free rate was determined to be 3.15%, with an ultimate illiquidity premium of 1.50%. The total discount rate between the observable and the ultimate periods were derived using linear interpolation.

Discount rates applied for contracts whose cash flows do not vary based on the returns of any underlying items (all General Measurement Model) groups use the following rates for discounting of future cash flows:

Portfolio duration	March 31, 2023	December 31, 2022
1 year	5.39 %	5.53 %
3 years	4.90 %	5.25 %
5 years	4.68 %	5.07 %
10 years	4.76 %	5.15 %
20 years	5.09 %	5.31 %
30 years	5.10 %	5.29 %
Ultimate (year 70)	4.65 %	4.65 %

The illiquidity premium, determined using guidance outlined in CIA standards of practice, references observable market rates for corporate debt. Empire Life applies the same illiquidity premium to all contract groups where the General Measurement Model ("GMM") applies. It was determined that these contracts were very illiquid, which is reflected in the illiquidity premium used.

Investment contracts, which represent deferred annuities and guaranteed annuities, require discount rates that include an additional provision to reflect the insurer's own credit risk. However, these contracts were considered more liquid than the insurance contracts and hence a lower illiquidity premium applies. The resulting discount rates used for investment contracts were the same as for the GMM insurance contracts, as it was determined that the adjustments for own credit risk and lower illiquidity premium are offsetting.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk represents the compensation that Empire Life requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts and covers mortality, morbidity, longevity, policyholder behaviour and expense risks. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the best estimate amount.

Empire Life derives risk adjustment using a margin for adverse deviation (“MfAD”) approach. The approach adds a margin (conservatism) to each individual insurance risk at the individual contract level. These MfADs are aggregated to derive Empire Life’s total risk adjustment. The risk adjustment recognizes the benefits of diversification and is further adjusted to achieve the target confidence level.

The sum of the direct and ceded risk adjustments for Empire Life corresponds to a target 82.5% confidence level, as at March 31, 2023 and December 31, 2022. Empire Life plans to maintain the total risk adjustments within a reasonable range of this target.

Amortization of the Contractual Service Margin (“CSM”)

The CSM is a component of the asset or liability for the group of insurance contracts that represents the unearned profit the Company will recognize as it provides services in the future. An amount of the CSM for a given group of insurance contracts is recognized in profit or loss as insurance revenue in each period to reflect the services provided related to the group of insurance contracts in that period. The amount is determined by identifying and projecting the coverage units (defined in the following paragraph) for the particular group of insurance contracts.

The number of coverage units in a group reflects the amount of coverage provided by the contracts in the group, which is determined by considering the quantity of the benefits and investment returns provided. Empire Life's position is that products with fixed cash surrender values do not contain investment return services. Hence, the coverage units for individual non-participating contracts with fixed cash surrender values (“CSVs”) are the sum insured less the CSVs. For other individual life non-participating contracts and universal life contracts, the coverage units are defined as the total sum insured.

Coverage units for fixed life contingent payout annuities are the expected annualized payment amounts. For participating products coverage units are the total death benefit amount which approximates the benefits provided under the insurance coverage and investment return service.

For all of the above, coverage units are discounted in order to determine the CSM amortization amounts.

With regards to segregated funds, coverage units are undiscounted for purposes of the CSM amortization derivation. Empire Life has two general contract types providing insurance coverage and investment related services, with regards to coverage units:

- Segregated funds (non-Guaranteed Minimum Withdrawal Benefit, or “GMWB”) - The main coverage is the amount payable as a death benefit and it is the greater of the fair value of the segregated fund and the death benefit guarantee base.
- Segregated funds (GMWB) - The main coverage is the amount payable as a withdrawal benefit and it is the greater of the fair value of the segregated fund or the lifetime withdrawal amount.

The segregated fund CSM is adjusted with the release of an additional amount into income, which partially offsets the impact of certain economic variables on the CSM balance.

The total coverage units of each group of insurance contracts are reassessed at the end of each reporting period to adjust for the reduction of remaining coverage for claims paid, expectations of lapses and cancellation of contracts in the period.

For reinsurance contracts held, the CSM amortization reflects the expected pattern of underwriting of the underlying contracts because the level of service provided depends on the number of underlying contracts in-force.

Accounting model eligibility

The IFRS 17 standards require the application of one of three models to all insurance contracts:

- General Measurement Model (“GMM”)
- Variable Fee Approach (“VFA”)
- Premium Allocation Approach (“PAA”)

The model selection is straightforward in most cases. The GMM applies to all individual non-participating business including fixed annuities and universal life insurance contracts. The universal life business contains some features of risk pass through where the VFA model might apply. However, management determined that the bulk of the benefits provided to the policyholder were not linked to an underlying return and that the GMM model should apply. The PAA model applies to the short-term group insurance business and VFA applies to the segregated fund business and eligible participating policies. Note that one participating product series uses the GMM due to the value of the guarantees.

There was judgment involved in deciding to apply the VFA model to Empire Life’s participating business (“Par”). Empire Life’s approach is to define the underlying as the entire Par account, including any surplus. The policyholders benefit from the vast majority of the return on these assets.

(c) New and amended standards and interpretations

IFRS 17 Insurance Contracts

IFRS 17 was adopted on January 1, 2023 with transition date of January 1, 2022. The Company has restated comparative information for 2022 applying the transition provisions in IFRS 17. The nature of changes in accounting policies can be summarized as follows:

<u>Changes to classification and measurement</u>

The adoption of IFRS 17 did not change the classification of the majority of Empire Life’s insurance or investment contract liabilities. Up to and including December 31, 2022, the insurance industry has been permitted to continue using IFRS 4 and the Canadian Asset Liability Method (“CALM”) as prescribed by the CIA to measure insurance and investment contract liabilities. The exception is deferred annuities which were classified as insurance contracts under IFRS 4 and are now classified as investment contracts under IFRS 17. IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by Empire Life.

The primary principles of IFRS 17 are that the company:

- Identifies insurance contracts as those under which Empire Life accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder
- Divides the insurance and reinsurance contracts held into groups of either assets or liabilities that it will recognize and measure
- Recognizes profit from a group of insurance contracts over the period that insurance coverage is provided and as Empire Life is released from risk. If a group of insurance contracts is expected to be onerous (loss making, exclusive of ceded risks) over the remaining coverage period, losses are recognized immediately

- Measures insurance contract liabilities as the total of the following measurement components:
  - probability weighted, discounted, future cash flows
  - a risk adjustment (“RA”)
  - CSM

Changes to presentation and disclosure

IFRS 17 introduces changes to the way in which the Company is required to present and disclose financial results.

On the interim statement of financial position, reinsurance contracts held are reported as either a net asset or liability. In Note 9, reinsurance contracts held are separated into portfolios of reinsurance contracts that are in an asset versus a liability position. Under IFRS 17, a number of insurance-related assets and liabilities that were previously reported on the face of the interim statement of financial position are now incorporated into the insurance contract liabilities line item. Examples include loans on policies, insurance receivables, insurance payables, policyholders’ funds on deposit and provision for profit to policyholders.

Under IFRS 17 the changes to the interim statement of income are significant. The interim statements of income no longer reports gross and ceded premiums written, gross and ceded benefits and claims paid, change in insurance contract liabilities or commissions. Instead, it reports an insurance service result comprising insurance revenue and insurance service expenses, net expense of reinsurance contracts held, investment results and net insurance finance result.

IFRS 17 requires significant disclosures about amounts recognized in the financial statements, at a more granular level than under IFRS 4. There are extensive roll-forward schedules on insurance contract liabilities and reinsurance contracts held, as well as disclosure information on discount rates, new business, the expected emergence pattern of CSM and significant judgments made when applying IFRS 17. There are expanded disclosures about the nature and extent of risks from insurance, investment and reinsurance contracts held.

Transition

Changes in accounting policies resulting from the adoption of IFRS 17 were applied using a full retrospective approach where practicable. Due to the lack of historical data, Empire Life applied the fair value approach in determining the transition CSMs for all lines of business except for group insurance. For group insurance contracts, the full retrospective approach combined with the PAA was applied which resulted in no transition CSM.

Fair value approach

The Company has applied the fair value approach on transition for its life insurance and wealth management contracts. For all in-force business at transition, for each portfolio, Empire Life grouped contracts from multiple cohorts into a single liability for accounting purposes. Obtaining reasonable and supportable information to apply the full retrospective approach was impracticable. Empire Life determined the CSM of the liability for remaining coverage (“LRC”) at the transition date, as the difference between the fair value of the group of insurance contracts and the fulfilment cash flows (“FCFs”) measured at January 1, 2022. In determining fair value, the Company applied the principles of IFRS 13 Fair Value Measurements.

For the application of the fair value approach, Empire Life has used reasonable and supportable information available at the transition date in order to:

- Identify groups of Insurance contracts and whether they are within the scope of IFRS 17
- Determine whether any contracts are direct participating contracts
- Identify any discretionary cash flows for insurance contracts without direct participation features

- Project policy values and regulatory capital amounts

Empire Life used the income approach to calculate the fair value of the insurance contract liabilities at the transition date. CSM liability amounts were derived separately for non-participating life, health, universal life, fixed annuities, segregated funds and participating business.

The weighted average cost of capital ("WACC"), Life Insurance Capital Adequacy Test ("LICAT") targets and underlying insurance assumptions used in applying the fair value approach were determined using market rates for a company of Empire Life's size and capital sources as at January 1, 2022, which were considered to be consistent with those of a market participant in Canada. Allowances were made for the uncertainty around changes to segregated fund regulatory capital requirements expected in 2025. The CSM derived at transition as of January 1, 2022 was on a gross of reinsurance basis $1,544 million and $1,358 million, net of reinsurance. For new business beginning in 2022, the CSMs were derived using expected FCFs and actual acquisitions costs.

IFRS 9 Financial Instruments

In 2014, the IASB issued IFRS 9 Financial Instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 includes guidance on the classification and measurement of financial assets, including impairment requirements and a new general hedge accounting model. IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics and determines how a financial instrument is subsequently measured. The impairment model under IFRS 9 applies to all financial assets not measured at FVTPL and requires recognition of full lifetime expected credit losses if certain criteria are met.

Under IFRS 9, financial assets are classified and measured based on three categories: amortized cost ("AC"), fair value through other comprehensive income ("FVOCI"), and fair value through profit or loss ("FVTPL"). The classification and measurement of financial assets is based on the business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets that would otherwise fall into a different category are permitted to be voluntarily designated at FVTPL. This designation is irrevocable and can only be applied if reliable fair values are available and when doing so eliminates or significantly reduces a measurement inconsistency that would otherwise arise from measuring assets and liabilities on different bases.

Classification and measurement of financial instruments

IFRS 9 includes three principal classification categories for financial assets: measured at amortized cost, FVOCI and FVTPL. IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity investments, loans and receivables, and available-for-sale (AFS) financial assets. Financial assets are measured at initial recognition at fair value, and are classified and subsequently measured at FVTPL, FVOCI or amortized cost based on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the assets.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9 are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification. IFRS 9 maintains the IAS 39 classification for financial liabilities that may be measured at either amortized cost or FVTPL.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' impairment model in IAS 39 with a forward-looking 'expected credit loss' impairment model. The new impairment model applies to financial assets measured at amortized cost and FVOCI. After adoption of IFRS 9, the majority of the Company's financial assets will be reported at FVTPL so the expected credit loss model will not have a significant impact.

