

# The Empire Life Insurance Company

## **Condensed Interim Consolidated Financial Statements For the six months ended June 30, 2020 Unaudited**

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
The Company's external auditors have not performed a review of these condensed interim unaudited consolidated financial statements of The Empire Life Insurance Company.



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# Interim Consolidated Statements of Financial Position

(unaudited, in thousands of Canadian dollars)

As at	June 30, 2020	December 31, 2019
<b>Assets</b>		
Cash and cash equivalents (Note 3)	\$ 213,096	\$ 140,333
Investments		
Short-term investments (Note 3)	14,512	32,384
Bonds (Note 3)	7,933,276	7,509,652
Preferred shares (Note 3)	540,290	474,029
Common shares (Note 3)	819,289	842,029
Derivative assets (Note 3)	8,970	2,930
Mortgages (Note 3)	162,607	169,827
Loans on policies (Note 3)	55,996	55,363
Policy contract loans (Note 3)	65,805	66,520
<b>Total cash and cash equivalents and investments</b>	<b>9,813,841</b>	<b>9,293,067</b>
Accrued investment income	36,664	35,401
Insurance receivables	60,839	48,728
Other assets	43,582	23,096
Property and equipment	21,018	22,016
Intangible assets	23,902	22,357
Investment in associate	18,629	17,541
Segregated fund assets (Note 4)	7,733,130	8,498,583
<b>Total assets</b>	<b>\$ 17,751,605</b>	<b>\$ 17,960,789</b>
<b>Liabilities</b>		
Accounts payable and other liabilities	\$ 153,872	\$ 106,037
Insurance payables	118,576	95,578
Current income taxes payable	6,838	44,592
Reinsurance liabilities	722,691	698,372
Insurance contract liabilities	6,637,615	6,073,868
Investment contract liabilities	28,345	28,866
Policyholders' funds on deposit	34,517	34,224
Provision for profits to policyholders	33,889	32,924
Deferred income taxes	2,531	8,805
Subordinated debt	399,267	399,098
Segregated fund policy liabilities	7,733,130	8,498,583
<b>Total liabilities</b>	<b>15,871,271</b>	<b>16,020,947</b>
<b>Equity</b>		
Preferred shares (Note 9)	249,500	249,500
Common shares (Note 9)	985	985
Contributed surplus	19,387	19,387
Retained earnings	1,538,855	1,636,152
Accumulated other comprehensive income	71,607	33,818
<b>Total equity</b>	<b>1,880,334</b>	<b>1,939,842</b>
<b>Total liabilities and equity</b>	<b>\$ 17,751,605</b>	<b>\$ 17,960,789</b>



**Duncan N. R. Jackman**  
Chairman of the Board



**Mark Sylvia**  
President and Chief Executive Officer

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

# Interim Consolidated Statements of Operations

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

	For the three months ended		For the six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
<b>Revenue</b>				
Gross premiums (Note 5)	\$ 251,698	\$ 269,517	\$ 522,400	544,702
Premiums ceded to reinsurers (Note 5)	(50,007)	(44,217)	(104,911)	(81,516)
Net premiums (Note 5)	201,691	225,300	417,489	463,186
Investment income	82,392	82,998	163,343	157,680
Fair value change in fair value through profit or loss assets	666,960	204,805	268,366	607,557
Realized gain (loss) on fair value through profit or loss assets sold	82,146	18,271	115,874	27,209
Realized gain (loss) on available for sale assets including impairment write downs (Note 3)	13,553	5,629	18,227	5,554
Fee income	58,108	66,344	123,393	130,177
Total revenue	1,104,850	603,347	1,106,692	1,391,363
<b>Benefits and expenses</b>				
Gross benefits and claims paid (Note 6)	172,322	181,459	355,322	367,181
Claims recovery from reinsurers (Note 6)	(41,373)	(28,174)	(69,918)	(49,459)
Gross change in insurance contract liabilities (Note 6)	746,952	275,588	563,747	692,593
Change in insurance contract liabilities ceded (Note 6)	54,209	34,514	24,319	78,952
Change in investment contracts provision	142	124	475	230
Policy dividends	8,507	8,407	15,919	15,642
Operating expenses	41,003	44,084	83,506	85,585
Commissions	49,339	51,987	106,395	103,145
Commission recovery from reinsurers	(5,085)	(2,748)	(13,369)	(5,201)
Interest expense	3,598	3,596	7,158	7,152
Total benefits and expenses	1,029,614	568,837	1,073,554	1,295,820
Premium tax	4,993	5,315	9,643	10,527
Investment and capital tax	825	950	1,650	1,900
<b>Net income before income taxes</b>	<b>69,418</b>	<b>28,245</b>	<b>21,845</b>	<b>83,116</b>
Income taxes	14,835	4,623	651	16,222
<b>Net income</b>	<b>\$ 54,583</b>	<b>\$ 23,622</b>	<b>\$ 21,194</b>	<b>66,894</b>
Less: net income (loss) attributable to participating policyholders	3,513	104	(1,676)	(2,934)
Shareholders' net income (loss)	51,070	23,518	22,870	69,828
Less: preferred share dividends declared (Note 10)	3,374	3,374	6,748	6,748
<b>Common shareholders' net income</b>	<b>\$ 47,696</b>	<b>\$ 20,144</b>	<b>\$ 16,122</b>	<b>63,080</b>
Earnings per share - basic and diluted (Note 8)	\$ 48.42	\$ 20.45	\$ 16.37	64.04

(2,000,000 shares authorized; 985,076 shares outstanding)

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

# Interim Consolidated Statements of Comprehensive Income

(unaudited, in thousands of Canadian dollars)

	For the three months ended		For the six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
<b>Net income</b>	\$ 54,583	\$ 23,622	\$ 21,194	\$ 66,894
<b>Other comprehensive income (loss), net of income taxes:</b>				
Items that may be reclassified subsequently to net income:				
Unrealized fair value change on available for sale investments (Note 7)	86,441	26,826	70,260	73,830
Fair value change on available for sale investments reclassified to net income, including impairment write downs (Note 7)	(9,946)	(4,155)	(13,376)	(4,110)
Net unrealized fair value increase (decrease)	76,495	22,671	56,884	69,720
Items that will not be reclassified to net income:				
Remeasurements of post-employment benefit liabilities (Note 7)	(19,994)	(5,818)	(19,095)	(6,084)
Total other comprehensive income (loss)	56,501	16,853	37,789	63,636
<b>Comprehensive income (loss)</b>	\$ 111,084	\$ 40,475	\$ 58,983	\$ 130,530
<b>Comprehensive income (loss) attributable to:</b>				
Participating policyholders	\$ 6,111	\$ 476	\$ (227)	\$ 1,057
Shareholders	104,973	39,999	59,210	129,473
Total	\$ 111,084	\$ 40,475	\$ 58,983	\$ 130,530

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

# Interim Consolidated Statements of Changes in Equity

(unaudited, in thousands of Canadian dollars)

	For the six months ended June 30, 2020			For the six months ended June 30, 2019		
	Shareholders'	Policyholders'	Total	Shareholders'	Policyholders'	Total
<b>Preferred shares (Note 9)</b>	\$ 249,500	\$ —	\$ 249,500	\$ 249,500	\$ —	\$ 249,500
<b>Common shares (Note 9)</b>	985	—	985	985	—	985
<b>Contributed surplus</b>	19,387	—	19,387	19,387	—	19,387
<b>Retained earnings</b>						
Retained earnings - beginning of period	1,597,668	38,484	1,636,152	1,492,447	35,265	1,527,712
Net income (loss)	22,870	(1,676)	21,194	69,828	(2,934)	66,894
Common share dividends declared	(111,743)	—	(111,743)	(34,361)	—	(34,361)
Preferred share dividends declared	(6,748)	—	(6,748)	(6,748)	—	(6,748)
Retained earnings - end of period	1,502,047	36,808	1,538,855	1,521,166	32,331	1,553,497
<b>Accumulated other comprehensive income (loss)</b>						
Accumulated other comprehensive income (loss) - beginning of period	32,190	1,628	33,818	(15,766)	898	(14,868)
Other comprehensive income (loss)	36,340	1,449	37,789	59,645	3,991	63,636
Accumulated other comprehensive income (loss) - end of period	68,530	3,077	71,607	43,879	4,889	48,768
<b>Total equity</b>	\$ 1,840,449	\$ 39,885	\$ 1,880,334	\$ 1,834,917	\$ 37,220	\$ 1,872,137
<b>Composition of accumulated other comprehensive income (loss) - end of period</b>						
Unrealized gain (loss) on available for sale financial assets	\$ 100,559	\$ 5,050	\$ 105,609	\$ 62,537	\$ 6,298	\$ 68,835
Remeasurements of post-employment benefit liabilities	(32,388)	(1,614)	(34,002)	(19,091)	(976)	(20,067)
Shareholder portion of policyholders' accumulated other comprehensive income	359	(359)	—	433	(433)	—
Total accumulated other comprehensive income (loss)	\$ 68,530	\$ 3,077	\$ 71,607	\$ 43,879	\$ 4,889	\$ 48,768

