The Empire Life Insurance Company

Consolidated Financial Statements

For the year ended December 31, 2022

This page has been left blank intentionally.

TABLE OF CONTENTS

Management's Responsibility for Financial Reporting	4
Appointed Actuary's Report	5
Independent Auditor's Report	6
Consolidated Statements of Financial Position	10
Consolidated Statements of Operations	11
Consolidated Statements of Comprehensive Income	12
Consolidated Statements of Changes in Equity	13
Consolidated Statements of Cash Flows	14
Notes to the Consolidated Financial Statements	15
1. Description of Company and Summary of Operations	15
2. Significant Accounting Policies	15
3. Financial Instruments	31
4. Insurance Receivables	35
5. Other Assets	35
6. Property and Equipment	36
7. Intangible Assets	36
8. Goodwill	37
9. Segregated Funds	37
10. Insurance Payables	38
11. Insurance Contract Liabilities and Reinsurance Assets/Liabilities	38
12. Accounts Payable and Other Liabilities	42
13. Employee Benefit Plans	43
14. Subordinated Debt	47
15. Insurance Premiums	47
16. Fee Income	47
17. Benefits and Expenses	48
18. Operating Expenses	48
19. Income Taxes	48
20. Earnings Per Share	51
21. Capital Stock	51
22. Dividends	52
23. Shareholders' Equity Entitlement	53
24. Segmented Information	53
25. Commitments and Contingencies	56
26. Related Party Transactions	57
27. Capital Management	57
28. Risk Management	58
29. Business Acquisition	71
30. Subsequent Events	72
Glossary of Terms	##

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements in this annual report have been prepared by management, who is responsible for their integrity, objectivity and reliability. This responsibility includes selecting and applying appropriate accounting policies, making judgments and estimates, and ensuring information contained throughout the annual report is consistent with these statements. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the accounting requirements of the Office of the Superintendent of Financial Institutions, Canada (OSFI).

The Company maintains a system of internal control over financial reporting which is designed to provide reasonable assurance that assets are safeguarded, expenditures are made in accordance with authorizations of management and directors, transactions are properly recorded, and the financial records are reliable for preparing the consolidated financial statements in accordance with (IFRS). Under the supervision of management, an evaluation of the effectiveness of the Company's internal control over financial reporting was carried out as at December 31, 2022. Based on that evaluation, management concluded that the Company's internal control over financial reporting was effective as at December 31, 2022.

The Board of Directors, acting through the Audit Committee which is comprised of directors who are not officers or employees of the Company, oversees management's responsibility for financial reporting and for internal control systems. The Audit Committee is responsible for reviewing the consolidated financial statements and annual report and recommending them to the Board of Directors for approval. The Audit Committee meets with management, internal audit and the external auditors to discuss audit plans, internal controls over accounting and financial reporting processes, auditing matters, and financial reporting issues.

The Appointed Actuary is appointed by the Board of Directors and is responsible for ensuring that the assumptions and methods used in the valuation of the policy liabilities are in accordance with accepted actuarial practice and regulatory requirements. The Appointed Actuary is required to provide an opinion regarding the appropriateness of the policy liabilities at the consolidated statement of financial position date to meet all policyholder obligations of the Company. Examination of supporting data for accuracy and completeness and analysis of Company assets for their ability to support the amount of policy liabilities are important elements of the work required to form this opinion. The Appointed Actuary is also required each year to analyze the financial condition of the Company and prepare a report for the Board of Directors. The analysis tests the capital adequacy of the Company under adverse economic and business conditions for the current year and the next four years.

PricewaterhouseCoopers' responsibility as external auditor is to report to the policyholders and shareholders regarding the fairness of presentation of the Company's annual consolidated financial statements. The external auditors have full and free access to, and meet periodically with, the Audit Committee to discuss their audit. The Independent Auditor's Report outlines the scope of their examination and their opinion.

Mark Sylvia

President and Chief Executive Officer
Kingston, Ontario
February 24, 2023

Rebecca Rycroft

Senior Vice-President and Chief Financial Officer
Kingston, Ontario
February 24, 2023

APPOINTED ACTUARY'S REPORT

To the Policyholders and Shareholders of The Empire Life Insurance Company

I have valued the policy liabilities and reinsurance liabilities of The Empire Life Insurance Company for its Consolidated statements of financial position at December 31, 2022 and their change in the Consolidated statements of operations for the year then ended in accordance with accepted actuarial practice in Canada including selection of appropriate assumptions and methods.

In my opinion, the amount of policy liabilities net of reinsurance liabilities, makes appropriate provision for all policy obligations and the Consolidated financial statements fairly present the results of the valuation.

Dan Doyle, FSA, FCIA, MAAA
Fellow, Canadian Institute of Actuaries
Kingston, Ontario
February 24, 2023

INDEPENDENT AUDITOR'S REPORT

To the Policyholders and Shareholders of The Empire Life Insurance Company

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of The Empire Life Insurance Company and its subsidiaries (together, the Company) as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company’s consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2022 and 2021;
- the consolidated statements of operations for the years then ended;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance contract liabilities Refer to note 2 – Significant Accounting Policies and note 11 – Insurance Contract Liabilities and Reinsurance Assets/Liabilities to the consolidated financial statements. The Company has gross insurance contract liabilities of $5.6 billion and reinsurance liabilities of $0.2 billion as at December 31, 2022 on its consolidated statement of financial position (collectively, insurance contract liabilities). Insurance contract liabilities represent an estimate of the amount that, together with estimated future premiums and investment income, will be sufficient to pay future benefits, dividends, expenses and premium taxes on policies in force. Insurance contract liabilities are determined using the Canadian Asset Liability Method (CALM), as established by the Canadian Institute of Actuaries (CIA) (actuarial models). The CALM incorporates best-estimate assumptions for mortality, policy lapses, surrenders and future investment yields that require management judgment. The assumptions are based on experience studies, industry studies and requirements of the CIA. We considered this a key audit matter due to the judgment applied by management when developing their valuation of the insurance contract liabilities, which in turn led to a high degree of auditor judgment and effort in evaluating the best-estimate assumptions. Professionals with specialized skill and knowledge in the field of actuarial sciences assisted us in performing our procedures.	Our approach to addressing the matter included the following procedures, among others: • Tested how management determined the valuation of the insurance contract liabilities, which included the following: – Understood management's method (CALM) for determining the valuation of insurance contract liabilities. – Tested the operating effectiveness of relevant controls over the completeness and accuracy of the underlying policy data used in management's valuation of insurance contract liabilities. – With the assistance of professionals with specialized skill and knowledge in the field of actuarial science assessed the reasonableness of management's best-estimate assumptions for policy lapses, surrenders, mortality and future investment yields by: ◦ Evaluating these assumptions in accordance with actuarial principles and requirements of the CIA. ◦ Evaluating experience studies conducted by the Appointed Actuary for appropriateness and considering the relationship of the results with industry studies. – With the assistance of professionals with specialized skill and knowledge in the field of actuarial science, tested the appropriateness of the actuarial models used in developing the valuation of insurance contract liabilities, by: ◦ Assessing a sample of actuarial models to ensure the correct modelling of product features. ◦ Assessing a sample of actuarial models to ensure the correct application of best-estimate assumptions for policy lapses, surrenders, mortality and future investment yields. • Tested the disclosures made in the consolidated financial statements, particularly on the sensitivity of best-estimate assumptions on insurance contract liabilities.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Owen Thomas.