Transition impact

Except for the application of the overlay approach, changes in accounting policies resulting from the adoption of IFRS 9 were initially applied on January 1, 2023 without restatement of comparatives. In addition, the following assessments have been made on the basis of the facts and circumstances that existed at January 1, 2023:

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

Overlay approach

As permitted, the Company has elected to apply the overlay approach which allows the classification and remeasurement requirements of IFRS 9 to be applied to all financial assets held in comparative periods, including those that were derecognized during that period, in order to reduce the volatility in profit or loss arising from the different effective dates of IFRS 9 and IFRS 17.

The overlay approach involves reclassifying between net income and other comprehensive income (“OCI”), for designated financial assets, the difference between the amount reported in the Interim Consolidated statements of income under IFRS 9 and the amount that would have been reported under the application of IAS 39. In determining this amount, the Company considered gains and losses on sales of securities, as well as impairment losses on equity instruments using accounting policies required by IAS 39. For financial assets in which the impairment requirements of IFRS 9 applies, the Company has elected to continue presenting in the comparative periods the loss allowance that was determined in accordance with IAS 39.

The following provides a summary of the impact from applying the overlay approach on the classification and measurement of financial assets the Company’s Investments - Insurance for the comparative year:

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

Investments - Insurance	IAS 39 Measurement	IFRS 9 Measurement	Original carrying amount as at December 31, 2021	Impact of overlay application	Adjusted carrying amount as at January 1, 2022
Assets impacted by the overlay application					
Short-term investments	AFS	FVTPL	$ 4,998	$ —	$ 4,998
Bonds [1]	AFS	FVTPL	1,891,988	—	1,891,988
Preferred shares [2]	AFS	FVTPL	8,044	—	8,044
Common shares [3]	AFS	FVTPL	57,725	—	57,725
Mortgages	Loans and receivables	FVTPL	153,564	5,094	158,658
Assets not impacted by the overlay application				—	—
Short-term investments	FVTPL	FVTPL	3,649	—	3,649
Bonds	FVTPL	FVTPL	6,257,472	—	6,257,472
Preferred shares	FVTPL	FVTPL	433,295	—	433,295
Common shares	FVTPL	FVTPL	961,709	—	961,709
Derivative assets	FVTPL	FVTPL	6,302	—	6,302
Loans	Loans and receivables	FVTPL	52,808	—	52,808
Total Investments Insurance			$ 9,831,554	$ 5,094	$ 9,836,648

1) Certain bonds classified as AFS under IAS 39 were reclassified to FVTPL under IFRS 9 because they do not pass the SPPI test or because doing so can eliminate or significantly reduce an accounting mismatch.

(2) Under IAS 39, certain preferred shares and common shares were classified as AFS. Under IFRS 9, these financial assets are classified as FVTPL and we have not elected to designate them as FVOCI.

(3) Certain balances, such as Loans on policies, that were previously presented separately, are included in the assets for Insurance contract liabilities or Reinsurance contracts held liabilities under IFRS 17.

E-L Financial's Investments - Corporate will continue to be measured at FVTPL under IFRS 9 and are not impacted by the overlay application.

Classification of financial assets and liabilities under IFRS 9

The following table provides the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of financial assets as at January 1, 2023, as well as a reconciliation of the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on January 1, 2023, including any reclassification and measurement changes.

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

	IAS 39	IFRS 9	Carrying amount as at December 31, 2022 (IAS 39) [1]	Impact of classification and measurement	Carrying amount as at January 1, 2023 (IFRS 9)
	Classifications				
Investments - Insurance					
Cash and cash equivalents	FVTPL	FVTPL	$ 175,523	$ —	$ 175,523
Short-term investments [2]	AFS	FVTPL	592	(592)	—
Short-term investments	FVTPL	FVTPL	8,439	592	9,031
Bonds [2]	AFS	FVTPL	1,682,445	(1,682,445)	—
Bonds	FVTPL	FVTPL	5,062,312	1,682,445	6,744,757
Preferred shares [3]	AFS	FVTPL	17,238	(17,238)	—
Preferred shares	FVTPL	FVTPL	384,927	17,238	402,165
Common shares [3]	AFS	FVTPL	41,064	(41,064)	—
Common shares	FVTPL	FVTPL	789,569	41,064	830,633
Derivative assets	FVTPL	FVTPL	9,776	—	9,776
Mortgages	Loans and receivables	FVTPL	113,901	—	113,901
Loans [4]	Loans and receivables	FVTPL	50,036	—	50,036
Segregated fund assets	FVTPL	FVTPL	8,565,675	—	8,565,675
Total Investments - Insurance			$ 16,901,497	$ —	$ 16,901,497

Investments - Corporate					
Preferred shares	FVTPL	FVTPL	$ 2,887	$ —	$ 2,887
Common shares	FVTPL	FVTPL	5,576,352	—	5,576,352
Total Investments - Corporate			$ 5,579,239	$ —	$ 5,579,239

[1] Amounts for the year ended December 31, 2022 include the impact of the overlay approach.

[2] Certain amounts classified as AFS under IAS 39 were reclassified to FVTPL under IFRS 9 because they do not pass the SPPI test or because doing so eliminated or reduced accounting mismatch.

[3] Under IAS 39, certain preferred shares and common shares were classified as AFS. Under IFRS 9, these financial assets are manditorily classified as FVTPL and have not elected to designate them as FVOCI.

[4] Certain balances, such as Loans on policies, that were previously presented separately, are included in the assets for Insurance contract liabilities or Reinsurance contracts held liabilities under IFRS 17.

Deferred annuities ($594,146) were classified as insurance contracts under IFRS 4 and are now classified as investment contracts under IFRS 9 as FVTPL as of January 1, 2023.

The Company has assessed its financial assets previously designated at FVTPL under IAS 39. Under IFRS 9, all preferred shares and common shares are measured mandatorily at FVTPL. Short-term investments and bonds previously designated FVTPL under IAS 39 will remain so under IFRS 9 under the fair value option.

(d) Summary of significant accounting principles

Empire Life issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. As a general guideline, Empire Life determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event had not occurred. Empire Life issues a broad suite of insurance contracts including life, health, wealth and group benefits solutions. IFRS 17 requires one of three accounting models to be applied to insurance contracts. Empire Life has applied the following models depending on the underlying contract type. Group benefits contracts generally apply the simplified PAA.

Segregated fund contracts and participating insurance contracts containing direct participation features and are measured using the VFA. All other insurance contracts apply the GMM.

Empire Life maintains an account in respect of participating policies ("participating account"), separate from those maintained in respect of other policies, in the form and manner determined by OSFI under sections 456-464 of the Insurance Companies Act (Canada) ("ICA"). 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. Dividends are paid annually, with certain older plans paying dividends every five years as per contractual provisions. Participating policyholder dividends represent cash flows projected in FCFs of the insurance contract liabilities. Expected FCFs for a period is recorded in insurance revenue and actual FCFs is recorded as insurance service expenses.

At the end of the reporting period, all participating insurance contract liabilities, both guaranteed and discretionary, are held within insurance contract liabilities. Related participating policy reinsurance contracts held treaties at the end of the reporting period, are held within reinsurance contracts held assets or reinsurance contracts held liabilities. Net income attributable to the participating account is shown on the interim consolidated statements of income. Comprehensive income attributable to the participating account is shown on the interim consolidated statements of comprehensive income.

Separating components from insurance and reinsurance contracts held

Empire Life has assessed its insurance and reinsurance contracts held products to determine whether they contain distinct components which must be accounted for under another IFRS rather than IFRS 17. After separating any distinct components, an entity must apply IFRS 17 to all remaining components of the (host) insurance contract.

Some insurance contracts issued by Empire Life include a surrender option under which the surrender value is paid to the policyholder on maturity or earlier lapse of the contract. Surrender values are common for participating and universal life contracts. These surrender options have been assessed to meet the definition of a non-distinct investment component under IFRS 17. IFRS 17 defines investment components as the amounts that an insurance contract requires an insurer to repay to a policyholder in all circumstances. For participating contracts the non-distinct investment components includes the cash surrender value (including dividends on deposit) and the policyholder dividends. The policyholder account value is the non-distinct component for segregated fund contracts. Investment components which are highly interrelated with the insurance contract of which they form a part are considered non-distinct and are not separately accounted for. However, receipts and payments of the investment components are recorded outside of profit or loss. Differences between expected and actual cash surrender payouts flow throughout the CSM and, as such, impact future profitability.

Level of aggregation

IFRS 17 requires an entity to determine the level of aggregation for applying its requirements. Empire Life previously applied aggregation levels under IFRS 4, which were significantly higher than the level of aggregation required by IFRS 17. The level of aggregation for Empire Life is determined by dividing business written into portfolios of contracts which have similar risks and are managed together. IFRS 17 also requires that no new groups contain contracts issued more than one year apart.

The direct insurance portfolios are divided into:

- Group of contracts that are onerous at initial recognition
- Group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently
- Group of the remaining contracts in the portfolio

Empire Life has identified six portfolios of insurance contracts issued based on the fact that these portfolios contain products that are subject to similar risks and managed together. The expected profitability of these portfolios is based on the current actuarial valuation assumptions which includes existing and new business.

For PAA business, groups of insurance contracts are assumed to not be onerous unless the facts and circumstances indicate otherwise.

The reinsurance contracts held portfolios are divided into similar groups as the direct insurance contracts, and follow the underlying direct contracts that they support:

- A group of contracts on which there is a net gain on initial recognition
- A group of contracts that have no significant possibility of a net gain arising subsequent to initial recognition
- A group of the remaining contracts in the portfolio

Empire Life has identified five portfolios of reinsurance contracts issued based on the fact that these portfolios contain products that are subject to similar risks and managed together. The expected profitability of these portfolios is based on the current actuarial valuation assumptions which includes existing and new business.

Recognition

Empire Life recognizes groups of insurance contracts that it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts; or
- The date when the first payment from a policyholder in the group becomes due; or
- For a group of onerous contracts, when a group becomes onerous

Empire Life recognizes a group of reinsurance contracts held from the beginning of the coverage period of the group or when the first underlying direct contract is issued for proportionate reinsurance. Empire Life adds new contracts to the group when they are issued or initiated.

Contract boundary

Empire Life includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which Empire Life can compel the policyholder to pay the premiums, or in which Empire Life has a substantive obligation to provide the policyholder with services.

Measurement models, Insurance contracts – initial measurement

For non-onerous GMM and VFA insurance contracts, IFRS 17 measures the actuarial liabilities of a group of insurance contracts as the total of:

- The present value of the FCFs, and
- A CSM representing the unearned profit Empire Life will recognize as it provides service to the insurance contracts in the group

FCFs comprise unbiased and probability-weighted estimates of future cash flows, discounted to present value to reflect the time value of money and financial risks, plus risk adjustments for non-financial risk.

Empire Life’s objective in estimating future cash flows is to determine the expected value, or the probability-weighted mean, of the full range of possible outcomes, considering all reasonable and supportable information available at the reporting date without undue cost or effort. Empire Life estimates future cash flows considering a range of scenarios which have commercial substance and give a good representation of possible outcomes. The cash flows from each scenario are probability-weighted and discounted using current assumptions.