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

# Interim Consolidated Statements of Cash Flows

(unaudited, in thousands of Canadian dollars)

	For the six months ended	
	June 30, 2020	June 30, 2019
<b>Operating activities</b>		
Net income	\$ 21,194	\$ 66,894
Non-cash items affecting net income:		
Change in contract liabilities	564,222	692,823
Change in reinsurance liability	24,319	78,952
Fair value change in fair value through profit or loss assets	(268,366)	(607,557)
Realized (gain) loss on assets including impairment write downs on available for sale assets	(134,101)	(32,763)
Amortization related to discount on debt instruments	(41,721)	(42,912)
Amortization related to property and equipment and intangible assets	5,331	4,677
Deferred income taxes	622	749
Other items	(39,192)	13,922
Cash provided from (used for) operating activities	132,308	174,785
<b>Investing activities</b>		
Portfolio investments		
Purchases and advances	(1,248,923)	(876,844)
Sales and maturities	1,302,612	752,923
Loans on policies		
Advances	(4,899)	(4,789)
Repayments	5,209	5,931
(Increase) decrease in short-term investments	17,872	(6,886)
Purchase of property and equipment and intangible assets	(5,878)	(10,120)
Cash provided from (used for) investing activities	65,993	(139,785)
<b>Financing activities</b>		
Dividends paid to common shareholders (Note 10)	(111,743)	(34,361)
Dividends paid to preferred shareholders (Note 10)	(6,748)	(6,748)
Interest paid on subordinated debt	(7,047)	(7,047)
Cash provided from (used for) financing activities	(125,538)	(48,156)
<b>Net change in cash and cash equivalents</b>	<b>72,763</b>	<b>(13,156)</b>
<b>Cash and cash equivalents - beginning of period (Note 3)</b>	<b>140,333</b>	<b>204,921</b>
<b>Cash and cash equivalents - end of period (Note 3)</b>	<b>\$ 213,096</b>	<b>\$ 191,765</b>
Supplementary cash flow information related to operating activities:		
Income taxes paid, net of (refunds)	\$ 58,253	\$ 17,860
Interest income received	95,312	84,119
Dividend income received	25,674	23,070

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



# Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

## 1. Description of Company and Summary of Operations

The Empire Life Insurance Company (the Company or Empire Life) was founded in 1923 when it was organized under a provincial charter in Toronto. Authorization to continue as a federal corporation was obtained in 1987. The Company underwrites life and health insurance policies and provides segregated funds, mutual funds and annuity products for individuals and groups across Canada. The Company is a subsidiary of E-L Financial Corporation Limited (the Parent or E-L). The head office, principal address and registered office of the Company are located at 259 King Street East, Kingston, Ontario, K7L 3A8. Empire Life is a Federally Regulated Financial Institution, regulated by the Office of the Superintendent of Financial Institutions, Canada (OSFI). Empire Life became a public company on August 5, 2015 and registered as a public issuer with the Ontario Securities Commission. The Company established a mutual fund subsidiary in 2011, Empire Life Investments Inc. (ELII). ELII became a registered Investment Funds Manager on January 5, 2012. The head office for ELII is located at 165 University Avenue, 9th Floor, Toronto, Ontario, M5H 3B8.

These Interim Consolidated Financial Statements were approved by the Company's Board of Directors (the Board) on July 29, 2020.

## 2. Significant Accounting Policies

### (a) Basis of preparation

These unaudited condensed Interim Consolidated Financial Statements are prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB) and follow the same accounting policies and methods of computation as the most recent annual financial statements. These condensed Interim Consolidated Financial Statements do not include all of the disclosures required under International Financial Reporting Standards (IFRS) for annual financial statements and should be read in conjunction with the notes to the Company's audited Consolidated Financial Statements for the year ended December 31, 2019.

### (b) Basis of consolidation

The Company's Consolidated Financial Statements include the assets, liabilities, results of operations and cash flows of the Company and its wholly-owned and controlled subsidiary, ELII. The Company owns 100% of the voting shares and maintains control of its subsidiary. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases. The financial statements of ELII are prepared for the same reporting period as the Company, using consistent accounting policies. All significant inter-company transactions, balances, income and expenses are eliminated in full on consolidation.

### (c) Accounting changes

#### (i) New accounting pronouncements issued but not yet effective

##### (1) IFRS 9 *Financial Instruments*

IFRS 9, effective for periods beginning on or after January 1, 2018 with retrospective application replaces IAS 39 *Financial Instruments: Recognition and Measurement* with a new mixed measurement model having three measurement categories of amortized cost, fair value through other comprehensive income (FVTOCI) and FVTPL for financial assets.

Under IFRS 9, all financial assets currently within the scope of IAS 39 will be measured at either amortized cost, FVTOCI or FVTPL. Classification will depend on the business model and the contractual cash flow characteristics of the financial asset. All equity instruments will be measured at FVTOCI or FVTPL. A debt instrument will be measured at amortized cost only if it is held to collect the contractual cash flows and the cash flows represent principal and interest. For financial liabilities

# Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

designated as FVTPL, the change in the fair value attributable to changes in the liability's credit risk will be recognized in OCI.

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

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

The Company has evaluated the criteria and will apply the temporary exemption for periods beginning before January 1, 2023, which allows continued application of IAS 39 instead of adopting IFRS 9, if the Company's activities are 'predominantly connected with insurance'. OSFI has also mandated that all Federally Regulated Life Insurance Companies defer the application of IFRS 9 until IFRS 17 is adopted.

Per the amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts, companies applying the temporary exemption are required to disclose fair value information with respect to their investments in financial assets whose contractual cash flows reflect solely payments of principal and interest on the principal amount outstanding (SPPI), to enable users of financial statements to compare insurers applying the temporary exemption with entities applying IFRS 9. The Company's fixed income invested assets presented in Note 3(a) include cash equivalents, short-term investments, bonds, mortgages, loans on policies and policy contract loans and primarily have cash flows that qualify as SPPI. Fixed income invested assets which do not have SPPI qualifying cash flows as at December 31, 2019 and December 31, 2018 include mortgages with fair values of \$10.4 million and \$11.5 million, respectively.

The Company is currently evaluating the impact of IFRS 9 on its Consolidated Financial Statements.