PricewaterhouseCoopers LLP
Chartered Professional Accountants, Licensed Public Accountants
Toronto, Ontario
February 24, 2023

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars)

As at December 31		2022		2021
Assets				
Cash and cash equivalents (Note 3)	**$**	**175,523**	$	193,217
Investments				
Short-term investments (Note 3)		**9,031**		8,647
Bonds (Note 3)		**6,744,757**		8,149,460
Preferred shares (Note 3)		**402,165**		441,339
Common shares (Note 3)		**830,633**		1,019,434
Derivative assets (Note 3)		**9,776**		6,302
Mortgages (Note 3)		**119,556**		153,564
Loans on policies (Note 3)		**59,979**		56,917
Policy contract loans (Note 3)		**46,865**		52,808
Total cash and cash equivalents and investments		**8,398,285**		10,081,688
Accrued investment income		**50,291**		42,379
Insurance receivables (Note 4)		**81,083**		48,700
Current income taxes		**46,946**		15,242
Other assets (Note 5)		**33,506**		19,452
Property and equipment (Note 6)		**13,642**		14,889
Intangible assets (Note 7)		**60,571**		28,511
Goodwill (Note 8)		**24,465**		—
Investment in associates		**29,815**		22,504
Segregated fund assets (Note 9)		**8,565,675**		9,257,298
Total assets	**$**	**17,304,279**	$	19,530,663
Liabilities				
Accounts payable and other liabilities (Note 12)	**$**	**100,638**	$	95,583
Insurance payables (Note 10)		**156,585**		115,793
Reinsurance liabilities (Note 11)		**163,212**		253,330
Insurance contract liabilities (Note 11)		**5,640,342**		7,091,053
Investment contract liabilities		**27,246**		27,872
Policyholders' funds on deposit		**35,652**		35,094
Provision for profits to policyholders		**41,490**		38,665
Deferred income taxes (Note 19)		**37,646**		45,539
Subordinated debt (Note 14)		**399,129**		398,858
Segregated fund policy liabilities		**8,565,675**		9,257,298
Total liabilities		**15,167,615**		17,359,085
Equity				
Preferred shares (Note 21)		**100,000**		100,000
Other equity instruments (Note 21)		**196,664**		196,664
Common shares (Note 21)		**985**		985
Contributed surplus		**19,387**		19,387
Retained earnings		**1,935,141**		1,802,325
Accumulated other comprehensive income		**(115,513)**		52,217
Total equity		**2,136,664**		2,171,578
Total liabilities and equity	**$**	**17,304,279**	$	19,530,663

Duncan N. R. Jackman
Chairman of the Board

Mark Sylvia
President and Chief Executive Officer

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

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands of Canadian dollars except per share amounts and shares authorized and outstanding)

For the year ended December 31	2022	2021
Revenue		
Gross premiums (Note 15)	**$ 1,339,836**	$ 1,182,899
Premiums ceded to reinsurers (Note 15)	**(297,282)**	(267,356)
Net premiums (Note 15)	**1,042,554**	915,543
Investment income (Note 3)	**358,068**	329,693
Fair value change in fair value through profit or loss assets	**(1,737,377)**	(363,415)
Realized gain (loss) on fair value through profit or loss assets sold	**20,727**	105,609
Realized gain (loss) on available for sale assets including impairment write downs (Note 3)	**(33,914)**	(1,477)
Fee income (Note 16)	**283,136**	272,774
Total revenue	**(66,806)**	1,258,727
Benefits and expenses		
Gross benefits and claims paid (Note 17)	**865,858**	789,050
Claims recovery from reinsurers (Note 17)	**(192,648)**	(158,932)
Gross change in insurance contract liabilities (Note 17)	**(1,450,711)**	(54,408)
Change in insurance contract liabilities ceded (Note 17)	**(90,118)**	(131,431)
Change in investment contracts provision	**1,088**	471
Policy dividends	**39,773**	36,820
Operating expenses (Note 18)	**202,064**	176,513
Commissions	**281,148**	265,337
Commission recovery from reinsurers	**(31,785)**	(31,559)
Interest expense	**18,898**	21,472
Total benefits and expenses	**(356,433)**	913,333
Premium tax	**22,359**	18,229
Investment and capital tax	**3,452**	3,822
Net income before income taxes	**263,816**	323,343
Income taxes (Note 19)	**53,401**	64,409
Net income	**$ 210,415**	$ 258,934
Less: net income (loss) attributable to participating policyholders	**1,292**	12,849
Shareholders' net income (loss)	**209,123**	246,085
Less: preferred share dividends declared (Note 22)	**4,900**	7,049
Common shareholders' net income	**$ 204,223**	$ 239,036
Earnings per share - basic and diluted (Note 20)	**$ 207.32**	$ 242.66
(2,000,000 shares authorized; 985,076 shares outstanding)		

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands of Canadian dollars)

For the year ended December 31		2022		2021
Net income	**$**	**210,415**	$	258,934
Other comprehensive income (loss), net of income taxes:				
Items that may be reclassified subsequently to net income:				
Unrealized fair value change on available for sale investments (Note 19)		**(217,174)**		(57,228)
Fair value change on available for sale investments reclassified to net income, including impairment write downs (Note 19)		**24,902**		1,201
Net unrealized fair value increase (decrease)		**(192,272)**		(56,027)
Items that will not be reclassified to net income:				
Remeasurements of post-employment benefit liabilities (Note 19)		**24,542**		33,961
Total other comprehensive income (loss)		**(167,730)**		(22,066)
Comprehensive income (loss)	**$**	**42,685**	$	236,868
Comprehensive income (loss) attributable to:				
Participating policyholders	**$**	**(2,147)**	$	14,064
Shareholders		**44,832**		222,804
Total	**$**	**42,685**	$	236,868