When estimating future cash flows, Empire Life includes all cash flows that are within the contract boundary including:

- Premiums and related cash flows
- Claims and benefits
- Acquisition costs
- Claims handling costs
- Policy administration and maintenance costs, including recurring commissions that are expected to be paid
- An allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts
- Investment and premium taxes

Empire Life incorporates, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows. Empire Life estimates the probabilities and amounts of future payments under existing contracts based on information obtained, including:

- Information about claims already reported by policyholders
- Other information about the known or estimated characteristics of the insurance contracts
- Historical data about the Empire Life's own experience, supplemented, when necessary, with data from other sources and adjusted to reflect current conditions
- Current pricing information

The CSM is a component of the liability for the group of insurance contracts that represents the unearned profit Empire Life will recognize as it provides services. The CSM on initial recognition is an amount that, unless the group of contracts is onerous, results in no net income arising from initial recognition of the FCFs.

For groups of contracts assessed as onerous, Empire Life recognizes a loss in insurance service expense in the interim statements of income for the net outflow, resulting in the carrying amount of the liability for the group being equal to the FCFs and the CSM of the group being zero. A loss component is established for the LRC for an onerous group depicting the losses recognized.

The LRC reflects Empire Life's obligation to pay valid claims for insured events that have not yet occurred (i.e., the obligation that relates to the unexpired portion of the coverage period) and at initial recognition, comprises all remaining expected future cash inflows and cash outflows under the group of insurance contracts plus the CSM for that group.

The liability for incurred claims ("LIC") reflects Empire Life's obligation to pay claims for insured events that have already occurred, including events that have occurred but for which claims have not been reported, and other incurred insurance expenses. At initial recognition of a group of contracts, the LIC is usually nil as no insured events have occurred.

Initial measurement of insurance contracts applying the PAA consist of the LRC measured as premiums received minus any insurance acquisition cash flows paid. If a group of PAA contracts is onerous on initial recognition, then the Company recognizes a loss in insurance service expense and increases the LRC for the difference between the current estimates of the FCFs that relate to remaining coverage and the carrying amount of the LRC.

Measurement models, Insurance contracts – subsequent measurement

For GMM and VFA insurance contracts, the CSM at the end of the reporting period represents the profit in the group of insurance contracts that has not yet been recognized in profit or loss, because it relates to future service to be provided.

For a group of insurance contracts where the GMM applies, the carrying amount of the CSM of the group at the end of the reporting period equals the carrying amount at the beginning of the reporting period adjusted, as follows:

- The effect of any new contracts added to the group
- Interest accreted on the carrying amount of the CSM during the reporting period, measured at the discount rates at initial recognition
- The changes in FCFs relating to future service, except to the extent that:
    - Such increases in the FCFs exceed the carrying amount of the CSM, giving rise to a loss; or
    - Such decreases in the FCFs are allocated to the loss component of the LRC
- The amount recognized as insurance revenue because of the transfer of services in the period, determined by the allocation of the CSM remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period

The locked-in discount rate is set at the date of initial recognition for contracts that joined a group over a 12-month period. The discount rate used for accretion of interest on the CSM is determined using a bottom up approach at inception. The changes in FCFs relating to future service that adjust the CSM comprise:

- Experience adjustments that arise from the difference between the premium receipts (and any related cash flows such as insurance acquisition cash flows and insurance premium taxes) and the estimate, at the beginning of the period, of the amounts expected. Differences in premiums received (or due) related to current or past services are recognized immediately in profit or loss while differences related to premiums received (or due) for future services are adjusted against the CSM
- Changes in estimates of the present value of future cash flows in the LRC, except those relating to the time value of money and changes in financial risk (recognized in the interim statements of income rather than adjusting the CSM)
- Differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period
- Changes in the risk adjustment for non-financial risk that relate to future service

Empire Life measures the carrying amount of a group of insurance contracts at the end of each reporting period as the sum of: (i) the LRC comprising FCFs related to future service allocated to the group at that date and the CSM of the group at that date; and (ii) the LIC for Empire Life comprised of the FCFs related to past service allocated to the group at that date.

For contracts where the VFA applies, the above description is modified such that there is no fixed accretion rate on the liability. Instead, all experience variances, including economic variances, flow through the CSM. Hence, the CSM related to the VFA model is more likely to be volatile.

For subsequent measurement of insurance contracts measured applying the PAA, the LRC is increased for any additional premiums received and decreased by amounts recognized as insurance revenue for services provided during the period and any additional insurance acquisition cash flows paid.

The LIC is measured as the FCFs for losses on claims and expenses that have not yet been paid, including a risk adjustment for non-financial risk and the time value of money.

For groups of onerous contracts, the LRC which includes a loss component is remeasured using the same calculation as on initial recognition reflecting any changes by adjusting the loss component as required until the loss component reduces to zero. If a loss component did not exist on initial recognition but there are indications that a group of contracts is onerous on subsequent measurement, then Empire Life establishes the loss component using the same methodology as on initial recognition

Measurement models, reinsurance contracts held

The measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued, with the exception of the following:

- Measurement of the cash flows include an allowance on a probability-weighted basis for the effect of any non-performance by the reinsurers, including the effects of collateral and losses from disputes
- Empire Life determines the risk adjustment for non-financial risk so that it represents the amount of risk being transferred to the reinsurer
- Empire Life defers both profits and losses at initial recognition in the statement of financial position as a CSM and releases this to profit or loss as the reinsurer renders services
- On initial recognition of direct insurance contracts, losses are partially offset by reinsurance adjustments through a loss recovery component
- On subsequent measurement, changes in the FCFs are recognized in profit or loss if the related changes arising from the underlying ceded contracts have been recognized in profit or loss. Alternatively, changes in the FCFs adjust the CSM.

Measurement models, insurance contracts – modification and derecognition

The Company derecognizes insurance contracts when the rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired), or the contract is modified such that the modification would result in a different insurance contract or a change in measurement model.

Presentation of insurance and contracts

The Company has presented separately in the interim statement of financial position the carrying amount of portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities.

Empire Life disaggregates the amounts recognized in the interim statement of income and other comprehensive income into an insurance service result, comprising insurance revenue, insurance service expenses, and net expense from reinsurance contracts held.

Empire Life disaggregates the change in risk adjustment between the financial and non-financial portion and includes the non-financial change as part of risk adjustment movements in the insurance service results.

Insurance finance income related to segregated fund account liabilities and the corresponding income on segregated fund assets are separately presented in the statements of income.

Presentation of insurance revenue

Insurance revenue from a group of insurance contracts is the amount that is earned in the period arising from:

- Expected future cash outflows in the period, including claims and directly attributable expenses expected to be incurred
- Release of the risk adjustment for non-financial risk as risk expires throughout the term of the contract

- CSM earned over the service period, based on coverage units for each period of service
- Allocation of expected premium receipts from PAA contracts
- Amounts related to insurance acquisition cash flows
- Revenue excludes non-distinct investment components

Presentation of loss components and loss recovery components

Groups of contracts which are expected to be loss making exclusive of amounts ceded are separately measured.

A loss component represents a notional record of the losses attributable to each group of onerous insurance contracts (or contracts profitable at inception that have become onerous). The loss component is released based on a systematic allocation of the subsequent changes in the FCFs to: (i) the loss component; and (ii) the LRC excluding the loss component. The loss component is also updated for subsequent changes in estimates of the FCFs related to future service. The systematic allocation of subsequent changes to the loss component results in the total amounts allocated to the loss component being equal to zero by the end of the coverage period of a group of contracts (since the loss component will have been materialized in the form of incurred claims). Empire Life uses the proportion on initial recognition to determine the systematic allocation of subsequent changes in future cash flows between the loss component and the LRC excluding the loss component.

When a loss component is recognized on underlying insurance contracts, a recovery is simultaneously recognized in profit or loss relating to the recovery of that loss from the reinsurance contract held. This recovery is then tracked, similar to the loss component, and determines the amounts that are subsequently presented in the consolidated statements of income within net reinsurance results. The loss recovery component is adjusted on subsequent measurement to reflect changes in the loss component of the onerous group of underlying contracts to the extent that it impacts reinsured cash flows, however it cannot exceed the portion of the loss component of the onerous group of underlying contracts that Empire Life expects to recover from the reinsurance contracts held.

Presentation of insurance finance income or expense

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- The effect of the time value of money and changes in the time value of money
- The effect of financial risk and changes in financial risk

Finance expense includes interest accretion on the GMM CSM where the rate is fixed at the date of establishing the CSM group. Also included is the impact on the present value of FCFs due to changes in the discount rates as well as changes in the policyholders share of the underlying for VFA products.

With regards to general fund assets and liabilities, the duration of insurance contract liability cash flows is greater than the assets supporting them. Hence, the liabilities are generally more sensitive to interest rate changes than the assets. This difference is mitigated by the impact of changes in the market values of capital and surplus fixed income assets. Changes in equity values and other non-fixed income assets that are not passed through to policyholders generally have an impact on investment income with no offsetting change in investment finance expense.

With regards to VFA contracts (participating insurance and segregated funds), the change in policyholder portion of the underlying items would be recognized both as insurance finance income (or expense) and investment income, with offsetting impacts.

Presentation of net income or expense from reinsurance contracts held

The Company presents net expense from reinsurance contracts held on the face of the interim statement of income as the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. The Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contracts held and excludes investment components and commissions from an allocation of reinsurance premiums presented on the face of the interim statement of income.

Presentation of acquisition costs

For policies accounted for under the GMM and VFA, acquisition costs are deferred and amortized into income using the same coverage units as the CSM amortization.

For policies accounted for under the PAA, the Company has selected the accounting policy option to expense acquisition costs as incurred.

(e) Financial instruments

Fair value

Fair value is the amount of consideration that would be agreed upon in an arm’s length transaction between knowledgeable, willing parties who are under no compulsion to act. When a financial instrument is initially recognized, its fair value is generally the value of the consideration paid or received. Subsequent to initial recognition, the fair value of a financial asset or liability quoted in an active market is generally the closing price. For financial instruments such as cash equivalents and short-term investments that have a short duration, the carrying value of these instruments approximates fair value.

Fair value measurements used in these interim consolidated financial statements have been classified using a fair value hierarchy based upon the transparency of the inputs used in making the measurements. The three levels of the hierarchy are:

Level 1 - Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market. The types of financial instruments classified as Level 1 generally include cash and exchange traded common and preferred shares and derivatives.

Level 2 - Fair value is based on quoted prices for similar assets or liabilities in active markets, valuation that is based on significant observable inputs, or inputs that are derived principally from or corroborated with observable market data through correlation or other means. The types of financial instruments classified as Level 2 generally include cash equivalents, short-term investments, government bonds, certain corporate and private bonds, loans, certain common shares (real estate limited partnership units) and over the counter derivatives.

Level 3 - Fair value is based on valuation techniques that require one or more significant inputs that are not based on observable market inputs. These unobservable inputs reflect the Company’s expectations about the assumptions market participants would use in pricing the asset or liability.

Cash and cash equivalents and investments

Cash and cash equivalents are short-term, highly liquid investments that are subject to insignificant changes in value and are readily convertible into known amounts of cash. Cash equivalents comprise financial assets with maturities of three months or less from the date of acquisition.

Short-term investments comprise financial assets with maturities of greater than three months and less than one year when acquired.