## **(2) IFRS 17 Insurance Contracts**

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

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

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

# Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

## 3. Financial Instruments

### (a) Summary of Cash and cash equivalents and investments

The carrying values of cash and cash equivalents and investments are as follow

As at	June 30, 2020			December 31, 2019		
Asset category	Fair value through profit or loss	Available for sale	Total carrying value	Fair value through profit or loss	Available for sale	Total carrying value
Cash and cash equivalents						
Cash	\$ 47,696	\$ —	\$ 47,696	\$ 20,698	\$ —	\$ 20,698
Cash equivalents	165,400	—	165,400	119,635	—	119,635
<b>Total cash and cash equivalents</b>	<b>213,096</b>	<b>—</b>	<b>213,096</b>	<b>140,333</b>	<b>—</b>	<b>140,333</b>
Short-term investments						
Canadian federal government	6,491	4,990	11,481	13,988	—	13,988
Canadian provincial governments	—	—	—	6,463	—	6,463
Canadian municipal governments	—	—	—	897	—	897
Corporate	3,031	—	3,031	11,036	—	11,036
<b>Total short-term investments</b>	<b>9,522</b>	<b>4,990</b>	<b>14,512</b>	<b>32,384</b>	<b>—</b>	<b>32,384</b>
Bonds						
Canadian federal government	134,682	216,245	350,927	106,106	226,594	332,700
Canadian provincial governments	3,672,377	527,882	4,200,259	3,706,755	475,970	4,182,725
Canadian municipal governments	119,402	95,083	214,485	106,418	102,340	208,758
<b>Total Canadian government bonds</b>	<b>3,926,461</b>	<b>839,210</b>	<b>4,765,671</b>	<b>3,919,279</b>	<b>804,904</b>	<b>4,724,183</b>
Canadian corporate bonds by industry sector:						
Energy	109,186	61,209	170,395	107,996	60,018	168,014
Materials	16,298	6,983	23,281	15,799	6,822	22,621
Industrials	76,017	63,580	139,597	61,155	66,411	127,566
Consumer discretionary	14,933	6,218	21,151	15,263	991	16,254
Consumer staples	173,730	79,498	253,228	130,116	65,905	196,021
Health care	90,801	22,067	112,868	87,721	22,081	109,802
Financial services	609,207	342,007	951,214	615,089	296,760	911,849
Information Technology	180	5,085	5,265	—	—	—
Communication services	246,618	66,620	313,238	181,108	75,261	256,369
Utilities	598,602	100,258	698,860	479,903	99,925	579,828
Real estate	23,943	18,629	42,572	18,145	18,591	36,736
Infrastructure	375,790	49,567	425,357	319,442	30,810	350,252
<b>Total Canadian corporate bonds</b>	<b>2,335,305</b>	<b>821,721</b>	<b>3,157,026</b>	<b>2,031,737</b>	<b>743,575</b>	<b>2,775,312</b>
<b>Total foreign bonds</b>	<b>10,579</b>	<b>—</b>	<b>10,579</b>	<b>10,157</b>	<b>—</b>	<b>10,157</b>
<b>Total bonds</b>	<b>6,272,345</b>	<b>1,660,931</b>	<b>7,933,276</b>	<b>5,961,173</b>	<b>1,548,479</b>	<b>7,509,652</b>
<b>Total preferred shares - Canadian</b>	<b>531,540</b>	<b>8,750</b>	<b>540,290</b>	<b>463,826</b>	<b>10,203</b>	<b>474,029</b>
Common shares						
Canadian						
Canadian common shares	118,686	43,527	162,213	111,461	44,247	155,708
Exchange-traded funds	470,978	—	470,978	494,131	—	494,131
Canadian real estate limited partnership units	121,691	—	121,691	120,884	—	120,884
U.S.	35,881	—	35,881	42,306	—	42,306
Other	28,526	—	28,526	29,000	—	29,000
<b>Total common shares</b>	<b>775,762</b>	<b>43,527</b>	<b>819,289</b>	<b>797,782</b>	<b>44,247</b>	<b>842,029</b>
<b>Total derivative assets</b>	<b>8,970</b>	<b>—</b>	<b>8,970</b>	<b>2,930</b>	<b>—</b>	<b>2,930</b>

# Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

As at Asset category	June 30, 2020			December 31, 2019		
	Fair value through profit or loss	Available for sale	Total carrying value	Fair value through profit or loss	Available for sale	Total carrying value
<b>Loans and receivables</b>						
Mortgages	—	—	162,607	—	—	169,827
Loans on policies	—	—	55,996	—	—	55,363
Policy contract loans	—	—	65,805	—	—	66,520
<b>Total financial instruments</b>	<b>\$ 7,811,235</b>	<b>\$ 1,718,198</b>	<b>\$ 9,813,841</b>	<b>\$ 7,398,428</b>	<b>\$ 1,602,929</b>	<b>\$ 9,293,067</b>

The following table presents the fair value of cash and cash equivalents and investments classified by the fair value hierarchy:

As at	June 30, 2020			December 31, 2019		
	Level 1	Level 2	Total fair value	Level 1	Level 2	Total fair value
Fair value through profit or loss:						
Cash and cash equivalents	\$ 47,696	\$ 165,400	\$ 213,096	\$ 20,698	\$ 119,635	\$ 140,333
Short-term investments	—	9,522	9,522	—	32,384	32,384
Bonds	—	6,272,345	6,272,345	—	5,961,173	5,961,173
Preferred shares	531,540	—	531,540	463,826	—	463,826
Common shares	654,037	121,725	775,762	676,858	120,924	797,782
Derivative assets	8,970	—	8,970	2,928	2	2,930
Available for sale:						
Short-term investments	—	4,990	4,990	—	—	—
Bonds	—	1,660,931	1,660,931	—	1,548,479	1,548,479
Preferred shares	8,750	—	8,750	10,203	—	10,203
Common shares	43,527	—	43,527	44,247	—	44,247
Loans and Receivables						
Mortgages	—	161,295	161,295	—	175,229	175,229
Loans on policies	—	55,996	55,996	—	55,363	55,363
Policy contract loans	—	65,805	65,805	—	66,520	66,520
<b>Total</b>	<b>\$ 1,294,520</b>	<b>\$ 8,518,009</b>	<b>\$ 9,812,529</b>	<b>\$ 1,218,760</b>	<b>\$ 8,079,709</b>	<b>\$ 9,298,469</b>

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

The classification of a financial instrument into a level is based on the lowest level of input that is significant to the determination of the fair value. There were no transfers between Level 1 and Level 2 and there were no Level 3 investments during the period ended June 30, 2020 or during the year ended December 31, 2019.

For additional information on the composition of the Company's invested assets and analysis of the Company's risks arising from financial instruments, refer to Note 14.

## (b) Impairments

For the six months ended June 30, 2020, the Company reclassified a pre-tax loss of \$4,252 from OCI to net income due to write downs of impaired available for sale (AFS) common and preferred shares (for the six months ended June 30, 2019, \$166). Management considers these assets to be impaired due to the length of time that the fair value was less than the cost and/or the extent and nature of the loss.

# Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

For additional information on the fair values of the Company's AFS investments, refer to Note 3(a). For analysis of the Company's risks arising from financial instruments, refer to Note 14.

## (c) 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.

As at	June 30, 2020			December 31, 2019		
	Notional principal	Fair value assets	Fair value liabilities	Notional principal	Fair value assets	Fair value liabilities
Exchange-traded						
Equity index futures	\$ 48,863	\$ 2,356	\$ 69	\$ 49,964	\$ 585	\$ 28
Equity options	298,933	6,419	—	537,772	2,342	—
Over-the-counter						
Foreign currency forwards	36,982	195	5	37,103	3	402
Cross currency swaps	20,980	—	2,168	20,980	—	1,610
<b>Total</b>	<b>\$ 405,758</b>	<b>\$ 8,970</b>	<b>\$ 2,242</b>	<b>\$ 645,819</b>	<b>\$ 2,930</b>	<b>\$ 2,040</b>

All contracts mature in less than one year. Fair value asset amounts are reported in the Consolidated Statements of Financial Position as Derivative assets. Fair value liability amounts are reported in the Consolidated Statements of Financial Position as part of Accounts payable and other liabilities. Fair value of exchange traded derivatives is determined based on Level 1 inputs. Foreign currency forward contracts are valued based primarily on the contract notional amount, the difference between the contract rate and the forward market rate for the same currency, interest rates and credit spreads.

Cross currency swaps are valued by discounting the future cash flows for both legs at the underlying market interest rate curves in each currency applicable at the valuation date. The sum of the cash flows denoted in the foreign currency is converted with the spot rate applicable at that time. The foreign currency leg, where Empire Life owes interest and principal, produces a negative fair value to Empire Life while the Canadian dollar leg produces a positive fair value to Empire Life. The net of these amounts represents the reported fair value of the cross currency swap. Contracts for which counterparty credit spreads are observable and reliable, or for which the credit-related inputs are determined not to be significant to fair value, are classified as Level 2.

For analysis of the Company's risks arising from financial instruments, refer to Note 14.

## (d) Securities Lending

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

# Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

As at June 30, 2020 and December 31, 2019, the aggregate fair values of the Company's securities loaned and the collateral received were as follows:

As at	June 30, 2020			December 31, 2019		
	General Funds	Segregated Funds	Total	General Funds	Segregated Funds	Total
Value of securities loaned	\$ 1,171,843	\$ 1,205,370	\$ 2,377,213	\$ 1,184,675	\$ 1,511,859	\$ 2,696,534
Value of collateral received	\$ 1,195,302	\$ 1,231,229	\$ 2,426,531	\$ 1,208,397	\$ 1,542,231	\$ 2,750,628

## 4. Segregated Funds

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

As at	June 30, 2020	December 31, 2019
Cash and cash equivalents	\$ 67,830	\$ 8,482
Short-term investments	464,978	595,621
Bonds	1,827,286	1,857,955
Common and preferred shares	5,445,495	6,100,714
Other net assets	2,147	13,577
	<b>7,807,736</b>	<b>8,576,349</b>
Less segregated funds held within general fund investments	<b>(74,606)</b>	<b>(77,766)</b>
<b>Total</b>	<b>\$ 7,733,130</b>	<b>\$ 8,498,583</b>

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

As at	June 30, 2020			December 31, 2019		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Cash and cash equivalents	\$ 67,830	\$ —	\$ 67,830	\$ 8,482	\$ —	\$ 8,482
Short-term investments	—	464,978	464,978	—	595,621	595,621
Bonds	—	1,827,286	1,827,286	—	1,857,955	1,857,955
Common and preferred shares	5,445,495	—	5,445,495	6,100,714	—	6,100,714
<b>Total</b>	<b>\$ 5,513,325</b>	<b>\$ 2,292,264</b>	<b>\$ 7,805,589</b>	<b>\$ 6,109,196</b>	<b>\$ 2,453,576</b>	<b>\$ 8,562,772</b>

