

# The Empire Life Insurance Company

## **Condensed Interim Consolidated Financial Statements For the nine months ended September 30, 2021 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.



**This page has been left blank intentionally.**

# Table of Contents

---

Interim Consolidated Statements of Financial Position	4
Interim Consolidated Statements of Operations	5
Interim Consolidated Statements of Comprehensive Income	6
Interim Consolidated Statements of Changes in Equity	7
Interim Consolidated Statements of Cash Flows	8
Condensed Notes to the Interim Consolidated Financial Statements	9
1. Description of Company and Summary of Operations	9
2. Significant Accounting Policies	9
3. Financial Instruments	11
4. Segregated Funds	14
5. Insurance Premiums	15
6. Benefits and Expenses	16
7. Income Taxes included in Other Comprehensive Income (Loss)	17
8. Earnings Per Share	19
9. Capital Stock	19
10. Dividends	20
11. Segmented Information	21
12. Investment Commitments	24
13. Capital Management	24
14. Risk Management	24
15. Subordinated Debt	28
16. Comparative Figures	28
17. Subsequent Event	28
Glossary of Terms	29

# Interim Consolidated Statements of Financial Position

(unaudited, in thousands of Canadian dollars)

As at	September 30, 2021	December 31, 2020
<b>Assets</b>		
Cash and cash equivalents (Note 3)	\$ 380,594	\$ 189,356
Investments		
Short-term investments (Note 3)	8,493	13,008
Bonds (Note 3)	7,880,920	8,027,780
Preferred shares (Note 3)	463,817	616,902
Common shares (Note 3)	989,766	918,700
Derivative assets (Note 3)	7,215	5,377
Mortgages (Note 3)	150,456	157,214
Loans on policies (Note 3)	56,147	56,458
Policy contract loans (Note 3)	52,788	60,407
<b>Total cash and cash equivalents and investments</b>	<b>9,990,196</b>	<b>10,045,202</b>
Accrued investment income	51,898	38,932
Insurance receivables	50,038	46,533
Current income taxes	—	38,795
Other assets	26,055	21,289
Property and equipment	15,585	18,301
Intangible assets	29,414	27,983
Investment in associate	22,262	21,301
Segregated fund assets (Note 4)	8,949,927	8,457,417
<b>Total assets</b>	<b>\$ 19,135,375</b>	<b>\$ 18,715,753</b>
<b>Liabilities</b>		
Accounts payable and other liabilities	\$ 186,749	\$ 130,971
Insurance payables	111,682	114,938
Current income taxes payable	6,668	—
Reinsurance liabilities	336,237	384,761
Insurance contract liabilities	6,658,955	7,145,461
Investment contract liabilities	27,402	29,041
Policyholders' funds on deposit	35,025	34,817
Provision for profits to policyholders	37,918	36,124
Deferred income taxes	37,535	35,711
Subordinated debt (Note 15)	599,006	399,442
Segregated fund policy liabilities	8,949,927	8,457,417
<b>Total liabilities</b>	<b>16,987,104</b>	<b>16,768,683</b>
<b>Equity</b>		
Preferred shares (Note 9)	100,000	249,500
Common shares (Note 9)	985	985
Other equity instruments (Note 9)	196,664	—
Contributed surplus	19,387	19,387
Retained earnings	1,793,462	1,602,915
Accumulated other comprehensive income	37,773	74,283
<b>Total equity</b>	<b>2,148,271</b>	<b>1,947,070</b>
<b>Total liabilities and equity</b>	<b>\$ 19,135,375</b>	<b>\$ 18,715,753</b>



**Duncan N. R. Jackman**

Chair 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 nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
<b>Revenue</b>				
Gross premiums (Note 5)	\$ 294,396	\$ 276,108	\$ 861,089	\$ 798,508
Premiums ceded to reinsurers (Note 5)	(67,573)	(54,838)	(185,971)	(159,749)
Net premiums (Note 5)	226,823	221,270	675,118	638,759
Investment income	79,657	80,960	243,884	244,303
Fair value change in fair value through profit or loss assets	(131,759)	6,945	(608,396)	275,311
Realized gain (loss) on fair value through profit or loss assets sold	7,452	24,977	93,381	140,851
Realized gain (loss) on available for sale assets including impairment write downs (Note 3)	(924)	5,076	(2,873)	23,303
Fee income	69,431	61,471	202,380	184,864
Total revenue	250,680	400,699	603,494	1,507,391
<b>Benefits and expenses</b>				
Gross benefits and claims paid (Note 6)	191,238	175,763	582,426	531,085
Claims recovery from reinsurers (Note 6)	(40,292)	(33,427)	(112,860)	(103,345)
Gross change in insurance contract liabilities (Note 6)	(49,944)	95,003	(486,506)	658,750
Change in insurance contract liabilities ceded (Note 6)	(16,656)	(17,008)	(48,524)	7,311
Change in investment contracts provision	88	207	328	682
Policy dividends	8,968	8,470	26,139	24,389
Operating expenses	44,748	40,693	129,097	124,199
Commissions	61,414	54,872	197,725	161,267
Commission recovery from reinsurers	(7,274)	(5,338)	(23,905)	(18,707)
Interest expense	6,696	3,639	15,275	10,797
Total benefits and expenses	198,986	322,874	279,195	1,396,428
Premium tax	5,272	4,210	16,196	13,853
Investment and capital tax	972	1,085	2,851	2,735
<b>Net income before income taxes</b>	<b>45,450</b>	<b>72,530</b>	<b>305,252</b>	<b>94,375</b>
Income taxes	9,579	17,367	70,404	18,018
<b>Net income</b>	<b>\$ 35,871</b>	<b>\$ 55,163</b>	<b>\$ 234,848</b>	<b>\$ 76,357</b>
Less: net income (loss) attributable to participating policyholders	1,368	653	6,695	(1,023)
Shareholders' net income (loss)	34,503	54,510	228,153	77,380
Less: preferred share dividends declared (Note 10)	1,225	3,374	5,824	10,122
<b>Common shareholders' net income</b>	<b>\$ 33,278</b>	<b>\$ 51,136</b>	<b>\$ 222,329</b>	<b>\$ 67,258</b>
Earnings per share - basic and diluted (Note 8)	\$ 33.78	\$ 51.91	\$ 225.70	\$ 68.28
(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 nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
<b>Net income</b>	\$ 35,871	\$ 55,163	\$ 234,848	\$ 76,357
<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)	(12,954)	3,743	(68,268)	74,003
Fair value change on available for sale investments reclassified to net income, including impairment write downs (Note 7)	703	(3,724)	2,170	(17,100)
Net unrealized fair value increase (decrease)	(12,251)	19	(66,098)	56,903
Items that will not be reclassified to net income:				
Remeasurements of post-employment benefit liabilities (Note 7)	4,327	1,198	29,588	(17,897)
Total other comprehensive income (loss)	(7,924)	1,217	(36,510)	39,006
<b>Comprehensive income (loss)</b>	\$ 27,947	\$ 56,380	\$ 198,338	\$ 115,363
<b>Comprehensive income (loss) attributable to:</b>				
Participating policyholders	\$ 1,236	\$ 1,867	\$ 7,631	\$ 1,640
Shareholders	26,711	54,513	190,707	113,723
Total	\$ 27,947	\$ 56,380	\$ 198,338	\$ 115,363