Financial assets and liabilities

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provision of the financial instrument.

Financial assets are classified and measured based on three categories: amortized cost, FVOCI and FVTPL. Financial liabilities are classified and measured based on two categories: amortized cost or FVTPL.

The classification and measurement of financial assets is based on the business model for managing these financial assets and their contractual cash flow characteristics:

- Assets held for the purpose of collecting contractual cash flows that represent solely payments of principal and interest ("SPPI") are measured at amortized cost;
- Assets held within a business model where assets are held for both the purpose of collecting contractual cash flows and selling financial assets prior to maturity, and the contractual cash flows represent solely payments of principal and interest, are measured at FVOCI; and
- Assets held within another business model or assets that do not have contractual cash flow characteristics that are SPPI are measured at FVTPL.

Financial assets are not reclassified subsequent to their initial recognition, unless there is a change in the business model in managing the financial asset that would cause the Company to reassess the classification of financial assets. Financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL, with the exception of investment contract liabilities as noted below.

Financial assets that would otherwise fall into a different category are permitted to be voluntarily designated at FVTPL. This designation is irrevocable and can only be applied if reliable fair values are available and when doing so eliminates or significantly reduces a measurement inconsistency that would otherwise arise from measuring assets and liabilities on different bases. Financial liabilities may also be designated at FVTPL when they are part of a portfolio which is managed on a fair value basis in accordance with the Company's risk management strategy and are reported internally on that basis.

Most financial assets are designated as FVTPL. Changes in the fair value of these financial assets are recorded in fair value change in FVTPL assets in the interim consolidated statements of income in the period in which they occur.

Prior to January 1, 2023, with the exception of the overlay approach, most financial assets supporting insurance contract liabilities and investment contract liabilities are designated as FVTPL. These assets may be comprised of cash and cash equivalents, short-term investments, bonds and debentures, common and preferred shares, futures, forwards and options. Changes in the fair value of these financial assets are recorded in fair value change in FVTPL assets in the interim consolidated statements of income in the period in which they occur.

Prior to January 1, 2023, with the exception of the overlay approach, most financial assets supporting Empire Life's capital and surplus and participating accounts are classified as AFS. These assets may be comprised of short-term investments, bonds and debentures or common and preferred shares. AFS assets are carried at fair value in the interim consolidated statements of financial position. Except for foreign currency gains and losses on monetary AFS assets and impairment losses, any changes in the fair value are recorded, net of income taxes, in other comprehensive income ("OCI"). Gains and losses realized on sale or maturity of AFS assets are reclassified from OCI to realized gain (loss) on AFS assets in the interim consolidated statements of income.

Prior to January 1, 2023, with the exception of the overlay approach, loans and receivables may include trade accounts receivables. These assets are recorded at amortized cost, using the effective interest rate method, net of provisions for impairment losses, if any. Mortgages are secured by real estate. In most cases, loans are secured by policy values. Loans and receivables are defined as non-derivative financial assets with fixed or determinable payments that are not quoted in active markets. Loans on policies are included in insurance contract cash flows under IFRS 17.

All transactions are recorded on the trade date. Transaction costs are expensed for FVTPL instruments and capitalized for all others.

Derivative financial instruments

Empire Life uses derivative financial instruments to manage exposure to foreign currency, equity and other market risks associated with certain assets and liabilities. Derivative financial assets and liabilities are classified as FVTPL. Therefore, they are initially recorded at fair value on the acquisition date and subsequently revalued at their fair value at each reporting date. Derivative financial instruments with a positive fair value are disclosed as Derivative assets while derivative financial instruments with a negative fair value are disclosed as Other liabilities. Changes in fair value are recorded in Fair value change in FVTPL assets in the interim consolidated statements of income.

Other

Trade accounts receivables are measured at amortized cost and presented as other assets. The simplified approach is used when calculating the expected credit loss for trade accounts receivables, which represents the lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. Historical experience, external indicators and forward-looking information is used to calculate the expected credit losses.

Accounts payable and other liabilities (excluding derivative liabilities) are measured at amortized cost. For these financial instruments, carrying value approximates fair value due to their short-term nature.

Prior to January 1, 2023, insurance receivables and trade accounts receivables have been classified as loans or receivables and are carried at amortized cost.

Impairment

For financial assets measured at amortized cost, the impairment model under IFRS 9 reflects expected credit losses. The Company recognizes loss allowances for expected credit losses and changes in those expected credit losses. At each reporting date, financial assets carried at amortized cost are assessed to determine whether they are credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery.

All investments other than FVTPL instruments are assessed for impairment at each reporting date. Impairment is recognized in net income when there is objective evidence that a loss event has occurred which has impaired the estimated future cash flows of an asset.

AFS debt instruments (IAS 39)

Prior to January 1, 2023, an AFS debt instrument would be identified as impaired when there is objective evidence suggesting that timely collection of the contractual principal or interest is no longer reasonably assured. This may result from a breach of contract by the issuer, such as a default or delinquency in interest or principal payments, or evidence that the issuer is in significant financial difficulty. Impairment is recognized through net income. Impairment losses previously recorded in net income are reversed if the fair value subsequently increases and can be objectively related to an event occurring after the impairment loss was recognized.

AFS equity instruments (IAS 39)

Prior to January 1, 2023, objective evidence of impairment of an equity instrument exists if there has been a significant or prolonged decline in the fair value of the investment below its cost or if there is a significant adverse change in the technological, market, economic or legal environment in which the issuer operates or the issuer is experiencing financial difficulties.

The accounting for an impairment that is recognized in net income is the same as described for AFS debt instruments above with the exception that impairment losses previously recognized in net income cannot be subsequently reversed through net income. Any subsequent increase in value is recorded in OCI.

Loans and receivables (IAS 39)

Prior to January 1, 2023, mortgages and loans are individually evaluated for impairment in establishing the allowance for impairment.

Objective evidence of impairment exists if there is no longer reasonable assurance of full collection of loan principal or loan interest related to a mortgage, policy contract loan or a loan on a policy. Events and conditions considered in determining if there is objective evidence of impairment include the value of the security underlying the loan, geographic location, industry classification of the borrower, an assessment of the financial stability and credit worthiness of the borrower, repayment history or an assessment of the impact of current economic conditions. If objective evidence of impairment is found, allowances for credit losses are established to adjust the carrying value of these assets to their net recoverable amount and the impairment loss is recorded in net income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized, the impairment loss is reversed by adjusting the allowance account and the reversal is recognized in net income.

Derecognition

A financial asset is derecognized when the contractual rights to its cash flows expire or the Company has transferred its economic rights to the asset and substantially all risks and rewards. In instances where substantially all risks and rewards have not been transferred or have been retained, the assets are derecognized if the asset is not controlled through rights to sell or pledge the asset.

(f) Investment contracts

These contracts include products that do not involve the transfer of significant insurance risk, either at inception or during the life of the contract. For Empire Life, these products are limited to certain segregated funds, deferred annuities and term certain annuities that provide for income payments for a specified period of time.

Investment contract liabilities are designated at FVTPL. As Empire Life’s segregated fund products have fair values dependent on the fair value of underlying financial assets, the designation at FVTPL will eliminate the accounting mismatch that would otherwise arise from measuring the assets or liabilities or recognizing the gains or losses on them on different bases. Deferred annuity products are designated at FVTPL as they are managed on a fair value basis, in accordance with the Empire Life's risk management strategy, and are reported internally on that basis. Similarly, Empire Life’s term certain annuity products are designated at FVTPL.

Prior to January 1, 2023, under IAS 39, investment contract liabilities are measured at amortized cost or FVTPL. Contracts recorded at amortized cost are initially recognized at fair value, and subsequently they are carried at amortized cost based on expected future cash flows using the effective interest rate method. The expected future cash flows are re-estimated at each reporting date and the carrying amount of the financial liability is recalculated as the present value of estimated future cash flows using the financial liability's original effective interest rate. Any adjustment is immediately recognized in the interim consolidated statements of income. If contracts have fair values dependent on the fair value of underlying financial assets, then they are designated at inception at FVTPL to eliminate the accounting mismatch that would otherwise arise from measuring the assets or liabilities or recognizing the gains or losses on them on different bases. Deposits and withdrawals are recorded in investment contract liabilities on the interim consolidated statements of financial position.

(g) Foreign currency translation

The Company uses the Canadian dollar as both its functional and presentational currency.

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognized in the interim consolidated statements of income.

For monetary and non-monetary financial assets classified as FVTPL and amortized cost, translation differences are recognized in the interim consolidated statements of income.

(h) Comprehensive income

Comprehensive income consists of net income and OCI. OCI includes items that will not be reclassified to net income: Remeasurements of post-employment benefit liabilities.

Prior to January 1, 2023, with the exception of the overlay approach, OCI includes items that may be reclassified subsequently to net income: unrealized fair value change on AFS investments, net of amounts reclassified to net income and the amortization of loss on derivative investments designated as cash flow hedges.

(i) Segregated funds

Certain insurance contracts allow the policyholder to invest in segregated investment funds managed by Empire Life for the benefit of these policyholders. Although the underlying assets are registered in Empire Life's name and the policyholder has no direct access to the specific assets, the contractual arrangements are such that the segregated fund policyholder bears the risk and rewards of the fund's investment performance. Segregated fund assets are not available to pay liabilities of the general fund. The assets of these funds are carried at their period-end fair values. Empire Life records a segregated fund policy liability equal to the fair value of the assets and any guarantees are recorded as an insurance contract liability.

Empire Life provides minimum guarantees on certain segregated fund contracts. These include minimum death, maturity and withdrawal benefit guarantees which are accounted for as insurance contracts. The actuarial liabilities associated with these minimum guarantees are recorded within insurance contract liabilities.

(j) Fee income

Fee income, earned from policy administration and distribution service is recognized on an accrual basis.

(k) Investment income

Changes in the fair value of financial assets are recorded in fair value change in FVTPL assets in the consolidated statement of income in the period in which they occur.

Interest income is recognized using the effective interest rate method. Fees that are an integral part of the effective yield of the financial asset are recognized as an adjustment to the effective interest rate of the instrument.

Dividend income is recognized when the right to receive payment is established, which is usually the ex-dividend date.

Interest income and dividend income are included in investment income in the consolidated statements of income for all financial assets.

(l) Income taxes

Income tax expense for the period is comprised of current and deferred tax. Tax is recognized in the interim consolidated statements of income except to the extent that it relates to items recognized in OCI or directly in equity. In these cases, the tax is recognized in OCI or directly in equity, respectively.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of each reporting period.

Deferred income tax assets and liabilities are recorded for the expected future income tax consequences of events that have been reflected in the interim consolidated financial statements. Deferred income taxes are provided for using the liability method. Under the liability method, deferred income taxes are recognized for all significant temporary differences between tax and financial statement bases for assets and liabilities and for certain carry-forward items.

Deferred income tax assets are recognized only to the extent that, in the opinion of management, it is probable that the deferred income tax assets will be realized. Deferred income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates, on the date of their substantive enactment.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity.

On January 1, 2022, Empire Life recorded a deferred tax asset on transition to IFRS 17 in the amount of $138,700. During 2022, all of the restatements related to the adoption of IFRS 17 were treated as temporary differences and reflected in the net deferred tax asset balance.