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in thousands of Canadian dollars)

For the year ended December 31	2022			2021		
	Shareholders'	**Policyholders'**	**Total**	Shareholders'	Policyholders'	Total
Preferred shares (Note 21)	**$ 100,000**	**$ —**	**$ 100,000**	$ 100,000	$ —	$ 100,000
Other equity instruments (Note 21)	**196,664**	**—**	**$ 196,664**	196,664	—	$ 196,664
Common shares (Note 21)	**985**	**—**	**985**	985	—	985
Contributed surplus	**19,387**	**—**	**19,387**	19,387	—	19,387
Retained earnings						
Retained earnings - beginning of year	**1,746,945**	**55,380**	**1,802,325**	1,560,384	42,531	1,602,915
Net income (loss)	**209,123**	**1,292**	**210,415**	246,085	12,849	258,934
Preferred share dividends declared	**(4,900)**	**—**	**(4,900)**	(7,049)	—	(7,049)
Common share dividends declared	**(72,699)**	**—**	**(72,699)**	(52,475)	—	(52,475)
Retained earnings - end of period	**1,878,469**	**56,672**	**1,935,141**	1,746,945	55,380	1,802,325
Accumulated other comprehensive income (loss)						
Accumulated other comprehensive income (loss) - beginning of year	**49,385**	**2,832**	**52,217**	72,666	1,617	74,283
Other comprehensive income (loss)	**(164,291)**	**(3,439)**	**(167,730)**	(23,281)	1,215	(22,066)
Accumulated other comprehensive income (loss) - end of period	**(114,906)**	**(607)**	**(115,513)**	49,385	2,832	52,217
Total equity	**$ 2,080,599**	**$ 56,065**	**$ 2,136,664**	$ 2,113,366	$ 58,212	$ 2,171,578
Composition of accumulated other comprehensive income (loss) - end of period						
Unrealized gain (loss) on available for sale financial assets	**$ (138,962)**	**$ (3,338)**	**$ (142,300)**	$ 47,840	$ 2,132	$ 49,972
Remeasurements of post-employment benefit liabilities	**24,288**	**2,499**	**26,787**	1,397	848	2,245
Shareholder portion of policyholders' accumulated other comprehensive income	**(232)**	**232**	**—**	148	(148)	—
Total accumulated other comprehensive income (loss)	**$ (114,906)**	**$ (607)**	**$ (115,513)**	$ 49,385	$ 2,832	$ 52,217

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars)

For the year ended December 31		2022		2021
Operating activities				
Net income	**$**	**210,415**	$	258,934
Non-cash items affecting net income:				
Change in contract liabilities		**(1,449,623)**		(53,937)
Change in reinsurance liabilities		**(90,118)**		(131,431)
Fair value change in fair value through profit or loss assets		**1,737,377**		363,415
Realized (gain) loss on assets including impairment write downs on available for sale assets		**13,187**		(104,132)
Amortization related to discount on debt instruments		**(76,850)**		(71,236)
Amortization related to property and equipment and intangible assets (Notes 6 & 7)		**21,466**		13,181
Share of loss (income) from associates		**(1,466)**		(1,323)
Deferred income taxes (Note 19)		**(16,688)**		(2,342)
Other items		**29,116**		45,814
Cash provided from (used for) operating activities		**376,816**		316,943
Investing activities				
Portfolio investments				
Purchases and advances		**(2,091,096)**		(2,726,524)
Sales and maturities		**1,873,830**		2,443,363
Loans on policies				
Advances		**(9,107)**		(8,541)
Repayments		**12,006**		15,701
(Increase) decrease in short-term investments		**(384)**		4,361
Purchases of property and equipment and intangible assets (Notes 6 & 7)		**(19,779)**		(10,845)
Investment in associates		**(6,340)**		(150)
Dividends from associates		**495**		270
Acquisition of business (Note 29)		**(57,910)**		—
Cash provided from (used for) investing activities		**(298,285)**		(282,365)
Financing activities				
Dividends paid to common shareholders (Note 22)		**(72,699)**		(52,475)
Dividends paid to preferred shareholders (Note 22)		**(4,900)**		(9,198)
Interest paid on subordinated debt and limited recourse capital notes issue		**(18,626)**		(15,508)
Issuance of subordinated debt (Note 14)		**—**		199,300
Subordinated debt redemption (Note 14)		**—**		(200,000)
Preferred share redemption (Note 21)		**—**		(149,500)
Limited recourse capital notes issue (Note 21)		**—**		196,664
Cash provided from (used for) financing activities		**(96,225)**		(30,717)
Net change in cash and cash equivalents		**(17,694)**		3,861
Cash and cash equivalents - beginning of year (Note 3)		**193,217**		189,356
Cash and cash equivalents - end of year (Note 3)	**$**	**175,523**	$	193,217
Supplementary cash flow information related to operating activities:				
Income taxes paid, net of (refunds)	**$**	**40,277**	$	22,790
Interest income received		**224,779**		201,253
Dividend income received		**49,857**		56,482

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(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, Ontario. 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 owns 100% of the voting shares and maintains control of its mutual fund subsidiary, Empire Life Investments Inc. (ELII), which was established in 2011. 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. The Company owns 100% of the voting shares and maintains control of its subsidiary, TruStone Financial Inc. (TSFI), which was established in 2022. The head office for TSFI is located at 259 King Street East, Kingston, Ontario, K7L 3A8.

These Consolidated Financial Statements were approved by the Company's Board of Directors (the Board) on February 24, 2023.

2. Significant Accounting Policies

(a) Basis of preparation

The annual Consolidated Financial Statements of the Company for the year ended December 31, 2022 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These Consolidated Financial Statements have been prepared on a fair value measurement basis, with the exception of certain assets and liabilities. Insurance contract liabilities and Reinsurance assets/liabilities are measured on a discounted basis in accordance with accepted actuarial practice. Investment contract liabilities, Mortgages, Policy contract loans and Loans on policies are carried at amortized cost. Certain other assets and liabilities are measured on a historical cost basis, as explained throughout this note. All amounts included in the Consolidated Financial Statements are presented in thousands of Canadian dollars except for per share amounts and where otherwise stated. These Consolidated Financial Statements also comply with the accounting requirements of OSFI, none of which are an exception to IFRS.