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 nine months ended September 30, 2021			For the nine months ended September 30, 2020		
	Shareholders'	Policyholders'	Total	Shareholders'	Policyholders'	Total
<b>Preferred shares (Note 9)</b>	\$ 100,000	\$ —	\$ 100,000	\$ 249,500	\$ —	\$ 249,500
<b>Common shares (Note 9)</b>	985	—	985	985	—	985
<b>Other equity investments (Note 9)</b>	196,664	—	196,664	—	—	—
<b>Contributed surplus</b>	19,387	—	19,387	19,387	—	19,387
<b>Retained earnings</b>						
Retained earnings - beginning of period	1,560,384	42,531	1,602,915	1,597,668	38,484	1,636,152
Net income (loss)	228,153	6,695	234,848	77,380	(1,023)	76,357
Common share dividends declared	(38,477)	—	(38,477)	(155,229)	—	(155,229)
Preferred share dividends declared	(5,824)	—	(5,824)	(10,122)	—	(10,122)
Retained earnings - end of period	1,744,236	49,226	1,793,462	1,509,697	37,461	1,547,158
<b>Accumulated other comprehensive income (loss)</b>						
Accumulated other comprehensive income (loss) - beginning of period	72,666	1,617	74,283	32,190	1,628	33,818
Other comprehensive income (loss)	(37,446)	936	(36,510)	36,343	2,663	39,006
Accumulated other comprehensive income (loss) - end of period	35,220	2,553	37,773	68,533	4,291	72,824
<b>Total equity</b>	\$ 2,096,492	\$ 51,779	\$ 2,148,271	\$ 1,848,102	\$ 41,752	\$ 1,889,854
<b>Composition of accumulated other comprehensive income (loss) - end of period</b>						
Unrealized gain (loss) on available for sale financial assets	\$ 37,755	\$ 2,146	\$ 39,901	\$ 99,329	\$ 6,299	\$ 105,628
Remeasurements of post-employment benefit liabilities	(2,684)	556	(2,128)	(31,245)	(1,559)	(32,804)
Shareholder portion of policyholders' accumulated other comprehensive income	149	(149)	—	449	(449)	—
Total accumulated other comprehensive income (loss)	\$ 35,220	\$ 2,553	\$ 37,773	\$ 68,533	\$ 4,291	\$ 72,824

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 nine months ended	
	September 30, 2021	September 30, 2020
<b>Operating activities</b>		
Net income	\$ 234,848	\$ 76,357
Non-cash items affecting net income:		
Change in contract liabilities	(486,178)	659,432
Change in reinsurance liability	(48,524)	7,311
Fair value change in fair value through profit or loss assets	608,396	(275,311)
Realized (gain) loss on assets including impairment write downs on available for sale assets	(90,508)	(164,154)
Amortization related to discount on debt instruments	(57,141)	(60,491)
Amortization related to property and equipment and intangible assets	8,958	8,241
Deferred income taxes	(8,775)	(2,280)
Share of income from associate	(1,041)	—
Other items	141,407	(8,250)
Cash provided from (used for) operating activities	<b>301,442</b>	<b>240,855</b>
<b>Investing activities</b>		
Portfolio investments		
Purchases and advances	(2,083,390)	(1,649,232)
Sales and maturities	1,779,498	1,672,836
Loans on policies		
Advances	(6,027)	(7,099)
Repayments	13,957	8,142
(Increase) decrease in short-term investments	4,515	18,370
Purchase of property and equipment and intangible assets	(8,140)	(8,671)
Investment in associate	(100)	—
Dividends from associate	180	—
Cash provided from (used for) investing activities	<b>(299,507)</b>	<b>34,346</b>
<b>Financing activities</b>		
Dividends paid to common shareholders (Note 10)	(38,477)	(155,229)
Dividends paid to preferred shareholders (Note 10)	(7,973)	(10,122)
Interest paid on subordinated debt	(10,711)	(10,711)
Issuance of subordinated debt (Note 15)	199,300	—
Preferred shares redeemed (Note 9)	(149,500)	—
Limited recourse capital notes issue (Note 9)	196,664	—
Cash provided from (used for) financing activities	<b>189,303</b>	<b>(176,062)</b>
<b>Net change in cash and cash equivalents</b>	<b>191,238</b>	<b>99,139</b>
<b>Cash and cash equivalents - beginning of period (Note 3)</b>	<b>189,356</b>	<b>140,333</b>
<b>Cash and cash equivalents - end of period (Note 3)</b>	<b>\$ 380,594</b>	<b>\$ 239,472</b>
Supplementary cash flow information related to operating activities:		
Income taxes paid, net of (refunds)	\$ 17,416	\$ 100,211
Interest income received	137,903	135,402
Dividend income received	42,028	40,284

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 reporting 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 October 28, 2021.

## 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, 2020.

### (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 did not have SPPI qualifying cash flows as at December 31, 2020 and December 31, 2019 included mortgages with fair values of \$13.2 million and \$10.4 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 will replace IFRS 4. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts. In June 2020, the IASB issued amendments to IFRS 17, which include deferral of the effective date to annual periods beginning on or after January 1, 2023 from the original effective date of January 1, 2021. The deferral option of IFRS 9 for insurers was also extended to that same date. IFRS 17 will affect how we account for our insurance contracts and how we report our financial performance in our Consolidated Statements of Operations.