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

# Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

## (c) The following table presents the change in segregated fund assets:

	For the three months ended		For the six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Segregated fund assets - beginning of period	\$ 7,065,012	\$ 8,410,686	\$ 8,498,583	\$ 7,822,790
Additions to segregated funds:				
Amount received from policyholders	138,464	195,949	368,700	423,464
Interest	14,014	14,430	31,018	30,133
Dividends	30,661	94,546	66,337	127,440
Other income	5,049	6,368	10,802	12,457
Net realized gains on sale of investments	—	62,053	—	107,441
Net unrealized increase in fair value of investments	833,348	—	—	555,138
	1,021,536	373,346	476,857	1,256,073
Deductions from segregated funds:				
Amounts withdrawn or transferred by policyholders	155,912	304,219	495,684	615,919
Net realized losses on sale of investments	127,693	—	129,806	—
Net unrealized decrease in fair value of investments	—	73,962	523,710	—
Management fees and other operating costs	63,267	63,322	96,270	114,940
	346,872	441,503	1,245,470	730,859
Net change in segregated funds held within general fund investments	(6,546)	(1,611)	3,160	(7,086)
Segregated fund assets - end of period	\$ 7,733,130	\$ 8,340,918	\$ 7,733,130	\$ 8,340,918

## (d) Empire Life's exposure to segregated fund guarantee risk

Segregated fund products issued by Empire Life contain death, maturity, and withdrawal benefit guarantees. Market price fluctuations impact the Company's estimated liability for those guarantees. The impact of market risk in segregated funds on shareholders' net income is disclosed in Note 14.

## 5. Insurance Premiums

	For the three months ended			For the three months ended		
	June 30, 2020			June 30, 2019		
	Gross	Reinsurance ceded	Net	Gross	Reinsurance ceded	Net
Life premiums	\$ 132,409	\$ (29,091)	\$ 103,318	\$ 130,404	\$ (30,439)	\$ 99,965
Health premiums	100,668	(20,853)	79,815	98,745	(13,739)	85,006
Total life and health premiums	233,077	(49,944)	183,133	229,149	(44,178)	184,971
Annuity premiums	18,621	(63)	18,558	40,368	(39)	40,329
Total insurance premiums	\$ 251,698	\$ (50,007)	\$ 201,691	\$ 269,517	\$ (44,217)	\$ 225,300

	For the six months ended			For the six months ended		
	June 30, 2020			June 30, 2019		
	Gross	Reinsurance ceded	Net	Gross	Reinsurance ceded	Net
Life premiums	\$ 263,780	\$ (59,160)	\$ 204,620	\$ 256,965	\$ (57,458)	\$ 199,507
Health premiums	212,686	(45,649)	167,037	194,013	(24,320)	169,693
Total life and health premiums	476,466	(104,809)	371,657	450,978	(81,778)	369,200
Annuity premiums	45,934	(102)	45,832	93,724	262	93,986
Total insurance premiums	\$ 522,400	\$ (104,911)	\$ 417,489	\$ 544,702	\$ (81,516)	\$ 463,186



# Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

## 6. Benefits and Expenses

### (a) Insurance contract benefits and claims paid

	For the three months ended			For the three months ended		
	June 30, 2020			June 30, 2019		
	Gross	Reinsurance ceded	Net	Gross	Reinsurance ceded	Net
Life claims	\$ 83,295	\$ (32,609)	\$ 50,686	\$ 64,236	\$ (20,975)	\$ 43,261
Health claims	50,135	(8,259)	41,876	69,527	(6,503)	63,024
Total life and health claims	133,430	(40,868)	92,562	133,763	(27,478)	106,285
Annuity benefits	38,892	(505)	38,387	47,696	(696)	47,000
Benefits and claims paid	\$ 172,322	\$ (41,373)	\$ 130,949	\$ 181,459	\$ (28,174)	\$ 153,285

	For the six months ended			For the six months ended		
	June 30, 2020			June 30, 2019		
	Gross	Reinsurance ceded	Net	Gross	Reinsurance ceded	Net
Life claims	\$ 140,568	\$ (46,218)	\$ 94,350	\$ 119,878	\$ (36,233)	\$ 83,645
Health claims	124,927	(22,493)	102,434	134,145	(11,728)	122,417
Total life and health claims	265,495	(68,711)	196,784	254,023	(47,961)	206,062
Annuity benefits	89,827	(1,207)	88,620	113,158	(1,498)	111,660
Benefits and claims paid	\$ 355,322	\$ (69,918)	\$ 285,404	\$ 367,181	\$ (49,459)	\$ 317,722

### (b) Change in insurance contract liabilities and reinsurance ceded

	For the three months ended			For the three months ended		
	June 30, 2020			June 30, 2019		
	Gross	Reinsurance ceded	Net	Gross	Reinsurance ceded	Net
Life	\$ 640,516	\$ 63,594	\$ 704,110	\$ 247,798	\$ 38,896	\$ 286,694
Health	45,960	(9,236)	36,724	21,503	(4,406)	17,097
Total life and health	686,476	54,358	740,834	269,301	34,490	303,791
Annuity	60,476	(149)	60,327	6,287	24	6,311
Change in insurance contract liabilities	\$ 746,952	\$ 54,209	\$ 801,161	\$ 275,588	\$ 34,514	\$ 310,102
Change attributable to:						
Normal changes - New Business	\$ (25,074)	\$ (2,513)	\$ (27,587)	\$ 10,785	\$ 604	\$ 11,389
- In-Force Business	772,026	56,722	828,748	264,803	33,910	298,713
Change in insurance contract liabilities	\$ 746,952	\$ 54,209	\$ 801,161	\$ 275,588	\$ 34,514	\$ 310,102

	For the six months ended			For the six months ended		
	June 30, 2020			June 30, 2019		
	Gross	Reinsurance ceded	Net	Gross	Reinsurance ceded	Net
Life	\$ 404,481	\$ 36,169	\$ 440,650	\$ 628,037	\$ 86,725	\$ 714,762
Health	42,316	(12,203)	30,113	44,746	(7,623)	37,123
Total life and health	446,797	23,966	470,763	672,783	79,102	751,885
Annuity	116,950	353	117,303	19,810	(150)	19,660
Change in insurance contract liabilities	\$ 563,747	\$ 24,319	\$ 588,066	\$ 692,593	\$ 78,952	\$ 771,545
Change attributable to:						
Normal changes - New Business	\$ (57,153)	\$ (231)	\$ (57,384)	\$ 34,995	\$ 295	\$ 35,290
- In-Force Business	620,900	24,550	645,450	657,598	78,657	736,255
Change in insurance contract liabilities	\$ 563,747	\$ 24,319	\$ 588,066	\$ 692,593	\$ 78,952	\$ 771,545



# Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

## 7. Income Taxes included in Other Comprehensive Income (Loss)

Other comprehensive income (loss) is presented net of income taxes.

The following income tax amounts are included in each component of **total OCI**:

	For the three months ended June 30, 2020			For the three months ended June 30, 2019		
	Before tax	Tax provision (recovery)	After tax	Before tax	Tax provision (recovery)	After tax
Unrealized fair value change on available for sale investments	\$ 117,655	\$ 31,214	\$ 86,441	\$ 36,548	\$ 9,722	\$ 26,826
Fair value change on available for sale investments reclassified to net income, including impairment write downs	(13,554)	(3,608)	(9,946)	(5,627)	(1,472)	(4,155)
Remeasurements of post-employment benefit liabilities	(27,213)	(7,219)	(19,994)	(7,933)	(2,115)	(5,818)
<b>Total other comprehensive income (loss)</b>	<b>\$ 76,888</b>	<b>\$ 20,387</b>	<b>\$ 56,501</b>	<b>\$ 22,988</b>	<b>\$ 6,135</b>	<b>\$ 16,853</b>

	For the six months ended June 30, 2020			For the six months ended June 30, 2019		
	Before tax	Tax provision (recovery)	After tax	Before tax	Tax provision (recovery)	After tax
Unrealized fair value change on available for sale investments	\$ 95,632	\$ 25,372	\$ 70,260	\$ 100,682	\$ 26,852	\$ 73,830
Fair value change on available for sale investments reclassified to net income, including impairment write downs	(18,227)	(4,851)	(13,376)	(5,554)	(1,444)	(4,110)
Remeasurements of post-employment benefit liabilities	(25,990)	(6,895)	(19,095)	(8,296)	(2,212)	(6,084)
<b>Total other comprehensive income (loss)</b>	<b>\$ 51,415</b>	<b>\$ 13,626</b>	<b>\$ 37,789</b>	<b>\$ 86,832</b>	<b>\$ 23,196</b>	<b>\$ 63,636</b>