The federal tax legislation related to the adoption of IFRS 17 became effective January 1, 2023. The transition adjustment was calculated at this date and taken over five years.

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

3. Investments – corporate

Invested assets

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

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

Carrying value	March 31 2023	December 31 2022
Preferred shares	$ 2,689	$ 2,887
Common shares and units		
Canadian	892,705	897,353
U.S.	3,157,712	3,008,409
Europe and United Kingdom	1,073,552	944,971
Other	779,397	725,619
Total common shares and units	5,903,366	5,576,352
Total	$ 5,906,055	$ 5,579,239

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, 2023 and December 31, 2022 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, 2023
Asset category	Quoted Prices (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
Preferred shares	$ 1,631	$ —	$ 1,058	$ 2,689
Common shares and units				
Canadian	69,173	—	823,532	892,705
U.S.	2,900,579	—	257,133	3,157,712
Europe and United Kingdom	964,265	—	109,287	1,073,552
Other	653,632	66,600	59,165	779,397
Total common shares and units	4,587,649	66,600	1,249,117	5,903,366
Total	$ 4,589,280	$ 66,600	$ 1,250,175	$ 5,906,055

Fair value				As at December 31, 2022
Asset category	Quoted Prices (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
Preferred shares	$ 1,829	$ —	$ 1,058	$ 2,887
Common shares and units				
Canadian	61,420	—	835,933	897,353
U.S.	2,789,515	—	218,894	3,008,409
Europe and United Kingdom	861,698	—	83,273	944,971
Other	607,144	64,432	54,043	725,619
Total common shares and units	4,319,777	64,432	1,192,143	5,576,352
Total	$ 4,321,606	$ 64,432	$ 1,193,201	$ 5,579,239

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, 2023 or during the year ended December 31, 2022.

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

Included in Level 2 is the Company's investment in a pooled funds which at March 31, 2023 had a carrying value of $66,600 (December 31, 2022 - $64,432).

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

	2023	2022
Balance - January 1	$ 1,193,201	$ 1,177,419
Net fair value change	3,345	(18,178)
Sales	(965)	(376)
Purchases	54,594	24,544
Balance - March 31	$ 1,250,175	$ 1,183,409

In the normal course of business, investment commitments are outstanding which are not reflected in the consolidated financial statements. As of March 31, 2023, E-L Corporate has $169,396 (December 31, 2022 - $156,020) in unfunded commitments in limited partnerships.

For analysis of the Company's risks arising from financial instruments, refer to Note 11 – Risk management.

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

4. Investments – insurance

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

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

Fair value	As at March 31, 2023			December 31, 2022 restated		
Asset category	Quoted Prices (Level 1)	Significant other observable inputs (Level 2)	Total fair value	Quoted Prices (Level 1)	Significant other observable inputs (Level 2)	Total fair value
Short-term investments	—	5,668	5,668	$ —	$ 9,031	$ 9,031
Bonds	—	6,986,630	6,986,630	—	6,744,757	6,744,757
Preferred shares	480,041	—	480,041	299,524	102,641	402,165
Common shares	676,597	148,492	825,089	687,798	142,835	830,633
Derivative assets	4,442	2,118	6,560	7,604	2,172	9,776
Mortgages	—	112,983	112,983	—	113,901	113,901
Loans	—	48,779	48,779	—	50,036	50,036
Total	1,161,080	7,304,670	8,465,750	$ 994,926	$ 7,165,373	$ 8,160,299

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 between Level 1 or Level 2 investments during the year ended December 31, 2022 or during the quarter ended March 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, 2023			December 31, 2022		
	Notional Principal	Fair Value Assets	Fair Value Liabilities	Notional Principal	Fair Value Assets	Fair Value Liabilities
Exchange-traded						
Equity index futures	$ 58,608	$ 3,896	$ 3,026	$ 57,846	$ 1,008	$ 2,193
Equity options	315,051	2,031	—	430,061	6,268	—
Over-the-counter						
Foreign currency forwards	212,972	633	585	172,979	19	32
Cross currency swaps	53,079	—	1,294	44,943	2,481	1,388
Total	$ 639,710	$ 6,560	$ 4,905	$ 705,829	$ 9,776	$ 3,613

All contracts mature in less than one year, except for cross currency swaps which mature in more than five years.

For analysis of the risks arising from financial instruments, refer to Note 11 – Risk management.

5. Investments in associates

Investments in associates by operating segment are as follows:

	March 31 2023	December 31 2022
E-L Corporate	$ 424,947	$ 443,192
Empire Life	29,479	29,816
Total	$ 454,426	$ 473,008

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

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

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.

	March 31, 2023					December 31, 2022				
	Ownership		Carrying value		Fair value	Ownership		Carrying value		Fair value
Algoma	36.6 %	$	243,204	$	222,719	37.2 %	$	267,931	$	257,647
Economic	24.7 %		181,743		182,002	24.7 %		175,261		175,261
Total		$	424,947	$	404,721		$	443,192	$	432,908

The following table details the movement during the period:

		3 months 2023		12 months 2022
Balance, beginning of the period	$	443,192	$	394,362
Income recorded in the statements of income:				
Share of income		1,890		37,602
Net impairment reversal		8,386		20,544
		10,276		58,146
Share of other comprehensive income		232		13,632
		10,508		71,778
Dividends received during the period		(28,753)		(22,948)
Balance, end of the period	$	424,947	$	443,192

The E-L Corporate’s associates are measured using the equity method. As at March 31, 2023, the fair value of the investments in associates was $404,721 (December 31, 2022 - $432,908). 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, 2023, an impairment reversal of $8,386 (March 31, 2022 - $12,042) 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.

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

Financial information

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

	Algoma		Economic	
	March 31 2023	December 31 2022	March 31 2023	December 31 2022
Cash and cash equivalents	$ 70,528	$ 141,968	$ 6,053	$ 12,831
Other current assets	103,172	108,362	1,094,808	1,086,430
Non-current assets	1,131,229	1,115,367	—	—
	1,304,929	1,365,697	1,100,861	1,099,261
Current liabilities	119,074	150,828	16,743	14,784
Non-current liabilities	477,092	488,845	78,265	75,600
	596,166	639,673	95,008	90,384
Net assets	$ 708,763	$ 726,024	$ 1,005,853	$ 1,008,877

	Algoma		Economic	
Three months ended March 31	2023	2022	2023	2022
Revenue	$ 111,604	$ 85,103	$ 30,254	$ (19,335)
Net (loss) income	$ (19,640)	$ (19,571)	$ 25,829	$ (16,923)
Other comprehensive income	632	5,300	—	—
Total comprehensive (loss) income	$ (19,008)	$ (14,271)	$ 25,829	$ (16,923)

At March 31, 2023, Algoma has capital asset commitments of $450,887 (December 31, 2022 - $300,029).

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

	Algoma		Economic		Total	
	2023	2022	2023	2022	2023	2022
Dividends received	$ 21,635	$ 2,404	$ 7,118	$ 12,119	$ 28,753	$ 14,523

On January 18, 2023 Algoma paid a special dividend of $1.35 per common share resulting in E-L Corporate receiving a dividend of $19,090.

6. Non-insurance - Investment and other income

Non-insurance investment and other income is comprised of the following:

	Three months ended March 31	
	2023	2022 restated
Interest income	$ 503	$ 146
Fee income	21,958	617
Dividend income	35,443	24,313
Other	2,121	488
Total	$ 60,025	$ 25,564

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

7. Segregated funds

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

	March 31 2023	December 31 2022 restated
Cash	$ 299,389	$ 7,737
Short-term investments	384,810	579,148
Bonds	1,792,306	1,754,518
Common and preferred shares	6,327,318	6,301,258
Other assets	16,476	15,360
	8,820,299	8,658,021
Less segregated funds held within general fund investments	(95,285)	(92,346)
Total	$ 8,725,014	$ 8,565,675

As at March 31, 2023, $8,410,620 (December 31, 2022, $8,260,835) of the above assets are attributed to segregated fund contracts classified as insurance contracts, and $314,394 (December 31, 2022, $304,840) are attributed to segregated fund contracts classified as investment contracts.

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, 2023			December 31, 2022- restated		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Cash	$ 299,389	$ —	$ 299,389	$ 7,737	$ —	$ 7,737
Short-term investments	—	384,810	384,810	—	579,148	579,148
Bonds	—	1,792,306	1,792,306	—	1,754,518	1,754,518
Common and preferred shares	6,327,318	—	6,327,318	6,301,258	—	6,301,258
Total	$ 6,626,707	$ 2,177,116	$ 8,803,823	$ 6,308,995	$ 2,333,666	$ 8,642,661

There were no transfers between Level 1 and Level 2 during the three months ended March 31, 2023 or during the year ended December 31, 2022. There were no level 3 investments as at March 31, 2023 or December 31, 2022.

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

The following table presents the change in segregated funds:

	Three months ended March 31 2023	Three months ended March 31 2022 restated
Segregated funds - beginning of the period	$ 8,565,675	$ 9,257,298
Additions to segregated funds:		
Amount received from policyholders	256,273	278,976
Interest	7,664	14,114
Dividends	37,261	38,045
Other income	19,847	5,179
Net realized gains on sale of investments	73,903	63,447
Net unrealized increase in fair value of investments	142,579	—
	537,527	399,761
Deductions from segregated funds:		
Amounts withdrawn or transferred by policyholders	311,367	307,863
Net unrealized decrease in fair value of investments	—	239,929
Management fees and other operating costs	63,882	66,978
	375,249	614,770
Net change in segregated funds held within general fund investments	(2,939)	3,265
Segregated funds - end of the period	$ 8,725,014	$ 9,045,554

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 assets

Other assets are comprised of the following:

	March 31 2023	December 31 2022 restated
Accrued investment income	$ 63,696	$ 51,349
Income taxes receivable	60,536	69,554
Property and equipment	14,128	14,678
Intangible assets	60,605	60,571
Goodwill	24,465	24,465
Other	75,669	45,535
Total	$ 299,099	$ 266,152

On March 10, 2022, Empire Life acquired 100% of the shares of six financial services firms and amalgamated them into one wholly-owned subsidiary under the name TruStone Financial Inc. ("TruStone Financial"). Total consideration for the 100% acquisition of TruStone Financial was paid with $57,910 in cash. The purchase price is primarily comprised of goodwill and intangible assets, including customer relationships, distributor relationships, and non-competition agreements.

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

9. Insurance contract liabilities and reinsurance liabilities

The breakdown of groups of insurance contracts and reinsurance contracts held, that are in an asset position and those in a liability position is set out in the table below:

	March 31, 2023			December 31, 2022		
	Assets	Liabilities	Total	Assets	Liabilities	Total
Insurance contracts	$ —	$ 14,795,032	$ 14,795,032	$ —	$ 14,424,326	$ 14,424,326
Reinsurance contracts held	(309,907)	265,406	(44,501)	(310,044)	217,056	(92,988)
Net insurance and reinsurance contracts held	$ (309,907)	$ 15,060,438	$ 14,750,531	$ (310,044)	$ 14,641,382	$ 14,331,338

The tables below present a roll-forward of the net asset or liability for insurance contracts not measured using PAA issued showing estimates of the present value of future cash flows, risk adjustment and CSM.