# 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 Asset category	September 30, 2021			December 31, 2020		
	Fair value through profit or loss	Available for sale	Total carrying value	Fair value through profit or loss	Available for sale	Total carrying value
Cash and cash equivalents						
Cash	\$ 50,089	\$ —	\$ 50,089	\$ 35,201	\$ —	\$ 35,201
Cash equivalents	330,505	—	330,505	154,155	—	154,155
Total cash and cash equivalents	380,594	—	380,594	189,356	—	189,356
Short-term investments						
Canadian federal government	3,497	4,996	8,493	4,999	4,999	9,998
Corporate	—	—	—	3,010	—	3,010
Total short-term investments	3,497	4,996	8,493	8,009	4,999	13,008
Bonds						
Canadian federal government	16,335	385,325	401,660	8,013	252,719	260,732
Canadian provincial governments	3,058,511	550,598	3,609,109	3,554,583	543,756	4,098,339
Canadian municipal governments	105,623	88,613	194,236	117,558	95,069	212,627
Total Canadian government bonds	3,180,469	1,024,536	4,205,005	3,680,154	891,544	4,571,698
Canadian corporate bonds by industry sector:						
Energy	217,382	97,581	314,963	141,206	62,341	203,547
Materials	13,146	11,011	24,157	16,193	7,030	23,223
Industrials	70,560	74,115	144,675	90,584	49,751	140,335
Consumer discretionary	11,906	13,582	25,488	15,068	6,336	21,404
Consumer staples	185,892	69,362	255,254	198,407	72,255	270,662
Health care	75,583	8,665	84,248	81,884	9,319	91,203
Financial services	645,366	505,020	1,150,386	642,664	363,736	1,006,400
Information Technology	473	4,443	4,916	181	5,116	5,297
Communication services	334,549	59,258	393,807	284,443	42,202	326,645
Utilities	553,765	82,982	636,747	628,449	77,174	705,623
Real estate	40,377	2,543	42,920	42,655	18,718	61,373
Infrastructure	420,417	67,409	487,826	418,409	59,328	477,737
Total Canadian corporate bonds	2,569,416	995,971	3,565,387	2,560,143	773,306	3,333,449
Foreign bonds						
Government	100,532	—	100,532	111,399	—	111,399
Corporate	9,996	—	9,996	11,234	—	11,234
Total foreign bonds	110,528	—	110,528	122,633	—	122,633
Total bonds	5,860,413	2,020,507	7,880,920	6,362,930	1,664,850	8,027,780
Total preferred shares - Canadian	454,540	9,277	463,817	606,664	10,238	616,902
Common shares						
Canadian						
Canadian common shares	222,224	55,878	278,102	172,172	47,734	219,906
Exchange-traded funds	499,081	—	499,081	501,905	—	501,905
Canadian real estate limited partnership units	132,476	—	132,476	121,290	—	121,290
U.S.	46,089	—	46,089	42,046	—	42,046
Other	34,018	—	34,018	33,553	—	33,553
Total common shares	933,888	55,878	989,766	870,966	47,734	918,700
Total derivative assets	7,215	—	7,215	5,377	—	5,377

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)

As at Asset category	September 30, 2021			December 31, 2020		
	Fair value through profit or loss	Available for sale	Total carrying value	Fair value through profit or loss	Available for sale	Total carrying value
<b>Loans and receivables</b>						
Mortgages	—	—	150,456	—	—	157,214
Loans on policies	—	—	56,147	—	—	56,458
Policy contract loans	—	—	52,788	—	—	60,407
<b>Total financial instruments</b>	<b>\$ 7,640,147</b>	<b>\$ 2,090,658</b>	<b>\$ 9,990,196</b>	<b>\$ 8,043,302</b>	<b>\$ 1,727,821</b>	<b>\$ 10,045,202</b>

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

As at	September 30, 2021			December 31, 2020		
	Level 1	Level 2	Total fair value	Level 1	Level 2	Total fair value
Fair value through profit or loss:						
Cash and cash equivalents	\$ 50,089	\$ 330,505	\$ 380,594	\$ 35,201	\$ 154,155	\$ 189,356
Short-term investments	—	3,497	3,497	—	8,009	8,009
Bonds	—	5,860,413	5,860,413	—	6,362,930	6,362,930
Preferred shares	454,540	—	454,540	606,664	—	606,664
Common shares	800,534	133,354	933,888	749,275	121,691	870,966
Derivative assets	7,150	65	7,215	5,358	19	5,377
Available for sale:						
Short-term investments	—	4,996	4,996	—	4,999	4,999
Bonds	—	2,020,507	2,020,507	—	1,664,850	1,664,850
Preferred shares	9,277	—	9,277	10,238	—	10,238
Common shares	55,878	—	55,878	47,734	—	47,734
Loans and Receivables						
Mortgages	—	162,569	162,569	—	170,886	170,886
Loans on policies	—	56,147	56,147	—	56,458	56,458
Policy contract loans	—	52,788	52,788	—	60,407	60,407
<b>Total</b>	<b>\$ 1,377,468</b>	<b>\$ 8,624,841</b>	<b>\$ 10,002,309</b>	<b>\$ 1,454,470</b>	<b>\$ 8,604,404</b>	<b>\$ 10,058,874</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 approximate 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 September 30, 2021 or during the year ended December 31, 2020.

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 nine months ended September 30, 2021, the Company reclassified a pre-tax gain of \$496 from OCI to net income due to write downs of impaired available for sale (AFS) common and preferred shares (for the nine months ended September 30, 2020, \$4,252). 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.

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)

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	September 30, 2021			December 31, 2020		
	Notional principal	Fair value assets	Fair value liabilities	Notional principal	Fair value assets	Fair value liabilities
Exchange-traded						
Equity index futures	\$ 66,301	\$ 2,235	\$ 1,240	\$ 104,315	\$ 3,325	43
Equity options	492,828	4,915	—	122,828	2,033	—
Over-the-counter						
Foreign currency forwards	34,297	65	82	34,114	16	7
Cross currency swaps	20,980	—	879	20,980	3	1,360
<b>Total</b>	<b>\$ 614,406</b>	<b>\$ 7,215</b>	<b>\$ 2,201</b>	<b>\$ 282,237</b>	<b>\$ 5,377</b>	<b>1,410</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 September 30, 2021 and December 31, 2020, the aggregate fair values of the Company's securities loaned and the collateral received were as follows:

As at	September 30, 2021			December 31, 2020		
	General Funds	Segregated Funds	Total	General Funds	Segregated Funds	Total
Value of securities loaned	\$ 1,650,063	\$ 1,381,182	\$ 3,031,245	\$ 1,307,965	\$ 1,452,978	\$ 2,760,943
Value of collateral received	\$ 1,683,085	\$ 1,408,855	\$ 3,091,940	\$ 1,334,144	\$ 1,482,183	\$ 2,816,327