(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 subsidiaries. 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 subsidiaries 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) Critical accounting estimates and judgments

The preparation of the Consolidated Financial Statements, in accordance with IFRS, requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities as at the date of the Consolidated Financial Statements, and the reported amounts of revenue and expenses during the year. On an ongoing basis, management evaluates its judgments, estimates and critical assumptions in relation to assets, liabilities, revenues and expenses. Actual results could differ from these estimates and changes in estimates are recorded in the accounting period in which they are determined.

The Company considers the following items to be particularly susceptible to changes in estimates and judgments:

(i) Insurance-related liabilities

Liabilities for insurance contracts are determined using the Canadian Asset Liability Method (CALM), as permitted by IFRS 4 - *Insurance Contracts*, which incorporates best-estimate assumptions for mortality, morbidity, policy lapses, surrenders, future investment yields, policy dividends and, administration costs and also incorporates margins for adverse deviation. These assumptions are reviewed at least annually and are updated to reflect actual experience and market conditions. Changes in the best-estimate assumptions and margins for adverse deviation can have a significant impact on the valuation of insurance related liabilities.

Additional information regarding insurance-related liabilities is included in Notes 2(e), 2(m),11 and 28.

(ii) Financial instruments classification

Management judgment is used to classify financial instruments as fair value through profit or loss (FVTPL), available for sale (AFS) or loans and receivables. Most financial assets supporting insurance contract liabilities and investment contract liabilities are designated as FVTPL. Most financial assets supporting capital and surplus and participating accounts are classified as AFS. Loans and receivables support both contract liabilities and capital and surplus. The designation of a financial instrument as FVTPL or AFS dictates whether unrealized fair value changes are reported in Net income or Other comprehensive income (OCI).

Additional information regarding financial instrument classification is included in Notes 2(d), 3(a), 3(b) and 11(c).

(iii) Pension and other post-employment benefits

Pension and other employee future benefits expense is calculated by independent actuaries using assumptions determined by management. The assumptions affect the pension and other employee future benefits expense included in Net income. If actual experience differs from the assumptions used, the resulting experience gain or loss is recorded in OCI.

Additional information regarding pension and other post-employment benefits is included in Notes 2(l) and 13.

(iv) Impairment

AFS securities and loans and receivables are reviewed at each quarter-end reporting period to identify and evaluate investments that show indications of possible impairment. For AFS securities and loans and receivables, impairment losses are recognized if there is objective evidence of impairment as a result of an event that reduces the estimated future cash flows of the instrument and the impact can be reliably estimated. Objective evidence of impairment includes, but is not limited to, bankruptcy or default, delinquency by a debtor, and specific adverse conditions affecting an industry or a region. In addition, for equity securities, a significant or prolonged decline in the fair value of a security below its cost is objective evidence of impairment. The decision to record a write-down, its amount and the period in which it is recorded could change if management’s assessment of those factors were different. Impairment write-downs on debt securities are not recorded when impairment is due to changes in market interest rates, if future contractual cash flows associated with the debt security are still expected to be recovered.

Additional information regarding impairment is included in Notes 2(d), 3(b), 11(c) and 28(c).

(d) Financial instruments

(i) Fair value

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

Fair value measurements used in these Consolidated Financial Statements have been classified using a fair value hierarchy based upon the transparency of the inputs used in making the measurements. The three levels of the hierarchy are:

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

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

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

All of the Company's financial instruments requiring fair value measurement meet the requirements of Level 1 or Level 2 of the fair value hierarchy.

(ii) Cash and cash equivalents and investments

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

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

Most financial assets supporting insurance contract liabilities and investment contract liabilities are designated as FVTPL. These assets may be comprised of cash and cash equivalents, short-term investments, bonds and debentures, common and preferred shares, futures, forwards and options. Changes in the fair value of these financial assets are recorded in Fair value change in FVTPL assets in the Consolidated Statements of Operations in the period in which they occur.

Most financial assets supporting capital and surplus and participating accounts are classified as AFS. These assets may be comprised of short-term investments, bonds and debentures or common and preferred shares. AFS assets are carried at fair value in the Consolidated Statements of Financial Position. Except for foreign currency gains and losses on monetary AFS assets and impairment losses, any changes in the fair value are recorded, net of income taxes, in OCI. Gains and losses realized on sale or maturity of AFS assets are reclassified from OCI to Realized gain (loss) on AFS assets in the Consolidated Statements of Operations.

Loans and receivables may include mortgage loans, loans on policies and policy contract loans. These assets are recorded at amortized cost, using the effective interest rate method, net of provisions for impairment losses, if any. Mortgage loans are secured by real estate. Loans on policies and policy contract loans are secured by policy values. Loans and receivables are defined as non-derivative financial assets with fixed or determinable payments that are not quoted in active markets.

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

(iii) Derivative financial instruments

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

(iv) Impairment

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

(1) AFS debt instruments

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

(2) AFS equity instruments

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

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

(3) Loans and receivables

Mortgages and loans are individually evaluated for impairment in establishing the allowance for impairment.

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

(v) Derecognition

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

(vi) Other

Insurance receivables and trade accounts receivables have been classified as loans or receivables and are carried at amortized cost. Trade accounts receivables are presented as Other assets. Accounts payable and other liabilities (excluding derivative liabilities) and Insurance payables have been classified as Other financial liabilities and are carried at amortized cost. For these financial instruments, carrying value approximates fair value due to their short-term nature.

(vii) Securities lending

The Company engages in securities lending through its custodian as lending agent. Loaned securities are not derecognized and continue to be reported within Investments in the Consolidated Statements of Financial Position, as the Company retains substantial risks and rewards and economic benefits related to the loaned securities. For further details, refer to Note 3(e).

(e) Reinsurance

The Company enters into reinsurance agreements in order to limit its exposure to excess risk. The Company has a Reinsurance Risk Management policy which requires that such arrangements be placed with well-established, highly rated reinsurers. Reinsurance is measured consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of each reinsurance treaty. Amounts due to or from reinsurers with respect to premiums received or claims paid are included in Insurance receivables and Insurance liabilities in the Consolidated Statement of Financial Position. Premiums for reinsurance ceded are presented as Premiums ceded to reinsurers in the Consolidated Statements of Operations. Reinsurance recoveries on claims incurred are recorded as Claims recovery from reinsurers in the Consolidated Statements of Operations. The reinsurers' share of Insurance contract liabilities is recorded as Reinsurance assets or Reinsurance liabilities in the Consolidated Statements of Financial Position at the same time as the underlying insurance contract liability to which it relates.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that not all amounts due under the terms of the contract will be received. If a reinsurance asset is determined to be impaired, it is written down to its recoverable amount and the impairment loss is recorded in the Consolidated Statements of Operations.