The following income tax amounts are included in each component of **shareholders' OCI**:

	For the three months ended June 30, 2020			For the three months ended June 30, 2019		
	Before tax	Tax provision (recovery)	After tax	Before tax	Tax provision (recovery)	After tax
Unrealized fair value change on available for sale investments	\$ 112,609	\$ 29,876	\$ 82,733	\$ 35,104	\$ 9,339	\$ 25,765
Fair value change on available for sale investments reclassified to net income, including impairment write downs	(13,661)	(3,636)	(10,025)	(5,070)	(1,317)	(3,753)
Remeasurements of post-employment benefit liabilities	(25,970)	(6,889)	(19,081)	(7,571)	(2,019)	(5,552)
Shareholder portion of policyholder other comprehensive income (loss)	375	99	276	28	7	21
<b>Total other comprehensive income (loss)</b>	<b>\$ 73,353</b>	<b>\$ 19,450</b>	<b>\$ 53,903</b>	<b>\$ 22,491</b>	<b>\$ 6,010</b>	<b>\$ 16,481</b>

# Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

	For the six months ended			For the six months ended		
	June 30, 2020			June 30, 2019		
	Before tax	Tax provision (recovery)	After tax	Before tax	Tax provision (recovery)	After tax
Unrealized fair value change on available for sale investments	\$ 93,307	\$ 24,755	\$ 68,552	\$ 93,757	\$ 25,005	\$ 68,752
Fair value change on available for sale investments reclassified to net income, including impairment write downs	(19,357)	(5,152)	(14,205)	(4,864)	(1,254)	(3,610)
Remeasurements of post-employment benefit liabilities	(24,800)	(6,579)	(18,221)	(7,920)	(2,112)	(5,808)
Shareholder portion of policyholder other comprehensive income (loss)	291	77	214	424	113	311
<b>Total other comprehensive income (loss)</b>	<b>\$ 49,441</b>	<b>\$ 13,101</b>	<b>\$ 36,340</b>	<b>\$ 81,397</b>	<b>\$ 21,752</b>	<b>\$ 59,645</b>

The following income tax amounts are included in each component of **policyholders' OCI**:

	For the three months ended			For the three months ended		
	June 30, 2020			June 30, 2019		
	Before tax	Tax provision (recovery)	After tax	Before tax	Tax provision (recovery)	After tax
Unrealized fair value change on available for sale investments	\$ 5,046	\$ 1,338	\$ 3,708	\$ 1,444	\$ 383	\$ 1,061
Fair value change on available for sale investments reclassified to net income, including impairment write downs	107	28	79	(557)	(155)	(402)
Remeasurements of post-employment benefit liabilities	(1,243)	(330)	(913)	(362)	(96)	(266)
Shareholder portion of policyholder other comprehensive income (loss)	(375)	(99)	(276)	(28)	(7)	(21)
<b>Total other comprehensive income (loss)</b>	<b>\$ 3,535</b>	<b>\$ 937</b>	<b>\$ 2,598</b>	<b>\$ 497</b>	<b>\$ 125</b>	<b>\$ 372</b>

	For the six months ended			For the six months ended		
	June 30, 2020			June 30, 2019		
	Before tax	Tax provision (recovery)	After tax	Before tax	Tax provision (recovery)	After tax
Unrealized fair value change on available for sale investments	\$ 2,325	\$ 617	\$ 1,708	\$ 6,925	\$ 1,847	\$ 5,078
Fair value change on available for sale investments reclassified to net income, including impairment write downs	1,130	301	829	(690)	(190)	(500)
Remeasurements of post-employment benefit liabilities	(1,190)	(316)	(874)	(376)	(100)	(276)
Shareholder portion of policyholder other comprehensive income (loss)	(291)	(77)	(214)	(424)	(113)	(311)
<b>Total other comprehensive income (loss)</b>	<b>\$ 1,974</b>	<b>\$ 525</b>	<b>\$ 1,449</b>	<b>\$ 5,435</b>	<b>\$ 1,444</b>	<b>\$ 3,991</b>

# Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

## 8. Earnings Per Share

Earnings per share (EPS) is calculated by dividing common shareholders' net income by the weighted average number of common shares outstanding. The preferred shares do not dilute EPS as the shares are not convertible into common shares.

Details of the calculation of the net income and the weighted average number of shares used in the EPS computations are as follows:

	For the three months ended		For the six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Basic and diluted EPS				
Common shareholders' net income	\$ 47,696	\$ 20,144	\$ 16,122	\$ 63,080
Weighted average number of common shares outstanding	985,076	985,076	985,076	985,076
Basic and diluted EPS	\$ 48.42	\$ 20.45	\$ 16.37	\$ 64.04

## 9. Capital Stock

As at	June 30, 2020			December 31, 2019		
	Shares authorized	Shares issued and outstanding	Amount	Shares authorized	Shares issued and outstanding	Amount
Preferred shares						
Series 1	unlimited	5,980,000	\$ 149,500	unlimited	5,980,000	\$ 149,500
Series 3	unlimited	4,000,000	\$ 100,000	unlimited	4,000,000	\$ 100,000
Common shares	2,000,000	985,076	\$ 985	2,000,000	985,076	\$ 985

In the fourth quarter of 2017, Empire Life issued to E-L Financial Corporation Limited 4,000,000 Non-Cumulative Rate Reset Preferred Shares, Series 3 (Series 3 Preferred Shares) at \$25 per share. Holders of Series 3 Preferred Shares are entitled to receive fixed non-cumulative quarterly dividends yielding 4.90% annually, as and when declared by the Board of Directors of Empire Life, for the initial period ending on and including January 17, 2023. 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%. Holders of Series 3 Preferred Shares will have the right, at their option, to convert their shares into Non-Cumulative Floating Rate Preferred Shares, Series 4 (Series 4 Preferred Shares), subject to certain conditions, on January 17, 2023 and on January 17 every five years thereafter. Holders of the Series 4 Preferred Shares will be entitled to receive non-cumulative quarterly floating dividends, as and when declared by the Board of Directors of Empire Life, at a rate equal to the three-month Government of Canada Treasury Bill yield plus 3.24%.

In the first quarter of 2016, Empire Life issued to the public 5,980,000 Non-Cumulative Rate Reset Preferred Shares, Series 1 (Series 1 Preferred Shares) at \$25 per share. Holders of Series 1 Preferred Shares are entitled to receive fixed non-cumulative quarterly dividends yielding 5.75% annually, as and when declared by the Board of Directors of Empire Life, for the initial period ending on and including April 17, 2021. Thereafter, the dividend rate will be reset every five years at a rate equal to the 5-year Government of Canada bond yield plus 4.99%. Holders of Series 1 Preferred Shares will have the right, at their option, to convert their shares into Non-Cumulative Floating Rate Preferred Shares, Series 2 (Series 2 Preferred Shares), subject to certain conditions, on April 17, 2021 and on April 17 every five years thereafter. Holders of the Series 2 Preferred Shares will be entitled to receive non-cumulative quarterly floating dividends, as and when declared by the Board of Directors of Empire Life, at a rate equal to the three-month Government of Canada Treasury Bill yield plus 4.99%.

The cost of issuance of the Series 1 Preferred Shares, \$5,150 less \$1,375 of income tax, was charged to retained earnings.

# Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

## 10. Dividends

	Dividend declaration date	Shares issued and outstanding	Dividend rate per share	Total dividend (\$ 000's)	Dividend payment date
<b>Common shareholder dividends</b>					
<b>Common shares</b>	February 26, 2020	985,076	\$ 113.435853	\$ 111,743	April 8, 2020
	October 30, 2019	985,076	\$ 17.440800	\$ 17,181	December 10, 2019
	August 1, 2019	985,076	\$ 17.440800	\$ 17,181	September 12, 2019
	May 2, 2019	985,076	\$ 17.440800	\$ 17,181	June 11, 2019
	February 27, 2019	985,076	\$ 17.440800	\$ 17,181	April 4, 2019
<b>Preferred shareholder dividends</b>					
<b>Series 1</b>	April 30, 2020	5,980,000	\$ 0.359375	\$ 2,149	July 17, 2020
	February 26, 2020	5,980,000	\$ 0.359375	\$ 2,149	April 17, 2020
	October 30, 2019	5,980,000	\$ 0.359375	\$ 2,149	January 17, 2020
	August 1, 2019	5,980,000	\$ 0.359375	\$ 2,149	October 17, 2019
	May 2, 2019	5,980,000	\$ 0.359375	\$ 2,149	July 17, 2019
	February 27, 2019	5,980,000	\$ 0.359375	\$ 2,149	April 17, 2019
<b>Series 3</b>	April 30, 2020	4,000,000	\$ 0.306250	\$ 1,225	July 17, 2020
	February 27, 2020	4,000,000	\$ 0.306250	\$ 1,225	April 17, 2020
	October 30, 2019	4,000,000	\$ 0.306250	\$ 1,225	January 17, 2020
	August 1, 2019	4,000,000	\$ 0.306250	\$ 1,225	October 17, 2019
	May 2, 2019	4,000,000	\$ 0.306250	\$ 1,225	July 17, 2019
	February 27, 2019	4,000,000	\$ 0.306250	\$ 1,225	April 17, 2019

On July 29, 2020, subsequent to the date of these Interim Consolidated Financial Statements, the Board approved the following cash dividends:

- \$43,486 (\$44.1447 per share) on the issued and outstanding Common Shares, payable on September 9, 2020.
- \$2,149 (\$0.359375 per share) on the issued and outstanding Series 1 Preferred Shares, payable on October 17, 2020.
- \$1,225 (\$0.306250 per share) on the issued and outstanding Series 3 Preferred Shares, payable on October 17, 2020.

# Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

## 11. Segmented Information

The Company operates in the Canadian life insurance industry and follows a product line management approach for internal reporting and decision making. A description of the product lines is as follows:

The Wealth Management product line includes segregated funds, mutual funds and fixed annuities.

The Employee Benefits product line offers group benefit plans to employers for medical, dental, disability, and life insurance coverage of their employees.

The Individual Insurance product line includes both non-participating and participating individual life and health insurance products.

Capital and Surplus is made up of assets held in the shareholders' and participating policyholders' equity accounts and other corporate items not allocated to other segments.

**Operating results** are segmented into three product lines along with the Company's capital and surplus as follows:

	For the three months ended June 30, 2020				
	Wealth Management	Employee Benefits	Individual Insurance	Capital & Surplus	Total
Net premiums from external customers	\$ 18,558	\$ 83,585	\$ 99,548	\$ —	\$ 201,691
Interest income	7,184	1,592	44,983	13,702	67,461
Total investment income	9,709	1,120	55,025	16,538	82,392
Fair value change in fair value through profit or loss assets	53,652	7,742	606,581	(1,015)	666,960
Realized gain (loss) on fair value through profit or loss assets	804	1,668	83,068	(3,394)	82,146
Realized gain (loss) on available for sale assets including impairment write downs	12	11	12	13,518	13,553
Fee income from external customers	55,035	2,879	153	41	58,108
Net benefits and claims	38,387	44,351	48,211	—	130,949
Net change in insurance contract liabilities	60,327	10,575	730,259	—	801,161
Change in investment contract provision	142	—	—	—	142
Policy dividends	—	—	8,507	—	8,507
Amortization of property and equipment and intangibles	560	829	1,280	—	2,669
Total operating expenses	15,201	12,469	12,902	431	41,003
Net commission expense	16,102	11,147	17,005	—	44,254
Interest expense	—	—	—	3,598	3,598
Premium tax	—	2,679	2,314	—	4,993
Investment and capital tax	—	—	825	—	825
Income tax expense (recovery)	1,429	4,159	4,098	5,149	14,835
Net income (loss) after tax	6,182	11,625	20,266	16,510	54,583

# Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

	For the three months ended June 30, 2019				
	Wealth Management	Employee Benefits	Individual Insurance	Capital & Surplus	Total
Net premiums from external customers	\$ 40,329	\$ 88,446	\$ 96,525	\$ —	\$ 225,300
Interest income	7,819	1,401	46,067	13,604	68,891
Total investment income	10,098	1,151	55,312	16,437	82,998
Fair value change in fair value through profit or loss assets	3,241	3,404	201,694	(3,534)	204,805
Realized gain (loss) on fair value through profit or loss assets	853	(153)	19,022	(1,451)	18,271
Realized gain (loss) on available for sale assets including impairment write downs	99	85	86	5,359	5,629
Fee income from external customers	62,884	3,411	32	17	66,344
Net benefits and claims	47,000	64,763	41,522	—	153,285
Net change in insurance contract liabilities	6,311	4,830	298,961	—	310,102
Change in investment contract provision	124	—	—	—	124
Policy dividends	—	—	8,407	—	8,407
Amortization of property and equipment and intangibles	571	624	1,157	—	2,352
Total operating expenses	18,409	12,626	12,700	349	44,084
Net commission expense	19,730	10,122	19,387	—	49,239
Interest expense	—	—	—	3,596	3,596
Premium tax	—	2,266	3,049	—	5,315
Investment and capital tax	—	—	950	—	950
Income tax expense (recovery)	6,212	416	(4,661)	2,656	4,623
Net income (loss) after tax	19,718	1,321	(7,644)	10,227	23,622

	For the six months ended June 30, 2020				
	Wealth Management	Employee Benefits	Individual Insurance	Capital & Surplus	Total
Net premiums from external customers	\$ 45,832	\$ 174,691	\$ 196,966	\$ —	\$ 417,489
Interest income	14,517	3,155	91,434	27,555	136,661
Total investment income	19,578	2,269	107,961	33,535	163,343
Fair value change in fair value through profit or loss assets	(1,417)	5,119	272,350	(7,686)	268,366
Realized gain (loss) on fair value through profit or loss assets	753	2,577	112,945	(401)	115,874
Realized gain (loss) on available for sale assets including impairment write downs	(1,130)	(944)	(987)	21,288	18,227
Fee income from external customers	116,977	6,157	198	61	123,393
Net benefits and claims	88,620	107,758	89,026	—	285,404
Net change in insurance contract liabilities	117,303	10,971	459,792	—	588,066
Change in investment contract provision	475	—	—	—	475
Policy dividends	—	—	15,919	—	15,919
Amortization of property and equipment and intangibles	1,164	1,629	2,538	—	5,331
Total operating expenses	31,673	24,663	26,369	801	83,506
Net commission expense	36,522	22,512	33,992	—	93,026
Interest expense	—	—	—	7,158	7,158
Premium tax	—	5,049	4,594	—	9,643
Investment and capital tax	—	—	1,650	—	1,650
Income tax expense (recovery)	(26,095)	4,977	12,660	9,109	651
Net income (loss) after tax	(67,905)	13,939	45,431	29,729	21,194

# Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

	For the six months ended June 30, 2019				
	Wealth Management	Employee Benefits	Individual Insurance	Capital & Surplus	Total
Net premiums from external customers	\$ 93,986	\$ 176,597	\$ 192,603	\$ —	\$ 463,186
Interest income	15,520	3,139	88,114	27,461	134,234
Total investment income	19,957	2,205	103,119	32,399	157,680
Fair value change in fair value through profit or loss assets	23,416	4,505	585,445	(5,809)	607,557
Realized gain (loss) on fair value through profit or loss assets	12	102	30,017	(2,922)	27,209
Realized gain (loss) on available for sale assets including impairment write downs	99	85	175	5,195	5,554
Fee income from external customers	123,847	6,260	137	(67)	130,177
Net benefits and claims	111,660	125,373	80,689	—	317,722
Net change in insurance contract liabilities	19,660	8,192	743,693	—	771,545
Change in investment contract provision	230	—	—	—	230
Policy dividends	—	—	15,642	—	15,642
Amortization of property and equipment and intangibles	1,161	1,206	2,310	—	4,677
Total operating expenses	34,681	24,357	25,839	708	85,585
Net commission expense	40,710	19,863	37,371	—	97,944
Interest expense	—	—	—	7,152	7,152
Premium tax	—	4,500	6,027	—	10,527
Investment and capital tax	—	—	1,900	—	1,900
Income tax expense (recovery)	13,313	1,898	(3,244)	4,255	16,222
Net income (loss) after tax	41,063	5,571	3,579	16,681	66,894

**Assets** are segmented into three product lines along with the Company's capital and surplus as follows:

As at	June 30, 2020				
	Wealth Management	Employee Benefits	Individual Insurance	Capital & Surplus	Total
Assets excluding segregated funds	\$ 963,785	\$ 185,629	\$ 6,369,201	\$ 2,499,860	\$ 10,018,475
Segregated funds	7,717,290	—	15,840	—	7,733,130
<b>Total assets</b>	<b>\$ 8,681,075</b>	<b>\$ 185,629</b>	<b>\$ 6,385,041</b>	<b>\$ 2,499,860</b>	<b>\$ 17,751,605</b>

As at	December 31, 2019				
	Wealth Management	Employee Benefits	Individual Insurance	Capital & Surplus	Total
Assets excluding segregated funds	\$ 958,480	\$ 171,166	\$ 5,982,511	\$ 2,350,049	\$ 9,462,206
Segregated funds	8,480,294	—	18,289	—	8,498,583
<b>Total assets</b>	<b>\$ 9,438,774</b>	<b>\$ 171,166</b>	<b>\$ 6,000,800</b>	<b>\$ 2,350,049</b>	<b>\$ 17,960,789</b>

While specific general fund assets are nominally matched against specific types of general fund liabilities or held in the shareholders' and policyholders' equity accounts, all general fund assets are available to pay all general fund liabilities, if required. Segregated fund assets are not available to pay liabilities of the general fund.



# Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

## 12. Investment Commitments

In the normal course of business, outstanding investment commitments are not reflected in the Consolidated Financial Statements. There were outstanding commitments as at June 30, 2020 of \$35,355 (December 31, 2019, \$22,867). These outstanding commitments are payable at any time up to and including April 30, 2021.

## 13. Capital Management

The Company manages its regulatory capital in order to meet the regulatory capital adequacy requirements of the Insurance Companies Act (Canada) as established and monitored by OSFI. Effective January 1, 2018, OSFI has implemented the Life Insurance Capital Adequacy Test ("LICAT") framework. Under this framework, the Company's capital adequacy is measured as a ratio of Available Capital plus Surplus Allowance and Eligible Deposits divided by a Base Solvency Buffer. The components of the LICAT ratio are determined in accordance with the guidelines defined by OSFI. The capital ratios as determined under the LICAT framework are not comparable to the ratios as determined under the previous capital regime. The regulator has established a Supervisory Target Total Ratio of 100% and a Supervisory Target Core Ratio of 70%. As at June 30, 2020, the Company was in compliance with these ratios.

## 14. Risk Management

The Company is exposed to risks arising from its investing activities and its insurance operations and to general reputational risk associated with these activities and its ability to manage specific risks. The 2019 Annual Report describes the Company's enterprise risk management framework including the principal risks and associated risk management strategies for the risks that management considers to be most significant in terms of likelihood and the potential adverse impact on the Company: market, liquidity, credit and insurance.

### 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. Actual results may differ materially from these estimates for a variety of reasons, including the interaction among these factors when more than one factor changes; changes in actuarial and investment return and future investment activity assumptions; actual experience differing from the assumptions; changes in business mix, effective tax rates and other market factors; and the general limitations of the Company's internal models used for purposes of these calculations. Changes due to new sales or maturities, asset purchases/sales, or other management actions could also result in material changes to these reported sensitivities. For these reasons, the sensitivities should only be viewed as directional estimates of the underlying sensitivities for the respective factors based on the assumptions outlined, and should not be viewed as predictors for the Company's future net income, OCI, and capital sensitivities. Changes in risk variables in excess of the ranges illustrated may result in other than proportionate impacts.

### (a) Market risk

The Company's most significant market risks are equity risk, interest rate risk and foreign exchange rate risk. Information related to market risk sensitivities should be read in conjunction with the information contained in the Risk Management section of the Company's 2019 Annual Report.

#### (1) Equity risk

The following table summarizes the estimated potential impact on the Company of a change in global equity markets. The Company uses a 10% increase or decrease in equity markets as a reasonably possible change in equity markets. The Company has also disclosed the impact of a 20% increase or decrease in its equity market sensitivity. The amounts in the following table include the effect of Empire Life's general fund equity risk economic hedging program. For segregated fund guarantees the level of sensitivity is highly dependent on the level of the stock market at the time of performing



# Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

the estimate. If period end equity markets are high relative to market levels at the time that segregated fund policies were issued, the sensitivity is reduced. If period end equity markets are low relative to market levels at the time that segregated fund policies were issued, the sensitivity is increased. The amounts shown below for segregated fund guarantees represent the impact on shareholders' net income.

	As at June 30, 2020			
	10% Increase	10% Decrease	20% Increase	20% Decrease
Shareholders' net income (including segregated fund guarantees)*	\$ 17,319	\$ (42,825)	\$ 124,030	\$ (151,985)
Policyholders' net income	\$ nil	\$ nil	\$ nil	\$ nil
Shareholders' other comprehensive income	\$ 3,198	\$ (3,198)	\$ 6,396	\$ (6,396)
Policyholders' other comprehensive income	\$ nil	\$ nil	\$ nil	\$ nil

	As at June 30, 2019			
	10% Increase	10% Decrease	20% Increase	20% Decrease
Shareholders' net income (including segregated fund guarantees)*	\$ 13,721	\$ (16,987)	\$ 31,264	\$ (85,287)
Policyholders' net income	\$ nil	\$ nil	\$ nil	\$ nil
Shareholders' other comprehensive income	\$ 2,816	\$ (2,816)	\$ 5,632	\$ (5,632)
Policyholders' other comprehensive income	\$ 1,418	\$ (1,418)	\$ 2,836	\$ (2,836)

\*Includes the estimated impact on fee income net of trailer commissions after tax for a three month period.

The following table identifies the concentration of the Company's common equity holdings in Empire Life's investment portfolios:

As at	June 30, 2020	December 31, 2019
Holdings of common equities in the 10 issuers to which the Company had the greatest exposure	\$ 627,980	\$ 648,049
Percentage of total cash and investments	6.4%	7.0%
Exposure to the largest single issuer of common equities	\$ 422,233	\$ 444,366
Percentage of total cash and investments	4.3%	4.8%

## (2) Interest rate risk

The following tables summarize the estimated immediate financial impact on net income and OCI as a result of an immediate change in interest rates.

	As at June 30, 2020			
	50 bps Increase	50 bps Decrease	100 bps Increase	100 bps Decrease
Shareholders' net income	\$ 7,010	\$ (7,820)	\$ 13,304	\$ (16,537)
Policyholders' net income	\$ 246	\$ (269)	\$ 471	\$ (561)
Shareholders' other comprehensive income	\$ (51,354)	\$ 61,100	\$ (92,960)	\$ 131,947
Policyholders' other comprehensive income	\$ (1,327)	\$ 1,464	\$ (2,518)	\$ 3,064

# Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

	As at June 30, 2019			
	50 bps Increase	50 bps Decrease	100 bps Increase	100 bps Decrease
Shareholders' net income	\$ 11,502	\$ (12,658)	\$ 21,967	\$ (26,600)
Policyholders' net income	\$ 235	\$ (256)	\$ 450	\$ (536)
Shareholders' other comprehensive income	\$ (44,979)	\$ 53,628	\$ (81,307)	\$ 115,907
Policyholders' other comprehensive income	\$ (1,951)	\$ 2,153	\$ (3,699)	\$ 4,509

### (3) Foreign exchange rate risk

The Company's primary foreign currency exposure arises from portfolio investments denominated in US dollars. As at June 30, 2020, a 10% fluctuation in the US dollar would have an impact of approximately \$nil (June 30, 2019, \$nil) on net income, \$nil (June 30, 2019, \$nil) on shareholders' OCI and \$nil (June 30, 2019, \$nil) on policyholders' OCI. The Company's exposure to foreign currency risk in its financial liabilities is not material.

### (b) Credit risk

The Company has the following assets that are exposed to credit risk:

As at	June 30, 2020	December 31, 2019
Cash and cash equivalents	\$ 213,096	\$ 140,333
Short-term investments	14,512	32,384
Bonds	7,933,276	7,509,652
Preferred shares	540,290	474,029
Derivative assets	8,970	2,930
Mortgages	162,607	169,827
Reinsurance	125,655	113,107
Loans on policies	55,996	55,363
Policy contract loans	65,805	66,520
Accrued investment income	36,664	35,401
Insurance receivables	60,839	48,728
Trade accounts receivable	33,870	13,180
<b>Total</b>	<b>\$ 9,251,580</b>	<b>\$ 8,661,454</b>

The Company participates in a securities lending program with its custodian. For further information on the program, refer to Note 3(d).

### Concentration of credit risk

#### (1) Bonds and debentures

The concentration of the Company's bond portfolio by investment grade is as follows:

As at	June 30, 2020		December 31, 2019	
	Fair value	% of Fair value	Fair value	% of Fair value
AAA	\$ 373,998	5%	\$ 348,815	5%
AA	1,263,338	16%	1,167,357	16%
A	4,944,645	62%	4,831,528	64%
BBB (and lower ratings)	1,351,295	17%	1,161,952	15%
<b>Total</b>	<b>\$ 7,933,276</b>	<b>100%</b>	<b>\$ 7,509,652</b>	<b>100%</b>

# Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

Credit ratings are normally obtained from Standard & Poor's (S&P) and Dominion Bond Rating Service (DBRS). In the event of a split rating, the lower rating is used. Issues not rated by a recognized rating agency (i.e. S&P, DBRS, or Moody's) are rated internally by the Investment Department. The internal rating assessment is documented referencing suitable comparable investments rated by recognized rating agencies and/or methodologies used by recognized rating agencies.