## 4. Segregated Funds

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

As at	September 30, 2021	December 31, 2020
Cash and cash equivalents	\$ 36,632	\$ 34,871
Short-term investments	495,846	410,641
Bonds	1,835,711	1,866,564
Common and preferred shares	6,674,066	6,207,527
Other net assets	(56)	20,320
	<b>9,042,199</b>	<b>8,539,923</b>
Less segregated funds held within general fund investments	(92,272)	(82,506)
<b>Total</b>	<b>\$ 8,949,927</b>	<b>\$ 8,457,417</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	September 30, 2021			December 31, 2020		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Cash and cash equivalents	\$ 36,632	\$ —	\$ 36,632	\$ 34,871	\$ —	\$ 34,871
Short-term investments	—	495,846	495,846	—	410,641	410,641
Bonds	—	1,835,711	1,835,711	—	1,866,564	1,866,564
Common and preferred shares	6,674,066	—	6,674,066	6,207,527	—	6,207,527
<b>Total</b>	<b>\$ 6,710,698</b>	<b>\$ 2,331,557</b>	<b>\$ 9,042,255</b>	<b>\$ 6,242,398</b>	<b>\$ 2,277,205</b>	<b>\$ 8,519,603</b>

There were no transfers between Level 1 and Level 2 during the nine months ended September 30, 2021 or during the year ended December 31, 2020. There were no Level 3 investments as at September 30, 2021 or December 31, 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)

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

	For the three months ended		For the nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Segregated fund assets - beginning of period	\$ 8,966,262	\$ 7,733,130	\$ 8,457,417	\$ 8,498,583
Additions to segregated funds:				
Amount received from policyholders	217,259	154,472	722,042	523,172
Interest	14,494	15,191	43,081	46,209
Dividends	34,357	32,440	106,680	98,777
Other income	7,518	11,410	18,010	18,210
Net realized gains on sale of investments	73,097	60,146	311,721	—
Net unrealized increase in fair value of investments	—	228,315	350,673	—
	<b>346,725</b>	<b>501,974</b>	<b>1,552,207</b>	<b>686,368</b>
Deductions from segregated funds:				
Amounts withdrawn or transferred by policyholders	224,457	240,174	856,742	714,493
Net realized losses on sale of investments	—	—	—	69,660
Net unrealized decrease in fair value of investments	71,249	—	—	295,395
Management fees and other operating costs	66,793	57,494	193,189	171,127
	<b>362,499</b>	<b>297,668</b>	<b>1,049,931</b>	<b>1,250,675</b>
Net change in segregated funds held within general fund investments	(561)	(3,002)	(9,766)	158
Segregated fund assets - end of period	\$ 8,949,927	\$ 7,934,434	\$ 8,949,927	\$ 7,934,434

## (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		
	September 30, 2021			September 30, 2020		
	Gross	Reinsurance ceded	Net	Gross	Reinsurance ceded	Net
Life premiums	\$ 146,072	\$ (33,405)	\$ 112,667	\$ 137,234	\$ (29,457)	\$ 107,777
Health premiums	133,836	(34,132)	99,704	111,124	(25,333)	85,791
Total life and health premiums	279,908	(67,537)	212,371	248,358	(54,790)	193,568
Annuity premiums	14,488	(36)	14,452	27,750	(48)	27,702
Total insurance premiums	\$ 294,396	\$ (67,573)	\$ 226,823	\$ 276,108	\$ (54,838)	\$ 221,270

	For the nine months ended			For the nine months ended		
	September 30, 2021			September 30, 2020		
	Gross	Reinsurance ceded	Net	Gross	Reinsurance ceded	Net
Life premiums	\$ 428,844	\$ (95,318)	\$ 333,526	\$ 401,014	\$ (88,617)	\$ 312,397
Health premiums	377,102	(90,548)	286,554	323,810	(70,982)	252,828
Total life and health premiums	805,946	(185,866)	620,080	724,824	(159,599)	565,225
Annuity premiums	55,143	(105)	55,038	73,684	(150)	73,534
Total insurance premiums	\$ 861,089	\$ (185,971)	\$ 675,118	\$ 798,508	\$ (159,749)	\$ 638,759

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)

## 6. Benefits and Expenses

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

	For the three months ended September 30, 2021			For the three months ended September 30, 2020		
	Gross	Reinsurance ceded	Net	Gross	Reinsurance ceded	Net
Life claims	\$ 63,634	\$ (19,340)	\$ 44,294	\$ 61,722	\$ (19,365)	\$ 42,357
Health claims	87,628	(19,790)	67,838	73,258	(13,535)	59,723
Total life and health claims	151,262	(39,130)	112,132	134,980	(32,900)	102,080
Annuity benefits	39,976	(1,162)	38,814	40,783	(527)	40,256
Benefits and claims paid	\$ 191,238	\$ (40,292)	\$ 150,946	\$ 175,763	\$ (33,427)	\$ 142,336

	For the nine months ended September 30, 2021			For the nine months ended September 30, 2020		
	Gross	Reinsurance ceded	Net	Gross	Reinsurance ceded	Net
Life claims	\$ 200,716	\$ (58,639)	\$ 142,077	\$ 202,290	\$ (65,583)	\$ 136,707
Health claims	250,960	(53,060)	197,900	198,185	(36,028)	162,157
Total life and health claims	451,676	(111,699)	339,977	400,475	(101,611)	298,864
Annuity benefits	130,750	(1,161)	129,589	130,610	(1,734)	128,876
Benefits and claims paid	\$ 582,426	\$ (112,860)	\$ 469,566	\$ 531,085	\$ (103,345)	\$ 427,740

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

	For the three months ended September 30, 2021			For the three months ended September 30, 2020		
	Gross	Reinsurance ceded	Net	Gross	Reinsurance ceded	Net
Life	\$ (39,043)	\$ (9,117)	\$ (48,160)	\$ 53,865	\$ (10,256)	\$ 43,609
Health	11,964	(8,030)	3,934	14,118	(6,825)	7,293
Total life and health	(27,079)	(17,147)	(44,226)	67,983	(17,081)	50,902
Annuity	(22,865)	491	(22,374)	27,020	73	27,093
Change in insurance contract liabilities	\$ (49,944)	\$ (16,656)	\$ (66,600)	\$ 95,003	\$ (17,008)	\$ 77,995
Change attributable to:						
Normal changes - New Business	\$ (17,217)	\$ (1,984)	\$ (19,201)	\$ (42,730)	\$ (8,644)	\$ (51,374)
- In-Force Business	(32,727)	(14,672)	(47,399)	137,733	(8,364)	129,369
Change in insurance contract liabilities	\$ (49,944)	\$ (16,656)	\$ (66,600)	\$ 95,003	\$ (17,008)	\$ 77,995