Gains or losses on buying reinsurance are recognized in the Consolidated Statements of Operations immediately at the date of purchase and are not amortized.

(f) Property and equipment

Property and equipment comprises own use land, buildings, leasehold improvements and furniture and equipment. All classes of assets are carried at cost less accumulated amortization including any impairment losses, except for land, which is not subject to amortization. Cost includes all expenditures that are directly attributable to the acquisition of an asset. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

Amortization is calculated to write down the cost of property and equipment to their residual values over their estimated useful lives as follows:

Land	No amortization
Building	Five percent (declining balance)
Furniture and equipment	Three to five years (straight-line)
Leasehold improvements	Remaining lease term (straight-line)

Amortization is included in Operating expenses in the Consolidated Statements of Operations.

The estimated useful lives, residual values and amortization methods are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis. Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. An impairment loss is recognized for the amount by which the carrying value of the asset exceeds its expected recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. Impairment losses are recognized in the Consolidated Statements of Operations.

(g) Intangible assets

Intangible assets include computer software, related licenses and software development costs, which are carried at cost less accumulated amortization and any impairment losses. Amortization of intangible assets is calculated using the straight-line method to allocate the costs over their estimated useful lives, which are generally between three and seven years. Amortization is included in Operating expenses in the Consolidated Statements of Operations. For intangible assets under development, amortization begins when the asset is available for use. The Company does not have intangible assets with indefinite useful lives.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. An impairment loss is recognized for the amount by which the carrying value of the asset exceeds its expected recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Impairment losses are recognized in the Consolidated Statements of Operations.

(h) Goodwill

Goodwill represents the portion of purchase price that is in excess of the net fair value assigned to assets purchased and liabilities assumed in a business acquisition. It is initially recorded at cost and subsequently measured at cost less any impairment charges incurred.

An impairment assessment is conducted at least annually or when circumstances indicate possible presence of goodwill impairment, which is when there is evidence that the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. Impairment losses are recognized in the Consolidated Statement of Operations during the period in which they occur and cannot be reversed in future periods.

Impairment assessment involves significant judgments and use of a variety of forward-looking inputs, estimates, and assumptions, including but not limited to factors such as discount rates, projected cash flow patterns, expenses, and external market and competitive environment. Due to these uncertainties, the actual experience may differ materially from the results obtained from impairment assessment modelling.

(i) Investment in associates

Associates are entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the Company’s share of the income or loss of the investee after the date of acquisition.

The Company’s share of post-acquisition income or loss is recognized in the Consolidated Statements of Operations, and its share of OCI is recognized in the Consolidated Statements of Comprehensive Income. The Company determines at each reporting date whether there is any objective evidence that each investment in associates is impaired. The Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount as share of income (loss) of associates in the Consolidated Statements of Operations. Income and losses resulting from transactions between the Company and its associates are recognized in the Company’s financial statements only to the extent of unrelated investor’s interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Company.

(j) Segregated funds

Certain insurance contracts allow the policyholder to invest in segregated investment funds managed by the Company for the benefit of these policyholders. Although the underlying assets are registered in the Company's name and the policyholder has no direct access to the specific assets, the contractual arrangements are such that the segregated fund policyholder bears the risk and rewards of the fund's investment performance. Segregated fund assets are not available to pay liabilities of the general fund. The assets of these funds are carried at their period-end fair values. The Company records a segregated fund policy liability equal to the fair value of the assets and any guarantees are recorded as an insurance contract liability. The Company's Consolidated Statements of Operations includes fee income earned for management of the segregated funds, as well as expenses related to the acquisition, investment management, administration and death benefit, maturity benefit and withdrawal guarantees of these funds. See Note 9 for details on segregated fund assets and changes in segregated fund assets.

The Company provides minimum guarantees on certain segregated fund contracts. These include minimum death, maturity and withdrawal benefit guarantees which are accounted for as insurance contracts. The actuarial liabilities associated with these minimum guarantees are recorded within Insurance contract liabilities. Sensitivity of the Company’s liability for segregated fund guarantees to market fluctuations is disclosed in Note 28(a)(1).

(k) Subordinated debt

Subordinated debt is recorded at amortized cost using the effective interest rate method. Interest on subordinated debt is reported as Interest expense in the Consolidated Statements of Operations.

(l) Employee benefits

The Company provides employee pension benefits through either a defined benefit or a defined contribution component of its pension plan. The Company discontinued new enrolments in the defined benefit component effective October 1, 2011 and introduced a defined contribution component effective January 1, 2012 for new enrolments and for any existing employees who chose to transfer from the defined benefit component. The Company also provides other post-employment benefits.

(i) Pension benefits

The defined benefit plan defines an amount of pension benefit that an employee will receive on retirement, dependent on factors such as age, years of service and compensation. The liability recognized in the balance sheet in respect of the defined benefit component is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using current interest rates of high-quality corporate bonds.

Defined benefit expense includes the net interest on the net defined benefit liability (asset) calculated using a discount rate based on market yields on high quality bonds as of prior-year end. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to OCI in the period in which they arise, and remain in Accumulated other comprehensive income (AOCI). Past-service costs are recognized immediately in net income.

The defined contribution component of the Plan is a component under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay employees the benefits relating to employee service in the current and prior periods. The contributions are recognized as employee benefit expense when they are due.

(ii) Other post-employment benefits

The Company also provides other post-employment benefits to their retirees. The entitlement to these benefits is conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to OCI in the period in which they arise and remain in AOCI. These obligations are valued annually by independent actuaries and are not funded.

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without realistic possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(m) Insurance and investment contracts

(i) Product classification

Insurance contracts are those contracts that transfer significant insurance risk at the inception of the contract. Insurance risk is transferred when the Company agrees to compensate a policyholder if a specified uncertain future event (other than a change in a financial variable) adversely affects the policyholder and the insurance contract has commercial substance. Any contracts not meeting the definition of an insurance contract under IFRS are classified as investment contracts or service contracts, as appropriate. Products issued by the Company that transfer significant insurance risk have been classified as insurance contracts in accordance with IFRS 4 *Insurance Contracts*. Otherwise, products issued by the Company are classified as either investment contracts in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* or service contracts in accordance with IFRS 15 *Revenue from Contracts with Customers*. The Company defines significant insurance risk as the possibility of paying at least 2% more than the benefits payable if the insured event did not occur. When referring to multiple contract types, the Company uses the terminology policy liabilities.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts, however, can be reclassified as insurance contracts after inception if insurance risk becomes significant.