For the three months ended March 31, 2023	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin		Total
			Fair value approach	Post transition	
Insurance contracts (excluding PAA contracts)					
Insurance contract assets at beginning of period	$ —	$ —	$ —	$ —	$ —
Insurance contract liabilities at beginning of period	11,398,490	935,603	1,693,989	42,602	14,070,684
Net insurance contract beginning of period[1]	11,398,490	935,603	1,693,989	42,602	14,070,684
Changes that relate to current services					
CSM recognized for services provided			(45,972)	(1,261)	(47,233)
Risk adjustment recognized for non-financial risk expired		(12,864)			(12,864)
Experience adjustments	2,025				2,025
Changes that relate to future services					
Contracts initially recognized in the period	(36,512)	24,196	224	15,660	3,568
Changes in estimates that adjust the CSM	(15,772)	8,828	8,991	(2,047)	—
Changes in estimates that do not adjust the CSM	2,276	(3,753)			(1,477)
Changes that relate to past services					
Adjustments to liabilities for incurred claims	—	—	—	—	—
Insurance service result	(47,983)	16,407	(36,757)	12,352	(55,981)
Insurance finance (income) expenses	194,258	43,515	7,482	318	245,573
Segregated funds changes in fair value of underlying items	281,254				281,254
Total changes in the statement of operations	427,529	59,922	(29,275)	12,670	470,846
Cash flows					
Premiums received	286,643				286,643
Claims and other expenses paid	(356,523)				(356,523)
Insurance acquisition cash flows	(46,220)				(46,220)
Total cash flows	(116,100)				(116,100)
Net insurance contracts at period end	$ 11,709,919	$ 995,525	$ 1,664,714	$ 55,272	$ 14,425,430
Insurance contracts (excluding PAA contracts)					
Insurance contract (assets) at end of period	$ —	$ —	$ —	$ —	$ —
Insurance contract liabilities at end of period	11,709,919	995,525	1,664,714	55,272	14,425,430
Net insurance contracts at end of period [1]	$ 11,709,919	$ 995,525	$ 1,664,714	$ 55,272	$ 14,425,430

[1] The opening and closing balances excludes PAA contracts totalling $353,642 and $369,602 respectively.

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

For the year ended December 31, 2022 - restated	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin		Total
			Fair value approach	Post transition	
Insurance contracts (excluding PAA contracts)					
Insurance contract assets at beginning of year	$ —	$ —	$ —	$ —	$ —
Insurance contract liabilities at beginning of year	13,462,144	1,190,973	1,543,816	—	16,196,933
Net insurance contract beginning of year	13,462,144	1,190,973	1,543,816	—	16,196,933
Changes that relate to current services					
CSM recognized for services provided			(182,980)	(1,910)	(184,890)
Risk adjustment recognized for non-financial risk expired		(49,774)			(49,774)
Experience adjustments	(15,154)				(15,154)
Changes that relate to future services					
Contracts initially recognized in the period	(134,361)	86,679	2,530	53,105	7,953
Changes in estimates that adjust the CSM	(240,035)	(51,177)	300,131	(8,919)	—
Changes in estimates that do not adjust the CSM	1,365	(6,247)			(4,882)
Changes that relate to past services					
Adjustments to liabilities for incurred claims	26,064	2,693	—	—	28,757
Insurance service result	(362,121)	(17,826)	119,681	42,276	(217,990)
Insurance finance (income) expenses	(1,254,501)	(237,544)	30,492	326	(1,461,227)
Segregated funds changes in fair value of underlying items	(353,681)				(353,681)
Total changes in the statement of operations	(1,970,303)	(255,370)	150,173	42,602	(2,032,898)
Cash flows					
Premiums received	1,133,772				1,133,772
Claims and other expenses paid	(1,066,229)				(1,066,229)
Insurance acquisition cash flows	(160,894)				(160,894)
Total cash flows	(93,351)				(93,351)
Net insurance contracts at end of year	$ 11,398,490	$ 935,603	$ 1,693,989	$ 42,602	$ 14,070,684
Insurance contracts (excluding PAA contracts)					
Insurance contract (assets) at end of year	$ —	$ —	$ —	$ —	$ —
Insurance contract liabilities at end of year	11,398,490	935,603	1,693,989	42,602	14,070,684
Net insurance contracts at end of year (1)	$ 11,398,490	$ 935,603	$ 1,693,989	$ 42,602	$ 14,070,684

(1) The opening and closing balances excludes PAA contracts totalling $348,597 and $353,642 respectively.

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

The tables below present a roll-forward of the net asset or liability for all insurance contracts issued showing assets for liability for remaining coverage and liability for incurred claims.

For the three months ended March 31, 2023	Liabilities for remaining coverage		Liabilities for incurred claims			Total
	Excluding loss component	Loss component	Contracts not using PAA	Contracts using PAA		
				Estimate of PV of future cash flows	Risk adjustment	
Insurance contract (assets) at beginning of period	$ —	$ —	$ —	$ —	$ —	$ —
Insurance contract liabilities at beginning of period	14,066,890	3,794		319,760	33,882	14,424,326
Net insurance contract at beginning of period	14,066,890	3,794	—	319,760	33,882	14,424,326
Insurance revenue						
Contracts under fair value approach	(159,484)					(159,484)
Other contracts	(166,030)					(166,030)
Insurance service expenses						—
Incurred claims and other expenses		(64)	104,490	147,327	—	251,753
Amortization of insurance acquisition cash flows	6,297					6,297
Losses and reversal of losses on onerous contracts		2,091				2,091
Adjustments to liabilities for incurred claims			—	6,662	629	7,291
Investment components	(364,485)		364,485			—
Insurance service result	(683,702)	2,027	468,975	153,989	629	(58,082)
Insurance finance (income) expenses	245,585	(3)	—	7,793	877	254,252
Segregated funds changes in fair value of underlying items	281,254					281,254
Total changes in the statement of operations	(156,863)	2,024	468,975	161,782	1,506	477,424
Cash flows						
Premiums received	555,804					555,804
Claims and other expenses paid			(468,975)	(147,327)		(616,302)
Insurance acquisition cash flows	(46,220)					(46,220)
Total cash flows	509,584	—	(468,975)	(147,327)		(106,718)
Net insurance contract assets/ (liabilities) at end of period	14,419,611	5,818	—	334,215	35,388	14,795,032
Insurance contract assets at end of period	—	—	—	—	—	—
Insurance contract liabilities at end of period	14,419,611	5,818	—	334,215	35,388	14,795,032
Net insurance contract assets/ (liabilities) at end of period	$ 14,419,611	$ 5,818	$ —	$ 334,215	$ 35,388	$ 14,795,032

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

For the year ended December 31, 2022 - restated	Liabilities for remaining coverage		Liabilities for incurred claims			Total
	Excluding loss component	Loss component	Contracts not using PAA	Contracts using PAA		
				Estimate of PV of future cash flows	Risk adjustment	
Insurance contract (assets) at beginning of year	$ —	$ —	$ —	$ —	$ —	$ —
Insurance contract liabilities at beginning of year	16,197,693	—	—	314,753	33,844	16,546,290
Net insurance contract at beginning of year	16,197,693	—	—	314,753	33,844	16,546,290
Insurance revenue						
Contracts under fair value approach	(623,380)					(623,380)
Other contracts	(631,972)					(631,972)
Insurance service expenses						—
Incurred claims and other expenses		(104)	405,620	555,774	—	961,290
Amortization of insurance acquisition cash flows	24,992					24,992
Losses and reversal of losses on onerous contracts		3,071				3,071
Adjustments to liabilities for incurred claims			—	26,064	2,693	28,757
Investment components	(400,312)		400,312			—
Insurance service result	(1,630,672)	2,967	805,932	581,838	2,693	(237,242)
Insurance finance (income) expenses	(1,438,341)	827	—	(21,058)	(2,655)	(1,461,227)
Segregated funds changes in fair value of underlying items	(353,681)					(353,681)
Total changes in the statement of operations	(3,422,694)	3,794	805,932	560,780	38	(2,052,150)
Cash flows						
Premiums received	1,452,785					1,452,785
Claims and other expenses paid			(805,932)	(555,773)		(1,361,705)
Insurance acquisition cash flows	(160,894)					(160,894)
Total cash flows	1,291,891	—	(805,932)	(555,773)		(69,814)
Net insurance contract assets/ (liabilities) at end of year	14,066,890	3,794	—	319,760	33,882	14,424,326
Insurance contract assets at end of year	—	—	—			—
Insurance contract liabilities at end of year	14,066,890	3,794	—	319,760	33,882	14,424,326
Net insurance contract assets/ (liabilities) at end of year	$ 14,066,890	$ 3,794	$ —	$ 319,760	$ 33,882	$ 14,424,326

With regards to general fund assets and liabilities, the duration of insurance contract liability cash flows is greater than the assets supporting them. Hence, the liabilities are generally more sensitive to interest rate changes than the assets. This difference is mitigated by the impact of changes in the market values of capital and surplus fixed income assets. Changes in equity values and other non-fixed income assets that are not passed through to policyholders generally have an impact on investment income with no offsetting change in investment finance expense.

With regards to VFA contracts (participating insurance and segregated funds), the change in the policyholder portion of the underlying items would be recognized both as insurance finance income (or expense) and investment income, with offsetting impacts.

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

The tables below present a roll-forward of the net asset or liability for reinsurance contracts held not measured using PAA showing estimates of the present value of future cash flows, risk adjustment and CSM.

For the three months ended March 31, 2023	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin		Total
			Fair value approach	Post transition	
Reinsurance contracts held (excluding PAA contracts)					
Reinsurance contracts held (assets) at beginning of period	$ 343,690	$ (264,761)	$ (249,563)	$ 20,466	$ (150,168)
Reinsurance contract held liabilities at beginning of period	260,297	(79,781)	36,398	142	217,056
Net reinsurance contracts held at beginning of period[1]	603,987	(344,542)	(213,165)	20,608	66,888
Changes that relate to current services					
CSM recognized for services provided			6,428	(667)	5,761
Risk adjustment recognized for non-financial risk expired		5,075			5,075
Experience adjustments	3,153				3,153
Changes that relate to future services					
Contracts initially recognized in the period	3,047	(11,256)	(271)	5,881	(2,599)
Changes in estimates that adjust the CSM	(542)	(749)	1,351	(60)	—
Changes in estimates that adjust recoveries of losses on onerous underlying contracts	(33)	16			(17)
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM			598	799	1,397
Changes that relate to past services					
Changes in amounts recoverable arising from changes in liability for incurred claims	—	—			—
Reinsurance service result	5,625	(6,914)	8,106	5,953	12,770
Reinsurance finance (income) expenses	30,427	(16,034)	(1,812)	296	12,877
Total changes in the statement of operations	36,052	(22,948)	6,294	6,249	25,647
Cash flows					
Premiums paid	(33,299)				(33,299)
Amounts received	64,426				64,426
Total cash flows	31,127				31,127
Net reinsurance contracts at end of period	$ 671,166	$ (367,490)	$ (206,871)	$ 26,857	$ 123,662
Reinsurance contracts held (excluding PAA contracts)					
Reinsurance contracts held (assets) at end of period	$ 359,485	$ (284,063)	$ (243,814)	$ 26,648	$ (141,744)
Reinsurance contract held liabilities at end of period	311,681	(83,427)	36,943	209	265,406
Net reinsurance contracts held at end of period [1]	$ 671,166	$ (367,490)	$ (206,871)	$ 26,857	$ 123,662

[1] The opening and closing balances excludes PAA contracts totalling $159,876 and $168,163 respectively.