	For the nine months ended September 30, 2021			For the nine months ended September 30, 2020		
	Gross	Reinsurance ceded	Net	Gross	Reinsurance ceded	Net
Life	\$ (289,010)	\$ (31,200)	\$ (320,210)	\$ 458,346	\$ 25,913	\$ 484,259
Health	15,856	(18,387)	(2,531)	56,434	(19,028)	37,406
Total life and health	(273,154)	(49,587)	(322,741)	514,780	6,885	521,665
Annuity	(213,352)	1,063	(212,289)	143,970	426	144,396
Change in insurance contract liabilities	\$ (486,506)	\$ (48,524)	\$ (535,030)	\$ 658,750	\$ 7,311	\$ 666,061
Change attributable to:						
Normal changes - New Business	\$ (44,396)	\$ (8,192)	\$ (52,588)	\$ (99,883)	\$ (8,875)	\$ (108,758)
- In-Force Business	(442,110)	(40,332)	(482,442)	758,633	16,186	774,819
Change in insurance contract liabilities	\$ (486,506)	\$ (48,524)	\$ (535,030)	\$ 658,750	\$ 7,311	\$ 666,061

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)

## 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 September 30, 2021			For the three months ended September 30, 2020		
	Before tax	Tax provision (recovery)	After tax	Before tax	Tax provision (recovery)	After tax
Unrealized fair value change on available for sale investments	\$ (17,632)	\$ (4,678)	\$ (12,954)	5,094	1,351	3,743
Fair value change on available for sale investments reclassified to net income, including impairment write downs	924	221	703	(5,076)	(1,352)	(3,724)
Remeasurements of post-employment benefit liabilities	5,877	1,550	4,327	1,630	432	1,198
<b>Total other comprehensive income (loss)</b>	<b>\$ (10,831)</b>	<b>\$ (2,907)</b>	<b>\$ (7,924)</b>	<b>1,648</b>	<b>\$ 431</b>	<b>\$ 1,217</b>

	For the nine months ended September 30, 2021			For the nine months ended September 30, 2020		
	Before tax	Tax provision (recovery)	After tax	Before tax	Tax provision (recovery)	After tax
Unrealized fair value change on available for sale investments	\$ (92,920)	\$ (24,652)	\$ (68,268)	100,726	26,723	74,003
Fair value change on available for sale investments reclassified to net income, including impairment write downs	2,873	703	2,170	(23,303)	(6,203)	(17,100)
Remeasurements of post-employment benefit liabilities	40,191	10,603	29,588	(24,360)	(6,463)	(17,897)
<b>Total other comprehensive income (loss)</b>	<b>\$ (49,856)</b>	<b>\$ (13,346)</b>	<b>\$ (36,510)</b>	<b>53,063</b>	<b>\$ 14,057</b>	<b>\$ 39,006</b>

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

	For the three months ended September 30, 2021			For the three months ended September 30, 2020		
	Before tax	Tax provision (recovery)	After tax	Before tax	Tax provision (recovery)	After tax
Unrealized fair value change on available for sale investments	\$ (17,209)	\$ (4,566)	\$ (12,643)	3,393	899	2,494
Fair value change on available for sale investments reclassified to net income, including impairment write downs	1,127	275	852	(5,076)	(1,352)	(3,724)
Remeasurements of post-employment benefit liabilities	5,475	1,444	4,031	1,555	412	1,143
Shareholder portion of policyholder other comprehensive income (loss)	(43)	(11)	(32)	123	33	90
<b>Total other comprehensive income (loss)</b>	<b>\$ (10,650)</b>	<b>\$ (2,858)</b>	<b>\$ (7,792)</b>	<b>(5)</b>	<b>\$ (8)</b>	<b>\$ 3</b>

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)

	For the nine months ended September 30, 2021			For the nine months ended September 30, 2020		
	Before tax	Tax provision (recovery)	After tax	Before tax	Tax provision (recovery)	After tax
Unrealized fair value change on available for sale investments	\$ (91,528)	\$ (24,283)	\$ (67,245)	\$ 96,700	\$ 25,654	\$ 71,046
Fair value change on available for sale investments reclassified to net income, including impairment write downs	3,083	759	2,324	(24,433)	(6,504)	(17,929)
Remeasurements of post-employment benefit liabilities	37,435	9,876	27,559	(23,245)	(6,167)	(17,078)
Shareholder portion of policyholder other comprehensive income (loss)	(114)	(30)	(84)	414	110	304
<b>Total other comprehensive income (loss)</b>	<b>\$ (51,124)</b>	<b>\$ (13,678)</b>	<b>\$ (37,446)</b>	<b>\$ 49,436</b>	<b>\$ 13,093</b>	<b>\$ 36,343</b>

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

	For the three months ended September 30, 2021			For the three months ended September 30, 2020		
	Before tax	Tax provision (recovery)	After tax	Before tax	Tax provision (recovery)	After tax
Unrealized fair value change on available for sale investments	\$ (423)	\$ (112)	\$ (311)	\$ 1,701	\$ 452	\$ 1,249
Fair value change on available for sale investments reclassified to net income, including impairment write downs	(203)	(54)	(149)	—	—	—
Remeasurements of post-employment benefit liabilities	402	106	296	75	20	55
Shareholder portion of policyholder other comprehensive income (loss)	43	11	32	(123)	(33)	(90)
<b>Total other comprehensive income (loss)</b>	<b>\$ (181)</b>	<b>\$ (49)</b>	<b>\$ (132)</b>	<b>\$ 1,653</b>	<b>\$ 439</b>	<b>\$ 1,214</b>