The Company classifies its insurance and investment contracts into three main categories: short-term insurance contracts, long-term insurance contracts and investment contracts.

(1) Insurance contracts

The Company's insurance contract liabilities are determined using Canadian Actuarial Standards of Practice and the requirements of OSFI. The Company uses CALM for valuation of insurance contracts, which satisfies the IFRS 4 *Insurance Contracts* requirements for eligibility for use under IFRS.

(a) Short-term insurance contracts

These contracts include both annuity products and group benefits.

The annuity products classified as short-term insurance contracts are guaranteed investment options that provide for a fixed rate of return over a fixed period. Contracts include certain guarantees that are initiated upon death of the annuitant. The liabilities are determined using CALM.

The group benefits classified as short-term insurance contracts include short-term disability, health and dental benefits. Benefits are typically paid within one year of being incurred. Liabilities for unpaid claims are estimated using statistical analysis and Company experience for claims incurred but not reported.

(b) Long-term insurance contracts

These contracts include insurance products, annuity products and group benefits. In all cases, liabilities represent an estimate of the amount that, together with estimated future premiums and investment income, will be sufficient to pay future benefits, dividends, expenses and premium taxes on policies in force.

The insurance products so classified are life insurance and critical illness that provide for benefit payments related to death, survival or the occurrence of a critical illness. Terms extend over a long duration. The annuity products classified as long-term insurance contracts include both annuities that provide for income payments for the life of the annuitant and guarantees associated with the Company's segregated fund products. The group benefits classified as long-term insurance contracts are life benefits which are payable upon death of the insured and disability benefits that provide for income replacement in case of disability.

The determination of long-term insurance contract liabilities requires best estimate assumptions that cover the remaining life of the policies. Due to the long-term risks and measurement uncertainties inherent in the life insurance business, a margin for adverse deviation from best estimates is included in each assumption. These margins allow for possible deterioration in future experience and provide for greater confidence that insurance contract liabilities are adequate to pay future benefits. The resulting provisions for adverse deviation have the effect of increasing insurance contract liabilities and decreasing the income that otherwise would have been recognized at policy inception. Assumptions are reviewed and updated at least annually and the impact of changes in those assumptions is reflected in Gross change in insurance contract liabilities and/or change in insurance contract liabilities ceded in the Consolidated Statements of Operations in the year of the change.

Annually, the Appointed Actuary determines whether insurance contract liabilities (for both short-term and long-term categories) make appropriate provision for all policy obligations and the consolidated financial statements fairly present the results of the valuation. A number of valuation methods are applied, including CALM, discounted cash flows and stochastic modeling. Aggregation levels and the level of prudence applied in assessing liability adequacy are consistent with requirements of the CIA. Any adjustment is recorded as a Gross change in insurance contract liabilities and/or change in insurance contract liabilities ceded in the Consolidated Statements of Operations.

(2) Investment contracts

These contracts include annuity products that do not involve the transfer of significant insurance risk, either at inception or during the life of the contract. For the Company, products so classified are limited to term certain annuities that provide for income payments for a specified period of time.

Investment contract liabilities are recognized when contracts are entered into and deposits are received. These investment contract liabilities are initially recognized at fair value, and subsequently they are carried at amortized cost based on expected future cash flows using the effective interest rate method. The expected future cash flows are re-estimated at each reporting date and the carrying amount of the financial liability is recalculated as the present value of estimated future cash flows using the financial liability's original effective interest rate. Any adjustment is immediately recognized in the Consolidated Statements of Operations. Deposits and withdrawals are recorded in Investment contract liabilities on the Consolidated Statements of Financial Position.

(ii) Premiums

Gross premiums for all types of insurance contracts are recognized as revenue when due and collection is reasonably assured. When premiums are recognized, policy liabilities are computed, with the result that benefits and expenses are matched with such revenue. Annuity premiums are comprised solely of new deposits on general fund products with a guaranteed rate of return and exclude deposits on segregated fund and investment contract products.

(iii) Benefits and claims paid

Benefits are recorded as an expense when they are incurred. Annuity payments are expensed when due for payment. Health insurance claims are accounted for when there is sufficient evidence of their existence and a reasonable assessment can be made of the monetary amount involved. Benefits and claims paid include the direct costs of settlement. Reinsurance recoveries are accounted for in the same period as the related claim.

(iv) Deferred acquisition costs

Distribution costs of segregated funds having a deferred sales charge are deferred and amortized over the term of the related deposits or the applicable period of such sales charge, as appropriate. These deferred costs form part of Insurance contract liabilities on the Consolidated Statements of Financial Position. The costs deferred in the period and amortization of deferred costs form part of the Gross change in insurance contract liabilities on the Consolidated Statements of Operations.

(n) Participating policies

The Company maintains an account in respect of participating policies (“participating account”), separate from those maintained in respect of other policies, in the form and manner determined by OSFI under sections 456-464 of the *Insurance Companies Act*. 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. Dividends are paid annually, with a few older plans paying dividends every five years as per contractual provisions. Participating policyholder dividends are recognized as Policy dividends expense in the Consolidated Statements of Operations.

At the end of the reporting period all participating insurance contract liabilities, both guaranteed and discretionary, are held within Insurance contract liabilities, Policyholders’ funds on deposit and Provision for profits to policyholders. All participating policy reinsurance ceded at the end of the reporting period is held within Reinsurance assets or Reinsurance liabilities. Net income attributable to participating policyholders is shown on the Consolidated Statements of Operations. Comprehensive income attributable to participating policyholders is shown on the Consolidated Statements of Comprehensive Income. The portion of Retained earnings and AOCI in respect of participating policies is reported separately in the Policyholders’ equity section of the Consolidated Statements of Changes in Equity.

(i) Investment policy

The investments in the participating account are subject to limits established by the *Insurance Companies Act* and to investment guidelines established by the Investment Committee of the Board. The investment guidelines are designed to limit overall investment risk by defining investment objectives, eligible investments, diversification criteria, exposure, concentration and asset quality limits for eligible investments. The objective is to maximize investment yields while managing the default, liquidity and reinvestment risks at acceptable and measurable low levels.