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

For the year ended December 31, 2022	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin		Total
			Fair value approach	Post transition	
Reinsurance contracts held (excluding PAA contracts)					
Reinsurance contracts held (assets) at beginning of year	$ 408,519	$ (300,711)	$ (240,144)	$ —	$ (132,336)
Reinsurance contract held liabilities at beginning of year	388,182	(103,581)	54,322	—	338,923
Net reinsurance contracts held at beginning of year	796,701	(404,292)	(185,822)	—	206,587
Changes that relate to current services					
CSM recognized for services provided			22,917	(1,143)	21,774
Risk adjustment recognized for non-financial risk expired		18,368			18,368
Experience adjustments	(2,922)				(2,922)
Changes that relate to future services					
Contracts initially recognized in the period	9,227	(39,626)	251	24,351	(5,797)
Changes in estimates that adjust the CSM	58,396	(8,647)	(44,979)	(4,770)	—
Changes in estimates that adjust recoveries of losses on onerous underlying contracts	486	(36)			450
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM			505	1,676	2,181
Changes that relate to past services					
Changes in amounts recoverable arising from changes in liability for incurred claims	—	—			—
Reinsurance service result	65,187	(29,941)	(21,306)	20,114	34,054
Reinsurance finance (income) expenses	(176,587)	89,691	(6,037)	494	(92,439)
Total changes in the statement of operations	(111,400)	59,750	(27,343)	20,608	(58,385)
Cash flows					
Premiums paid	(131,198)				(131,198)
Amounts received	49,884				49,884
Total cash flows	(81,314)				(81,314)
Net reinsurance contracts at end of year	$ 603,987	$ (344,542)	$ (213,165)	$ 20,608	$ 66,888
Reinsurance contracts held (excluding PAA contracts)					
Reinsurance contracts held (assets) at end of year	$ 343,690	$ (264,761)	$ (249,563)	$ 20,466	$ (150,168)
Reinsurance contract held liabilities at end of year	260,297	(79,781)	36,398	142	217,056
Net reinsurance contracts held at end of year (1)	$ 603,987	$ (344,542)	$ (213,165)	$ 20,608	$ 66,888

(1) The opening and closing balances excludes PAA contracts totalling $150,964 and $159,876 respectively.

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

The tables below present a roll-forward of the net asset or liability for all reinsurance contracts held showing assets for remaining coverage and amounts recoverable on incurred claims.

For the three months ended March 31, 2023	Assets for remaining coverage		Amounts recoverable incurred claims			Total
	Excluding loss component	Loss component	Contracts not using PAA	Contracts using PAA		
				Estimate of PV of future cash flows	Risk adjustment	
Reinsurance contracts held (assets) at beginning of period	$ (147,379)	$ (2,789)	$ —	$ (145,837)	$ (14,039)	$ (310,044)
Reinsurance contracts held liabilities at beginning of period	217,056	—	—	—	—	217,056
Net reinsurance contract held at beginning of period	69,677	(2,789)	—	(145,837)	(14,039)	(92,988)
Allocation of premiums paid						
Contracts under fair value approach	36,004					36,004
Other contracts	41,152					41,152
Amounts recoverable from reinsurers						
Amounts recoverable for claims and other expenses incurred in the period		280	(31,887)	(26,086)	—	(57,693)
Changes in amounts recoverable from changes in liability for incurred claims			—	(3,957)	(315)	(4,272)
Changes in fulfilment cash flows which relate to onerous underlying contracts		(1,218)				(1,218)
Net income or expense from reinsurance contracts held	77,156	(938)	(31,887)	(30,043)	(315)	13,973
Reinsurance finance income (expenses)	12,935	(58)	—	(3,641)	(374)	8,862
Total changes in the statement of operations	90,091	(996)	(31,887)	(33,684)	(689)	22,835
Cash flows						
Premiums paid	(32,321)					(32,321)
Amounts received			31,887	26,086		57,973
Total cash flows	(32,321)	—	31,887	26,086	—	25,652
Net reinsurance contract assets/ (liabilities) end of period	127,447	(3,785)	—	(153,435)	(14,728)	(44,501)
Reinsurance contracts held (assets) end of period	(137,959)	(3,785)	—	(153,435)	(14,728)	(309,907)
Insurance contracts held liabilities end of period	265,406	—	—	—	—	265,406
Net reinsurance contracts held end of period	$ 127,447	$ (3,785)	$ —	$ (153,435)	$ (14,728)	$ (44,501)

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

For the year ended December 31, 2022	Assets for remaining coverage		Amounts recoverable incurred claims			Total
	Excluding loss component	Loss component	Contracts not using PAA	Contracts using PAA		
				Estimate of PV of future cash flows	Risk adjustment	
Reinsurance contracts held (assets) at beginning of year	$ (132,335)	$ —	$ —	$ (136,674)	$ (14,290)	$ (283,299)
Reinsurance contracts held liabilities at beginning of year	338,922	—	—	—	—	338,922
Net reinsurance contract held at beginning of year	206,587	—	—	(136,674)	(14,290)	55,623
Allocation of premiums paid						
Contracts under fair value approach	138,191					138,191
Other contracts	153,107					153,107
Amounts recoverable from reinsurers						
Amounts recoverable for claims and other expenses incurred in the period		443	(132,428)	(93,486)	—	(225,471)
Changes in amounts recoverable from changes in liability for incurred claims			—	(17,505)	(729)	(18,234)
Changes in fulfilment cash flows which relate to onerous underlying contracts		(3,166)				(3,166)
Net income or expense from reinsurance contracts held	291,298	(2,723)	(132,428)	(110,991)	(729)	44,427
Reinsurance finance income (expenses)	(92,260)	(66)	—	8,342	980	(83,004)
Total changes in the statement of operations	199,038	(2,789)	(132,428)	(102,649)	251	(38,577)
Cash flows						
Premiums paid	(335,948)					(335,948)
Amounts received			132,428	93,486		225,914
Total cash flows	(335,948)	—	132,428	93,486	—	(110,034)
Net reinsurance contract assets/ (liabilities) end of year	69,677	(2,789)	—	(145,837)	(14,039)	(92,988)
Reinsurance contracts held (assets) end of year	(147,379)	(2,789)	—	(145,837)	(14,039)	(310,044)
Insurance contracts held liabilities end of year	217,056	—	—	—	—	217,056
Net reinsurance contracts held end of year	$ 69,677	$ (2,789)	$ —	$ (145,837)	$ (14,039)	$ (92,988)

The following table summarizes the expected CSM amortization over various future periods.

Recognition of the Contractual Service Margin							As at March 31, 2023
	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	More than 10 years	Total
Insurance contracts	$ 169,778	$ 154,057	$ 140,635	$ 127,862	$ 115,834	$ 425,513	$ 586,307	$1,719,986
Reinsurance contracts held	(21,458)	(19,479)	(17,594)	(15,811)	(14,063)	(47,562)	(44,047)	(180,014)
Total	$ 148,320	$ 134,578	$ 123,041	$ 112,051	$ 101,771	$ 377,951	$ 542,260	$1,539,972

Recognition of the Contractual Service Margin								As at December 31, 2022
	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	More than 10 years	Total
Insurance contracts	$ 171,216	$ 155,474	$ 141,915	$ 129,078	$ 117,001	$ 430,019	$ 591,888	$1,736,591
Reinsurance contracts held	(22,658)	(20,648)	(18,658)	(16,802)	(14,986)	(51,078)	(47,727)	(192,557)
Total	$ 148,558	$ 134,826	$ 123,257	$ 112,276	$ 102,015	$ 378,941	$ 544,161	$1,544,034

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

10. Other liabilities

Other liabilities are comprised of the following:

		March 31 2023		December 31 2022 restated
Accounts payable	$	57,005	$	107,921
Other [1]		76,221		21,140
Total	$	133,226	$	129,061

[1] March 31, 2023 balance includes due to brokers of $51,379.

11. 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. The sensitivities do not take into account indirect effects such as potential impacts on goodwill impairments or valuation allowances on deferred tax assets. Actual results can differ materially from these estimates for a variety of reasons, including differences in the pattern or distribution of market shocks, 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, CSM, Equity 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.

The Company's most significant market risks are equity risk and interest rate risk. Foreign exchange risk, liquidity risk, credit risk and concentration of credit risk have not changed materially since December 31, 2022. Information related to market sensitivities should be read in conjunction with the information contained in the Investment Risk Management section of the Company's 2022 Annual Report.

Market risk

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

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

a) E-L Corporate

The following table summarizes the potential impact on E-L Corporate of a change in global equity markets. 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. The amounts presented below reflect the effects on shareholders' net income which are adjusted for the impact of non-controlling interests for investments held by the Company's subsidiary United Corporations Limited.

	March 31, 2023		December 31, 2022	
		Effect on shareholders' net income		Effect on shareholders' net income
Corporate Investments:				
Investments - corporate				
10% fluctuation	$	441,797	$	417,261
20% fluctuation	$	883,594	$	834,522
Investments in associates				
10% fluctuation	$	17,756	$	17,921
20% fluctuation	$	35,512	$	35,842

E-L Corporate's largest exposure to common equities relates to its investment in associates of $424,947 (December 31, 2022 – $443,192) which represents 7% (December 31, 2022 – 8%) of E-L Corporate's total assets.

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 approximately $247,757 (December 31, 2022 – $274,565) affect on shareholders' net income and $11,219 (December 31, 2022 – $10,726) on other comprehensive income.

b) Empire Life

The following table summarizes the potential impact on the Empire Life's net income before tax and equity as a result of a change in global equity markets.

As at			March 31, 2023				December 31, 2022 restated	
	Change in equity markets		Impact on profit before tax		Impact on equity		Impact on profit before tax		Impact on equity
Insurance and reinsurance contracts held and equity	+20%	$	71,348	$	52,527	$	77,125	$	56,779
Insurance and reinsurance contracts held and equity	+10%	$	34,623	$	25,490	$	39,361	$	28,978
Insurance and reinsurance contracts held and equity	-20%	$	(55,160)	$	(40,609)	$	(53,488)	$	(39,378)
Insurance and reinsurance contracts held and equity	-10%	$	(31,789)	$	(23,403)	$	(29,059)	$	(21,393)

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

The following table summarizes the potential impact of one-time changes in interest rates on Empire Life's net income before tax and the equity.

As at			March 31, 2023		December 31, 2022 restated	
	Change in interest rate	Time period	Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
Insurance and reinsurance contracts held and debt instruments	+50 bps	Observable period	$ (20,075)	$ (14,779)	$ 7,391	$ 5,442
Insurance and reinsurance contracts held and debt instruments	+50 bps	All years	$ 35,337	$ 26,015	$ 41,051	$ 30,222
Insurance and reinsurance contracts held and debt instruments	-50 bps	Observable period	$ 14,806	$ 10,900	$ 13,699	$ 10,085
Insurance and reinsurance contracts held and debt instruments	-50 bps	All years	$ (73,801)	$ (54,333)	$ (70,803)	$ (52,125)
Insurance and reinsurance contracts held and debt instruments	+100 bps	Observable period	$ (45,286)	$ (33,339)	$ (37,974)	$ (27,957)
Insurance and reinsurance contracts held and debt instruments	-100 bps	Observable period	$ 21,496	$ 15,826	$ 16,256	$ 11,967

Empire Life does not have a material exposure to foreign currency risk.