	For the nine months ended September 30, 2021			For the nine months ended September 30, 2020		
	Before tax	Tax provision (recovery)	After tax	Before tax	Tax provision (recovery)	After tax
Unrealized fair value change on available for sale investments	\$ (1,392)	\$ (369)	\$ (1,023)	\$ 4,026	\$ 1,069	\$ 2,957
Fair value change on available for sale investments reclassified to net income, including impairment write downs	(210)	(56)	(154)	1,130	301	829
Remeasurements of post-employment benefit liabilities	2,756	727	2,029	(1,115)	(296)	(819)
Shareholder portion of policyholder other comprehensive income (loss)	114	30	84	(414)	(110)	(304)
<b>Total other comprehensive income (loss)</b>	<b>\$ 1,268</b>	<b>\$ 332</b>	<b>\$ 936</b>	<b>\$ 3,627</b>	<b>\$ 964</b>	<b>\$ 2,663</b>

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)

## 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 nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Basic and diluted EPS				
Common shareholders' net income	\$ 33,278	\$ 51,136	\$ 222,329	\$ 67,258
Weighted average number of common shares outstanding	985,076	985,076	985,076	985,076
Basic and diluted EPS	\$ 33.78	\$ 51.91	\$ 225.70	\$ 68.28

## 9. Capital Stock

As at	September 30, 2021			December 31, 2020		
	Shares authorized	Shares issued and outstanding	Amount	Shares authorized	Shares issued and outstanding	Amount
Preferred shares						
Series 1		— \$	—	unlimited	5,980,000 \$	149,500
Series 3	unlimited	4,000,000 \$	100,000	unlimited	4,000,000 \$	100,000
Limited recourse capital notes		200,000 \$	200,000		— \$	—
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%. Subject to regulatory approval, Empire Life may redeem the Series 3 Preferred Shares, in whole or in part, at par, on January 17, 2023 and every five years thereafter.

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

The trust assets consist of \$200 million of Empire Life Non-Cumulative 5-year Fixed Rate Reset Preferred Shares, Series 5 which were issued concurrently with the LRCN Series 1 at a rate of \$1,000 per Series 5. Holders of the LRCN Series 1 are entitled to receive semi-annual payments at a rate of 3.625% per annum until April 17, 2026.

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)

Thereafter, the yield will reset every five years at a rate equal to the 5-year Government of Canada bond yield plus 3.082%.

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

## 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>	July 29, 2021	985,076	\$ 14.212101	\$ 14,000	September 8, 2021
	April 29, 2021	985,076	\$ 14.212101	\$ 14,000	June 8, 2021
	February 24, 2021	985,076	\$ 10.635322	\$ 10,477	April 1, 2021
	October 29, 2020	985,076	\$ 22.072300	\$ 21,743	December 8, 2020
	July 29, 2020	985,076	\$ 44.144700	\$ 43,486	September 9, 2020
	February 26, 2020	985,076	\$ 113.435853	\$ 111,743	April 8, 2020
<b>Preferred shareholder dividends</b>					
<b>Series 1</b>	February 24, 2021	5,980,000	\$ 0.359375	\$ 2,149	April 17, 2021
	October 29, 2020	5,980,000	\$ 0.359375	\$ 2,149	January 17, 2021
	July 29, 2020	5,980,000	\$ 0.359375	\$ 2,149	October 17, 2020
	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
<b>Series 3</b>	July 29, 2021	4,000,000	\$ 0.306250	\$ 1,225	October 17, 2021
	April 29, 2021	4,000,000	\$ 0.306250	\$ 1,225	July 17, 2021
	February 24, 2021	4,000,000	\$ 0.306250	\$ 1,225	April 17, 2021
	October 30, 2020	4,000,000	\$ 0.306250	\$ 1,225	January 17, 2021
	July 29, 2020	4,000,000	\$ 0.306250	\$ 1,225	October 17, 2020
	April 30, 2020	4,000,000	\$ 0.306250	\$ 1,225	July 17, 2020
	February 26, 2020	4,000,000	\$ 0.306250	\$ 1,225	April 17, 2020

On October 28, 2021, subsequent to the date of these Interim Consolidated Financial Statements, the Board approved the following cash dividends:

- \$13,998 (\$14.21 per share) on the issued and outstanding Common Shares, payable on December 7, 2021.
- \$1,225 (\$0.306250 per share) on the issued and outstanding Series 3 Preferred Shares, payable on January 17, 2022.

# 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 September 30, 2021				
	Wealth Management	Employee Benefits	Individual Insurance	Capital & Surplus	Total
Net premiums from external customers	\$ 14,452	\$ 103,322	\$ 109,049	\$ —	\$ 226,823
Interest income	7,257	1,883	43,366	13,003	65,509
Total investment income	9,760	992	53,600	15,305	79,657
Fair value change in fair value through profit or loss assets	(2,664)	350	(129,307)	(138)	(131,759)
Realized gain (loss) on fair value through profit or loss assets	131	2	9,420	(2,101)	7,452
Realized gain (loss) on available for sale assets including impairment write downs	177	160	159	(1,420)	(924)
Fee income from external customers	66,015	3,376	(21)	61	69,431
Net benefits and claims	38,814	70,449	41,683	—	150,946
Net change in insurance contract liabilities	(22,374)	6,257	(50,483)	—	(66,600)
Change in investment contract provision	88	—	—	—	88
Policy dividends	—	—	8,968	—	8,968
Amortization of property and equipment and intangibles	464	1,083	1,365	—	2,912
Total operating expenses	14,462	14,269	15,640	377	44,748
Net commission expense	19,800	12,090	22,250	—	54,140
Interest expense	—	—	—	6,696	6,696
Premium tax	—	2,715	2,557	—	5,272
Investment and capital tax	—	—	972	—	972
Income tax expense (recovery)	9,315	625	(994)	633	9,579
Net income (loss) after tax	27,766	1,797	2,307	4,001	35,871

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)

## For the three months ended September 30, 2020

	Wealth Management	Employee Benefits	Individual Insurance	Capital & Surplus	Total
Net premiums from external customers	\$ 27,702	\$ 89,588	\$ 103,980	\$ —	\$ 221,270
Interest income	7,180	1,602	44,409	13,797	66,988
Total investment income	9,035	977	54,844	16,104	80,960
Fair value change in fair value through profit or loss assets	21,683	(1,124)	(21,384)	7,770	6,945
Realized gain (loss) on fair value through profit or loss assets	303	535	25,788	(1,649)	24,977
Realized gain (loss) on available for sale assets including impairment write downs	—	—	(2)	5,078	5,076
Fee income from external customers	58,460	2,973	(10)	48	61,471
Net benefits and claims	40,256	61,958	40,122	—	142,336
Net change in insurance contract liabilities	27,093	7,605	43,297	—	77,995
Change in investment contract provision	207	—	—	—	207
Policy dividends	—	—	8,470	—	8,470
Amortization of property and equipment and intangibles	520	936	1,454	—	2,910
Total operating expenses	14,261	12,552	13,470	410	40,693
Net commission expense	17,495	10,743	21,296	—	49,534
Interest expense	—	—	—	3,639	3,639
Premium tax	—	1,769	2,441	—	4,210
Investment and capital tax	—	—	1,085	—	1,085
Income tax expense (recovery)	4,258	(479)	8,030	5,558	17,367
Net income (loss) after tax	13,613	(1,199)	25,005	17,744	55,163