(ii) Investment income allocation

Investment income is recorded directly to each asset segment. When there is a deficiency of funds over assets, a portion of investment income is allocated to the Shareholders’ Capital and Surplus segment from the participating account’s asset segments in proportion to the deficiency of funds over assets of each segment. When there is an excess of funds over assets, a portion of investment income is allocated from the Shareholders’ Capital and Surplus segment to the participating account’s asset segments in proportion to the excess of funds over assets of each segment.

(iii) Expense allocation

For purposes of allocation of profits to the participating account, expenses associated directly with the participating account will be attributed to the participating account. Expenses arising from or varying directly with various functional activities are charged to the participating account in proportion to statistics appropriate to each cost centre. Expenses incurred by overhead cost centres are charged to the participating account in proportion to expenses directly charged. Investment expenses are allocated monthly to the participating account in proportion to the Company's total funds at the beginning of each month. Premium taxes are allocated in proportion to taxable premiums. Other taxes, licenses, and fees are allocated to lines of business using cost centre methods.

(iv) Income tax allocation

For the purpose of allocation of profits to the participating account, income taxes are allocated to the participating account in proportion to total taxable income for the Company.

(o) Fee income

Fee income includes investment management, policy administration and guarantee fees that are recognized on an accrual basis, and surrender charges that are recognized as incurred. Fee income earned for investment management, administration and guarantees of the investment funds is based on the funds' closing net asset values.

(p) Investment income

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

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

Interest income and dividend income are included in Investment income in the Consolidated Statements of Operations for all financial assets.

(q) Income taxes

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

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of each reporting period. Deferred income tax assets and liabilities are recorded for the expected future income tax consequences of events that have been reflected in the consolidated financial statements. Deferred income taxes are provided for using the liability method. Under the liability method, deferred income taxes are recognized for all significant temporary differences between tax and financial statement bases for assets and liabilities and for certain carry-forward items.

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

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

(r) Foreign currency translation

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

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

For monetary financial assets designated as AFS, translation differences are recognized in the Consolidated Statements of Operations. Translation differences on non-monetary items, such as foreign denominated AFS common equities, are recognized in OCI and included in the AFS component within AOCI. On derecognition of an AFS non-monetary financial asset, the cumulative exchange gain or loss previously recognized in AOCI is recognized in the Consolidated Statements of Operations.

(s) Comprehensive income

Comprehensive income consists of Net income and OCI. OCI includes items that may be reclassified subsequently to Net income: Unrealized fair value change on AFS investments, net of amounts reclassified to net income and the Amortization of loss on derivative investments designated as cash flow hedges. OCI also includes items that will not be reclassified to net income: Remeasurements of post-employment benefit liabilities. All OCI amounts are net of taxes.

(t) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. If the outflow of economic benefits is not probable, a contingent liability is disclosed unless the possibility of an outflow of economic benefits is remote. Any change in estimate of a provision is recorded in Net income. Provisions are not recognized for future operating losses. Provisions are measured as the present value of the expected expenditures to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

(u) Leases

The Company leases certain property and equipment. When the Company enters into a lease as a lessee, a right-of-use asset and a lease liability is recognized in the Statements of Financial Position. The initial lease liability is computed based on the present value of the lease payments, discounted at the Company's incremental borrowing rate. Subsequent to the initial recognition the lease liability is measured at the amortized cost using the effective interest rate method and is included in Accounts payable and other liabilities. Interest expense is included in operating expenses. The depreciation on the corresponding right-of-use asset is included in operating expenses.

The Company has elected to apply the option to recognize lease payments for short-term and low level assets on a straight-line basis over the lease term in operating expenses.

(v) Earnings per share (EPS)

Basic EPS is calculated by dividing the Net income for the period attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The Company does not have any potentially dilutive instruments. As a result, diluted EPS are the same as basic EPS.

(w) Accounting changes

New and Amended International Financial Reporting Standards to be Adopted in 2023 or Later

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17) to establish a comprehensive global standard which provides guidance on the recognition, measurement, presentation and disclosure of insurance contracts. Amendments to IFRS 17 were issued in June 2020 which deferred the effective date of IFRS 17 to January 1, 2023, with a transition date of January 1, 2022. IFRS 17 is to be applied retrospectively unless impracticable, in which case the Company may elect to use a modified retrospective or fair value method. The Company has chosen the fair value method.

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments ("IFRS 9") which replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes guidance on the classification and measurement of financial instruments, impairment of financial assets and hedge accounting, and does not require restatement of comparative periods.

Under the amendments to IFRS 17 issued in June 2020, eligible insurers were also permitted the option of deferring the adoption of IFRS 9 to coincide with the adoption of IFRS 17 (the "temporary exemption"). We have elected to apply this deferral option, and the effective date of both IFRS 17 and IFRS 9 will be January 1, 2023. 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, 2022 include bonds and mortgages with fair values of $460 million (2021 $257 million) and $7 million (2021 $8 million), respectively.

In December 2021, the IASB issued an amendment to IFRS 17 to allow for a transition option, the overlay approach, that permits insurers to present comparative information on financial assets as if IFRS 9 were applicable during the comparative period. The Company opted to adopt the overlay approach.

IFRS 17

IFRS 17 replaces IFRS 4 for Insurance Contracts for annual periods beginning on January 1, 2023, with a transition date of January 1, 2022. Up to and including December 31, 2022, the insurance industry has been permitted to continue using IFRS 4 and the Canadian Asset Liability Method (CALM) to measure insurance contract liabilities. IFRS 17 will change the fundamental principles used by the Company for recognizing and measuring insurance contracts. In addition, IFRS 17 will change the presentation of the Company’s financial statements and related note disclosures.

The primary principles of IFRS 17 are that the Company:

- Identifies insurance contracts as those under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.
- Recognizes profit from a group of insurance contracts over the period that insurance coverage is provided, as the Company is released from risk. If a group of insurance contracts is expected to be onerous (loss making) over the remaining coverage period, losses are recognized immediately.
- Measures insurance contract liabilities as the total of the following measurement components:
  a) the best-estimate liability (BEL);
  b) a risk adjustment (RA); and
  c) the contractual service margin (CSM)

The measurement of insurance contracts under IFRS 17 differs from the CALM approach applied under IFRS 4. The most significant differences by measurement component are as follows:

Best-estimate liability (BEL):

The best-estimate liability under IFRS 17 represents the present value of future cash flows, which are projected under best-estimate assumptions. The discount rates used are based on current market interest rates, adjusted to reflect the liquidity characteristics of the insurance contracts. Under IFRS 4, projected cash flows are discounted using rates that are based on the portfolio of assets supporting the insurance contract liabilities.