Provincial bonds represent the largest concentration in the bond portfolio, as follows:

As at	June 30, 2020		December 31, 2019	
Provincial bond holdings	\$	4,200,259	\$	4,182,725
Percentage of total bond holdings		52.9%		55.7%

The following table profiles the bond portfolio by contractual maturity, using the earliest contractual maturity date:

As at	June 30, 2020		December 31, 2019	
	Fair value	% of Fair value	Fair value	% of Fair value
1 year or less	\$ 147,771	2%	\$ 75,119	1%
1 - 5 years	737,093	9%	769,237	10%
5 - 10 years	689,633	9%	700,976	9%
Over 10 years	6,358,779	80%	5,964,320	80%
<b>Total</b>	<b>\$ 7,933,276</b>	<b>100%</b>	<b>\$ 7,509,652</b>	<b>100%</b>

The following table discloses the Company's holdings of fixed income securities in the 10 issuers (excluding the federal government) to which the Company had the greatest exposure, as well as exposure to the largest single issuer of corporate bonds.

As at	June 30, 2020		December 31, 2019	
Holdings of fixed income securities* in the 10 issuers (excluding federal governments) to which the Company had the greatest exposure	\$	4,919,124	\$	4,744,433
Percentage of total cash and investments		50.1%		51.3%
Exposure to the largest single issuer of corporate bonds	\$	207,644	\$	199,877
Percentage of total cash and investments		2.1%		2.2%

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

## (2) Preferred shares

The Company's preferred share investments are all issued by Canadian companies, with 1% (December 31, 2019, 1%) rated as P1, 97% rated as P2 (December 31, 2019, 99%) and the remaining 2% (December 31, 2019, nil %) rated as P3.

## (3) Mortgages

Mortgages in the province of Ontario represent the largest concentration with \$161,774 or 99% (December 31, 2019, \$169,058 or 99%) of the total mortgage portfolio.

# Glossary of Terms

(unaudited)

## **Accumulated Other Comprehensive Income (AOCI)**

A separate component of shareholders' and policyholders' equity which includes net unrealized gains and losses on available for sale securities, unamortized gains and losses on cash flow hedges, unrealized foreign currency translation gains and losses and remeasurement of post-employment benefit liabilities. 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) Finance Assets**

Non-derivative financial assets that are designated as AFS or that are not classified as loans and receivables, held to maturity investments, or held for trading. Most financial assets supporting capital and surplus are classified as AFS.

## **Canadian Asset Liability Method (CALM)**

The prescribed method for valuation of policy liabilities in Canada. CALM is a prospective basis of valuation which uses the full gross premium for the policy, the estimated expenses and obligations under the policy, current expected experience assumptions plus a margin for adverse deviations, and scenario testing to assess interest rate risk and market risks.

## **Canadian Institute of Actuaries (CIA)**

As the national organization of the Canadian actuarial profession, the CIA means to serve the public through the provision by the profession of actuarial services and advice of the highest quality. The CIA ensures that the actuarial services provided by its members meet accepted professional standards; and assists actuaries in Canada in the discharge of their professional responsibilities.

## **Canadian Life and Health Insurance Association (CLHIA)**

The Canadian Life and Health Insurance Association (CLHIA) is an organization representing life insurance and health insurance providers in Canada. The industry develops guidelines, voluntarily and proactively, to respond to emerging issues and to ensure consumer interests are protected.

## **Chartered Professional Accountants of Canada (CPA Canada)**

Canada's not-for-profit association for Chartered Professional Accountants (CPA) provides information and guidance to its members, students and capital markets. Working in collaboration with its provincial member organizations, CPA Canada supports the setting of accounting, auditing and assurance standards for business, not-for-profit organizations and government, and develops and delivers education programs.

## **Earnings on Surplus**

This source of earnings represents the pre-tax earnings on the shareholders' capital and surplus funds.

## **Effective Interest Method**

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

## **Expected Profit from In-Force Business**

This source of earnings represents the profit Empire Life expects to generate on in-force business if experience is in line with the Empire Life's best estimate assumptions for mortality, morbidity, persistency, investment returns, expenses and taxes.

# Glossary of Terms

(unaudited)

## Experience Gains and Losses

This source of earnings represents gains or losses due to the difference between actual experience and the best estimate assumptions.

## Fair Value Through Profit or Loss (FVTPL)

Invested assets are classified as financial instruments at FVTPL if they are held for trading, or if they are designated by management under the fair value option. Most financial assets supporting insurance contract liabilities and investment contract liabilities are classified as FVTPL.

## Impact on New Business

Writing new business typically adds economic value to a life insurance company. At the point of sale, new business may have a positive or negative impact on earnings. A negative impact (new business strain) will result when the provision for adverse deviation included in the actuarial liabilities at the point of sale exceeds the expected profit margin in the product pricing. The impact of new business also includes any excess acquisition expenses not covered by product pricing at the point of issue.

## International Financial Reporting Standards (IFRS)

Refers to the international accounting standards that were adopted in Canada, effective January 1, 2011; these are now Canadian Generally Accepted Accounting Principles (CGAAP) for publicly accountable enterprises.

## Life Insurance Capital Adequacy Test (LICAT)

The LICAT measures the capital adequacy of an insurer and is one of several indicators used by OSFI to assess an insurer's financial condition. The LICAT Ratio is the ratio of eligible capital to the base solvency buffer, each as calculated under OSFI's published guidelines.

## Management Actions and Changes in Assumptions

This source of earnings component includes earnings generated by management actions during the year (e.g. acquisition or sale of a block of business, changes to product price, fees or asset mix, etc.) or the impact of changes in assumptions or methodology used for the calculation of actuarial liabilities for in-force business.

## Other Comprehensive Income (OCI)

Unrealized gains and losses, primarily on financial assets backing Capital and Surplus, are recorded as Other Comprehensive Income ("OCI") or Other Comprehensive Loss ("OCL"). When these assets are sold or written down the resulting gain or loss is reclassified from OCI to net income. Remeasurements of post-employment benefit liabilities are also recorded as OCI or OCL. These remeasurements will not be reclassified to net income and will remain in AOCI.

## Office of the Superintendent of Financial Institutions Canada (OSFI)

The primary regulator of federally chartered financial institutions and federally administered pension plans in Canada. OSFI's mission is to safeguard policyholders, depositors and pension plan members from undue loss.

## Participating Policies

The participating account includes all policies issued by the Company that entitle its policyholders to participate in the profits of the participating account. The Company has discretion as to the amount and timing of dividend payments which take into consideration the continuing solvency of the participating account.

## Return on Common Shareholders' Equity (ROE)

A profitability measure that presents the net income available to common shareholders as a percentage of the average capital deployed to earn the income.

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# EMPIRE LIFE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The Empire Life Insurance Company (Empire Life) is a proud Canadian company that has been in business since 1923. We offer individual and group life and health insurance, investment and retirement products, including mutual funds through our wholly-owned subsidiary Empire Life Investments Inc.

Empire Life is among the top 10 life insurance companies in Canada<sup>1</sup> and is rated A (Excellent) by A.M. Best Company<sup>2</sup>. Our mission is to make it simple, fast and easy for Canadians to build wealth, generate income, and achieve financial security.

Follow Empire Life on Twitter @EmpireLife or visit our website, [www.empire.ca](http://www.empire.ca) for more information.

<sup>1</sup> Based on total assets as reported in December 31, 2018 OSFI filings.

<sup>2</sup> As at June 14, 2019. For the latest rating, access [www.ambest.com](http://www.ambest.com).

## Transfer Agent and Registrar

AST Trust Company (Canada)  
1 Toronto Street, Suite 1200  
Toronto, Ontario, M5C 2V6  
Phone 416-682-3860  
Toll Free 800-387-0825  
[www.astfinancial.com/ca-en](http://www.astfinancial.com/ca-en)

## Stock Exchange Listing

Preferred Shares, Series 1 EML.PR.A

## Reporting Procedure for Accounting and Auditing Matters

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

Mr. John Brierley  
The Empire Life Insurance Company  
259 King Street East  
Kingston, ON, K7L 3A8  
Email: [jfbrierley@sympatico.ca](mailto:jfbrierley@sympatico.ca)  
Phone: 905-338-7290

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 and auditing matters.

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A-0004-ENG-07/20