## For the nine months ended September 30, 2021

	Wealth Management	Employee Benefits	Individual Insurance	Capital & Surplus	Total
Net premiums from external customers	\$ 55,038	\$ 298,512	\$ 321,568	\$ —	\$ 675,118
Interest income	21,193	4,700	137,124	38,560	201,577
Total investment income	28,632	2,453	166,490	46,309	243,884
Fair value change in fair value through profit or loss assets	(11,962)	(4,334)	(589,161)	(2,939)	(608,396)
Realized gain (loss) on fair value through profit or loss assets	215	2	108,205	(15,041)	93,381
Realized gain (loss) on available for sale assets including impairment write downs	314	279	283	(3,749)	(2,873)
Fee income from external customers	192,200	9,925	72	183	202,380
Net benefits and claims	129,589	205,841	134,136	—	469,566
Net change in insurance contract liabilities	(212,289)	14,374	(337,115)	—	(535,030)
Change in investment contract provision	328	—	—	—	328
Policy dividends	—	—	26,139	—	26,139
Amortization of property and equipment and intangibles	1,520	3,185	4,253	—	8,958
Total operating expenses	43,302	39,725	45,143	927	129,097
Net commission expense	60,945	36,236	76,639	—	173,820
Interest expense	—	—	—	15,275	15,275
Premium tax	—	8,299	7,897	—	16,196
Investment and capital tax	—	—	2,851	—	2,851
Income tax expense (recovery)	62,428	584	7,163	229	70,404
Net income (loss) after tax	180,134	1,778	44,604	8,332	234,848

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)

	For the nine months ended September 30, 2020				
	Wealth Management	Employee Benefits	Individual Insurance	Capital & Surplus	Total
Net premiums from external customers	\$ 73,534	\$ 264,279	\$ 300,946	\$ —	\$ 638,759
Interest income	21,697	4,757	135,843	41,352	203,649
Total investment income	28,613	3,246	162,805	49,639	244,303
Fair value change in fair value through profit or loss assets	20,266	3,995	250,966	84	275,311
Realized gain (loss) on fair value through profit or loss assets	1,056	3,112	138,733	(2,050)	140,851
Realized gain (loss) on available for sale assets including impairment write downs	(1,130)	(944)	(989)	26,366	23,303
Fee income from external customers	175,437	9,130	188	109	184,864
Net benefits and claims	128,876	169,716	129,148	—	427,740
Net change in insurance contract liabilities	144,396	18,576	503,089	—	666,061
Change in investment contract provision	682	—	—	—	682
Policy dividends	—	—	24,389	—	24,389
Amortization of property and equipment and intangibles	1,684	2,565	3,992	—	8,241
Total operating expenses	45,934	37,215	39,839	1,211	124,199
Net commission expense	54,017	33,255	55,288	—	142,560
Interest expense	—	—	—	10,797	10,797
Premium tax	—	6,818	7,035	—	13,853
Investment and capital tax	—	—	2,735	—	2,735
Income tax expense (recovery)	(21,837)	4,498	20,690	14,667	18,018
Net income (loss) after tax	(54,292)	12,740	70,436	47,473	76,357

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

	September 30, 2021				
	Wealth Management	Employee Benefits	Individual Insurance	Capital & Surplus	Total
Assets excluding segregated funds	\$ 910,147	\$ 208,097	\$ 6,151,796	\$ 2,915,408	\$ 10,185,448
Segregated funds	8,930,577	—	19,350	—	8,949,927
<b>Total assets</b>	<b>\$ 9,840,724</b>	<b>\$ 208,097</b>	<b>\$ 6,171,146</b>	<b>\$ 2,915,408</b>	<b>\$ 19,135,375</b>

	December 31, 2020				
	Wealth Management	Employee Benefits	Individual Insurance	Capital & Surplus	Total
Assets excluding segregated funds	\$ 994,913	\$ 192,700	\$ 6,553,856	\$ 2,516,867	\$ 10,258,336
Segregated funds	8,439,229	—	18,188	—	8,457,417
<b>Total assets</b>	<b>\$ 9,434,142</b>	<b>\$ 192,700</b>	<b>\$ 6,572,044</b>	<b>\$ 2,516,867</b>	<b>\$ 18,715,753</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.

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)

## 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 September 30, 2021 of \$30,561 (December 31, 2020, \$40,012). These outstanding commitments are payable at any time up to and including December 31, 2023.

## 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. OSFI has implemented the Life Insurance Capital Adequacy Test ("LICAT") framework to monitor capital adequacy. 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 September 30, 2021 and December 31, 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 2020 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. 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.

### (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 2020 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



# 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)

Empire Life's general fund equity risk economic hedging program. For segregated fund guarantees the level of sensitivity is highly dependent on the level of the stock market at the time of performing the estimate. If period end equity markets are high relative to market levels at the time that segregated fund policies were issued, the sensitivity is reduced. If period end equity markets are low relative to market levels at the time that segregated fund policies were issued, the sensitivity is increased. The amounts shown below for segregated fund guarantees represent the impact on shareholders' net income.