Product risk

Product risk is the risk that actual experience related to claims, benefit payments, expenses, cost of embedded product options and cost of guarantees associated with products, does not emerge as expected. Empire Life is exposed to various categories of product risk as a result of the business it writes, including: insurance (mortality, policyholder behaviour (termination or lapse), expenses, morbidity, longevity), product design and pricing risk, underwriting and claims risk and reinsurance risk.

The tables below provide sensitivities to changes in insurance variables. Product design and pricing, underwriting and claims and reinsurance risks have not changed materially since December 31, 2022. Information related to insurance sensitivities should be read in conjunction with the information contained in the Insurance Risk Management section of the Company's 2022 Annual Report.

					March 31, 2023
	Change in assumptions	Impact on profit before tax gross of reinsurance	Impact on profit before tax net of reinsurance	Impact on equity gross of reinsurance	Impact on equity net of reinsurance
Mortality	+2%	$ (866)	$ (639)	$ (638)	$ (470)
Morbidity	+5%	$ (5,040)	$ (2,816)	$ (3,711)	$ (2,073)
Longevity	-2%	$ —	$ —	$ —	$ —
Expenses	+5%	$ (111)	$ (111)	$ (82)	$ (82)
Lapse and surrenders rate	+10%	$ (7,882)	$ (8,473)	$ (5,803)	$ (6,237)
Lapse and surrenders rate	-10%	$ 5,259	$ 5,383	$ 3,871	$ 3,963

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

		December 31, 2022 restated			
	Change in assumptions	Impact on profit before tax gross of reinsurance	Impact on profit before tax net of reinsurance	Impact on equity gross of reinsurance	Impact on equity net of reinsurance
Mortality	+2%	$ (601)	$ (538)	$ (443)	$ (396)
Morbidity	+5%	$ (4,870)	$ (2,717)	$ (3,585)	$ (2,000)
Longevity	-2%	$ —	$ —	$ —	$ —
Expenses	+5%	$ (82)	$ (82)	$ (61)	$ (61)
Lapse and surrenders rate	+10%	$ (6,066)	$ (6,586)	$ (4,466)	$ (4,849)
Lapse and surrenders rate	+10%	$ 3,817	$ 3,780	$ 2,810	$ 2,783

		March 31, 2023		December 31, 2022 restated	
	Change in assumptions	Impact on CSM before tax gross of reinsurance	Impact on ceded CSM before tax	Impact on CSM before tax gross of reinsurance	Impact on ceded CSM before tax
Mortality	+2%	$ (72,023)	$ 45,010	$ (71,155)	$ 44,061
Morbidity	+5%	$ (14,492)	$ 6,130	$ (14,451)	$ 6,074
Longevity	-2%	$ (6,375)	$ (2,990)	$ (6,195)	$ (3,037)
Expenses	+5%	$ (11,620)	$ (157)	$ (11,755)	$ (142)
Lapse and surrenders rate	+10%	$ (172,827)	$ 58,861	$ (172,191)	$ 59,531
Lapse and surrenders rate	-10%	$ 220,528	$ (68,692)	$ 216,290	$ (68,659)

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

12. 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, 2023			
Net insurance and investment income	$ —	$ 76,694	$ 76,694
Non-insurance investment result	371,112	21,958	393,070
Total operating expenses	(12,897)	(30,922)	(43,819)
Income before income taxes	358,215	67,730	425,945
Income taxes	(44,358)	(12,522)	(56,880)
Net income	313,857	55,208	369,065
Less: NCI and PAR	(60,331)	(3,646)	(63,977)
Segment shareholders' net income	$ 253,526	$ 51,562	$ 305,088
March 31, 2022 - restated			
Net insurance and investment income	$ —	$ 73,536	$ 73,536
Non-insurance investment result	(433,484)	617	(432,867)
Total operating expenses	(8,579)	(14,874)	(23,453)
(Loss) income before income taxes	(442,063)	59,279	(382,784)
Income taxes	58,685	(12,910)	45,775
Net (loss) income	(383,378)	46,369	(337,009)
Less: NCI and PAR	(109,582)	(505)	(110,087)
Shareholders' net (loss) income	$ (273,796)	$ 46,874	$ (226,922)

	E-L Corporate	Empire Life	Total
March 31, 2023			
Segment assets [1]	$ 6,521,781	$ 18,013,109	$ 24,534,890
Segment liabilities	$ 599,400	$ 16,191,037	$ 16,790,437
December 31, 2022 - restated			
Segment assets [1]	$ 6,189,314	$ 17,557,672	$ 23,746,986
Segment liabilities	$ 582,760	$ 15,772,210	$ 16,354,970

[1] Segment assets include investments in associates of $454,426 (December 31, 2022 - $473,008).

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

The following table shows the interest and dividend income received during the period:

Three months ended	E-L Corporate	Empire Life	Total
March 31, 2023			
Interest income received	$ 1,161	$ 46,055	$ 47,216
Dividend income received	31,261	7,678	38,939
Total	$ 32,422	$ 53,733	$ 86,155
March 31, 2022			
Interest income received	$ 151	$ 42,903	$ 43,054
Dividend income received	38,828	12,134	50,962
Total	$ 38,979	$ 55,037	$ 94,016

13. Capital stock

		March 31, 2023		December 31, 2022	
	Authorized	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	3,557,090	64,063	3,557,090	64,063
Total			$ 364,064		$ 364,064

Normal course issuer bid

On March 6, 2023, the Company obtained approval from the TSX to renew its normal course issuer bid (“NCIB”) to purchase up to 177,854 common shares between March 9, 2023 and March 8, 2024. 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.

No shares were purchased under the NCIB for the three months ended March 31, 2023. For the 12 month period ended December 31, 2022, 40,660 were purchased under the NCIB at an average price of $872.05 for a total consideration of $35,458.

Substantial issuer bid

On August 16, 2022 the Company announced its intention to commence a substantial issuer bid (“SIB”) pursuant to which the Company offered to purchase up to $100,000 of its outstanding common shares for cash.

As of September 28, 2022 the Company had taken up and paid for 103,626 common shares at a price of $965.00 per common share. The common shares acquired under the SIB represent an aggregate purchase price of $100,000.

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.

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

The movement in common share capital is as follows:

	3 months March 31, 2023		12 months December 31, 2022	
Common shares	Number of shares	Share capital	Number of shares	Share capital
Balance, beginning of the period	3,557,090	$ 64,063	3,701,376	$ 66,662
Repurchase and cancellation of shares:				
NCIB	—	—	(40,660)	(733)
SIB	—	—	(103,626)	(1,866)
Balance, end of the period	3,557,090	$ 64,063	3,557,090	$ 64,063

The following dividends were declared by the Board of Directors at their meeting on May 12, 2023, with a record and payable date of June 30, 2023 and July 17, 2023, respectively:

- First Preference Shares, Series 1, $0.33125 per share;
- First Preference Shares, Series 2, $0.296875 per share;
- First Preference Shares, Series 3, $0.34375 per share;
- Series A Preference Shares, $0.125 per share; and
- Common shares, $3.75 per share.

14. Capital management

Empire Life manages its regulatory capital in order to meet the regulatory capital adequacy requirements of the *Insurance Companies Act* 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. OSFI has established a Supervisory Target Total Ratio of 100% and a Supervisory Target Core Ratio of 70%. As at January 1, 2022, December 31, 2022 and March 31, 2023 Empire Life was in compliance with the applicable regulatory capital ratios.

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

15. Borrowings

The table below presents the debt obligations of the Company:

As at March 31	Interest rate	Earliest par call or redemption date	Maturity	March 31, 2023 Carrying value	March 31, 2023 Fair value	December 31, 2022 Carrying value	December 31, 2022 Fair value
Empire Life							
Series 2017-1[1]	3.664 %	03/15/23	2028	$ —		$ 199,964	
Series 2021-1[2]	2.024 %	09/24/26	2031	199,313		199,165	
Series 2023-1[3]	5.503 %	01/13/28	2033	199,329		—	
Total subordinated debt				$ 398,642	$ 377,822	$ 399,129	$ 374,616
E-L Corporate							
Senior unsecured notes[4]	4.000 %		2050	$ 198,907	$ 151,146	$ 198,786	$ 155,164
Margin loan[5]				35,000	35,000	55,000	55,000
Operating facility[6]				—	—	50,000	50,000
Total borrowings				$ 632,549	$ 563,968	$ 702,915	$ 634,780

[1] All of the outstanding Series 2017-1 Unsecured Debentures were redeemed on March 15, 2023.

[2] Unsecured Debentures due 2031. From September 24, 2026, interest is payable at 0.67% over CDOR.

[3] Unsecured Debentures due 2033. From January 13, 2028, interest is payable at 2.26% over CORRA.

[4] The senior unsecured note bears interest at an annual rate of 4.0% calculated and payable semi-annually in arrears on June 22 and December 22 of each year commencing December 22, 2020 and ending June 22, 2050.

[5] The margin loan is pledged with investments from the Investment - corporate portfolio as collateral under this loan. Interest on the loan accrues at the three month CDOR plus 40 basis points.

[6] The operating facility is pledged with investments from the Investment - corporate portfolio as collateral under this loan. Interest on the loan accrues at the prime rate of the bank minus 25 basis points.

Glossary of Terms

Accumulated Other Comprehensive Income (“AOCI” (“AOCL”))
A separate component of shareholders’ equity and policyholders’ account which includes remeasurement of post-employment benefit liabilities and certain OCI (OCL) amounts from 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 anytime and prices are available to the public.

Available For Sale (“AFS”) Financial Assets
Non-derivative financial assets that are designated as AFS under IAS 39 or that are not classified as loans and receivables, held to maturity investments, or held for trading under IAS 39. Prior to the adoption of IFRS 9, most financial assets allocated to the Capital and Surplus segment were classified as AFS under IAS 39.

Best Estimate Liability (“BEL”)
BEL refers to discounted present value of the unbiased, probability-weighted estimate of future cash flows as defined in the standard for the general measurement model applied to a group of insurance contracts.

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.

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 Credit Loss (“ECL”)
An expected loss amount as a result of credit deterioration of the party that has been issued the credit.

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.

Fulfilment Cash Flow (“FCF”)

Fulfilment cash flows comprise unbiased and probability-weighted estimates of future cash flows, discounted to present value to reflect the time value of money and financial risks, plus a risk adjustment for non-financial risk.

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.

Other Comprehensive Income (“OCI”) Loss (“OCL”)

Under IAS 39 unrealized gains and losses, primarily on financial assets supporting the Capital and Surplus segment, were recorded as Other Comprehensive Income (“OCI”) or Other Comprehensive Loss (“OCL”). When these assets were sold or written down the resulting gain or loss was reclassified from OCI to net income. Upon the Company’s adoption of IFRS 9, these assets were designated at FVTPL so unrealized gains and losses are now immediately recognized in 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.

Risk Adjustment (“RA”)

The risk adjustment for non-financial risk represents the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts and covers mortality, morbidity, longevity, policyholder behaviour and expense risks. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the best estimate amount.

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STOCK EXCHANGE LISTINGS:

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First Preference Shares, Series 3	ELF.PR.H

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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:

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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.