	As at September 30, 2021			
	10% Increase	10% Decrease	20% Increase	20% Decrease
Shareholders' net income (including segregated fund guarantees)*	\$ 14,365	\$ (20,546)	\$ 35,559	\$ (71,665)
Policyholders' net income	\$ nil	\$ nil	\$ nil	\$ nil
Shareholders' other comprehensive income	\$ 4,114	\$ (4,114)	\$ 8,229	\$ (8,229)
Policyholders' other comprehensive income	\$ nil	\$ nil	\$ nil	\$ nil

	As at September 30, 2020			
	10% Increase	10% Decrease	20% Increase	20% Decrease
Shareholders' net income (including segregated fund guarantees)*	\$ 70,681	\$ (24,660)	\$ 135,567	\$ (135,987)
Policyholders' net income	\$ nil	\$ nil	\$ nil	\$ nil
Shareholders' other comprehensive income	\$ 3,022	\$ (3,022)	\$ 6,044	\$ (6,044)
Policyholders' other comprehensive income	\$ nil	\$ nil	\$ nil	\$ nil

\*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	September 30, 2021	December 31, 2020
Holdings of common equities in the 10 issuers to which the Company had the greatest exposure	\$ 695,912	\$ 675,244
Percentage of total cash and investments	7.0 %	6.7 %
Exposure to the largest single issuer of common equities	\$ 450,034	\$ 447,166
Percentage of total cash and investments	4.5 %	4.5 %

## (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 September 30, 2021			
	50 bps Increase	50 bps Decrease	100 bps Increase	100 bps Decrease
Shareholders' net income	\$ 5,920	\$ (6,583)	\$ 11,255	\$ (13,932)
Policyholders' net income	\$ 255	\$ (281)	\$ 488	\$ (591)
Shareholders' other comprehensive income	\$ (51,112)	\$ 60,468	\$ (92,773)	\$ 130,311
Policyholders' other comprehensive income	\$ (996)	\$ 1,053	\$ (1,937)	\$ 2,161

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)

	As at September 30, 2020			
	50 bps Increase	50 bps Decrease	100 bps Increase	100 bps Decrease
Shareholders' net income	\$ 6,792	\$ (7,565)	\$ 12,899	\$ (15,980)
Policyholders' net income	\$ 243	\$ (266)	\$ 466	\$ (557)
Shareholders' other comprehensive income	\$ (50,237)	\$ 59,830	\$ (90,881)	\$ 129,253
Policyholders' other comprehensive income	\$ (1,300)	\$ 1,435	\$ (2,465)	\$ 3,005

### (3) Foreign exchange rate risk

The Company's primary foreign currency exposure arises from portfolio investments denominated in US dollars. As at September 30, 2021, a 10% fluctuation in the US dollar would have an impact of approximately \$nil (September 30, 2020, \$nil) on net income, \$nil (September 30, 2020, \$nil) on shareholders' OCI and \$nil (September 30, 2020, \$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	September 30, 2021	December 31, 2020
Cash and cash equivalents	\$ 380,594	\$ 189,356
Short-term investments	8,493	13,008
Bonds	7,880,920	8,027,780
Preferred shares	463,817	616,902
Derivative assets	7,215	5,377
Mortgages	150,456	157,214
Reinsurance	161,139	141,136
Loans on policies	56,147	56,458
Policy contract loans	52,788	60,407
Accrued investment income	51,898	38,932
Insurance receivables	50,038	46,533
Trade accounts receivable	14,150	7,245
<b>Total</b>	<b>\$ 9,277,655</b>	<b>\$ 9,360,348</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	September 30, 2021		December 31, 2020	
	Fair value	% of Fair value	Fair value	% of Fair value
AAA	\$ 539,214	7%	\$ 394,570	5%
AA	1,992,441	25%	2,289,540	28%
A	3,686,406	47%	3,910,974	49%
BBB	1,647,597	21%	1,429,025	18%
BB (and lower ratings)	15,262	—%	3,671	—%
<b>Total</b>	<b>\$ 7,880,920</b>	<b>100%</b>	<b>\$ 8,027,780</b>	<b>100%</b>

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

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)

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	September 30, 2021		December 31, 2020	
Provincial bond holdings	\$	3,609,109	\$	4,098,339
Percentage of total bond holdings		45.8 %		51.1 %

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

As at	September 30, 2021		December 31, 2020	
	Fair value	% of Fair value	Fair value	% of Fair value
1 year or less	\$ 360,960	5%	\$ 188,385	2 %
1 - 5 years	875,394	11%	678,391	8 %
5 - 10 years	732,785	9%	696,271	9 %
Over 10 years	5,911,781	75%	6,464,733	81 %
<b>Total</b>	<b>\$ 7,880,920</b>	<b>100%</b>	<b>\$ 8,027,780</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	September 30, 2021		December 31, 2020	
Holdings of fixed income securities* in the 10 issuers (excluding federal governments) to which the Company had the greatest exposure	\$	4,601,162	\$	4,886,504
Percentage of total cash and investments		46.1 %		48.6 %
Exposure to the largest single issuer of corporate bonds	\$	243,098	\$	236,086
Percentage of total cash and investments		2.4 %		2.4 %

\*Fixed income securities include 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, 2020, 1%) rated as P1, 97% rated as P2 (December 31, 2020, 97%) and the remaining 2% (December 31, 2020, 2%) rated as P3.

## (3) Mortgages

Mortgages in the province of Ontario represent the largest concentration with \$150,456 or 100% (December 31, 2020, \$156,445 or 99%) of the total mortgage portfolio.

# 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)

## 15. Subordinated Debt

On September 24, 2021, the Company issued \$200,000 principal amount of unsecured subordinated debentures with a maturity date of September 24, 2031. The interest rate from September 24, 2021 until September 24, 2026 is 2.024%, and the rate from September 24, 2026 until September 24, 2031 is equal to the 3-month Canadian Deposit Offering Rate plus 0.67%. Interest is payable semi-annually at September 24 and March 24 until September 24, 2026, quarterly thereafter. The Company may call for redemption of the debentures on or after September 24, 2026 subject to the approval of OSFI. The holders have no right of redemption.

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

## 16. Comparative figures

Certain prior year figures have been reclassified to conform to the current year's presentation.

## 17. Subsequent Event

On October 26, 2021, the Company announced its intention to redeem all of the outstanding \$200,000 3.383% unsecured subordinated debentures on December 16, 2021 at a redemption price equal to the principal amount together with accrued and unpaid interest to that date.

# 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 any time 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.

**This page has been left blank intentionally.**

# 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.

Our mission is to make it simple, fast and easy for Canadians to build wealth, generate income, and achieve financial security. See our website for current ratings and financial results.

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

## 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)

## 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: [johnbrierley12@gmail.com](mailto:johnbrierley12@gmail.com)  
Phone: 705-250-3133

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.

© Registered trademark of **The Empire Life Insurance Company**.

™ Trademark of The Empire Life Insurance Company.

Policies are issued by The Empire Life Insurance Company.

Insurance & Investments - Simple. Fast. Easy®  
[www.empire.ca](http://www.empire.ca) [info@empire.ca](mailto:info@empire.ca)



A-0004-ENG-10/21