Estimates for financial guarantees under IFRS 17 are calculated to be consistent with market information where available. Under IFRS 4 the value was estimated as the expected future cost of the guarantee.

Expenses included in the cash flows under IFRS 17 are limited to those directly attributable to fulfillment of the obligations under the insurance contracts. Under IFRS 4, future cash flows include an allocation for expenses, some of which would be considered non-attributable under IFRS 17.

The effect of income taxes is excluded from IFRS 17 insurance contract liabilities whereas the effect of income tax differences is included in IFRS 4 insurance contract liabilities.

Risk adjustment (RA):

Under IFRS 4 the provision for adverse deviations includes the compensation required for uncertainty related to non-financial risk, such as mortality, morbidity, surrender and expenses, as well as providing for uncertainty related to asset/liability mismatch risk (financial risk).

Under IFRS 17, the risk adjustment measures the compensation required for uncertainty related to non-financial risk, such as mortality, morbidity, surrender and attributable expenses. No amount is provided for asset/liability mismatch risk.

Contractual service margin (CSM):

The CSM represents an estimate of unearned future profits. This is a new component of insurance contract liabilities under IFRS 17, which was not required under IFRS 4.

For new business issued under IFRS 4, the estimated profit or loss over the lifetime of the business is recognized in income at the date of issue. Expected future profits on new business under IFRS 17 are deferred and recorded in the CSM and amortized into income as insurance services are provided over the term of the contract. Under IFRS 17, expected losses on new business are recognized at the date of issue. In addition, the Company established a CSM on in-force insurance contracts at the date of transition, which will be amortized into income over the term of the contracts.

IFRS 9

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

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

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

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

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

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

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

Transition

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

At the date of transition, the Company derived its actuarial liabilities and CSM in accordance with the requirements of the standard. The Company currently expects the CSM (expected future profits) to be in the range of $1.1 billion to $1.4 billion and the impact on retained earnings to be a reduction in the range of $300 million to $500 million.

These assessments are preliminary as the Company is still finalizing implementation and testing of controls over financial reporting. The new accounting policies, judgements and estimations are subject to change until Q1 2023 financial statements are finalized.

Presentation and disclosure

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

On the Statement of Financial Position, insurance contracts issued and reinsurance contracts held will be separated into portfolios of insurance/reinsurance contracts that are in an asset versus a liability position. Under IFRS 17, a number of insurance related assets and liabilities that were previously reported on the face of the statement of financial position will be incorporated into the Insurance contract liabilities line item. Examples include Loans on policies, Policy contract loans, Insurance receivables, Insurance payables, Policyholders' funds on deposit (insurance A/P) and Provision for profit to policyholders.

Under IFRS 17 the changes to the Statement of Operations will be significant. The Statement of Operations will no longer report gross and ceded premiums written, benefits and claims paid, change in insurance contract liabilities or commissions. Instead it will report an insurance service result comprising insurance revenue and insurance service expenses, reinsurance service result, investment results and net insurance finance result.

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

3. Financial Instruments

(a) Summary of Cash and cash equivalents and investments

The carrying values of cash and cash equivalents and investments are as follows:

As at December 31		2022			2021	
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	$ **78,310**	$ **—**	$ **78,310**	$ 62,512	$ —	$ 62,512
Cash equivalents	**97,213**	**—**	**97,213**	130,705	—	130,705
Total cash and cash equivalents	**175,523**	**—**	**175,523**	193,217	—	193,217
Short-term investments						
Canadian federal government	**8,439**	**—**	**8,439**	3,499	4,998	8,497
Corporate	**—**	**—**	**—**	150	—	150
Foreign	**—**	**592**	**592**	—	—	—
Total short-term investments	**8,439**	**592**	**9,031**	3,649	4,998	8,647
Canadian government bonds						
Canadian federal government	**16,871**	**169,248**	**186,119**	16,558	326,450	343,008
Canadian provincial governments	**2,359,257**	**371,473**	**2,730,730**	3,186,187	552,848	3,739,035
Canadian municipal governments	**80,378**	**29,535**	**109,913**	107,940	89,463	197,403
Total Canadian government bonds	**2,456,506**	**570,256**	**3,026,762**	3,310,685	968,761	4,279,446
Canadian corporate bonds by industry sector:						
Energy	**295,613**	**136,918**	**432,531**	258,757	100,759	359,516
Materials	**10,880**	**3,989**	**14,869**	12,999	10,898	23,897
Industrials	**67,245**	**29,901**	**97,146**	87,008	47,090	134,098
Consumer discretionary	**34,682**	**17,253**	**51,935**	24,616	13,433	38,049
Consumer staples	**160,552**	**16,390**	**176,942**	190,959	43,407	234,366
Health care	**69,391**	**6,806**	**76,197**	87,831	8,578	96,409
Financial services	**648,221**	**534,646**	**1,182,867**	728,328	473,799	1,202,127
Information Technology	**259**	**3,882**	**4,141**	469	4,424	4,893
Communication services	**258,323**	**49,236**	**307,559**	363,448	58,522	421,970
Utilities	**498,000**	**83,107**	**581,107**	589,261	80,637	669,898
Real estate	**40,305**	**21,694**	**61,999**	50,984	12,782	63,766
Infrastructure	**377,142**	**66,371**	**443,513**	448,848	68,898	517,746
Total Canadian corporate bonds	**2,460,613**	**970,193**	**3,430,806**	2,843,508	923,227	3,766,735
Foreign bonds						
Government	**79,200**	**69,605**	**148,805**	103,279	—	103,279
Corporate	**65,993**	**72,391**	**138,384**	—	—	—
Total foreign bonds	**145,193**	**141,996**	**287,189**	103,279	—	103,279
Total bonds	**5,062,312**	**1,682,445**	**6,744,757**	6,257,472	1,891,988	8,149,460
Total preferred shares - Canadian	**384,927**	**17,238**	**402,165**	433,295	8,044	441,339

As at December 31	2022			2021		
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
Common shares						
Canadian common shares	**235,186**	**41,064**	**276,250**	240,742	57,725	298,467
Exchange-traded funds	**348,714**	**—**	**348,714**	503,434	—	503,434
Canadian real estate limited partnership units	**136,029**	**—**	**136,029**	138,352	—	138,352
U.S.	**50,474**	**—**	**50,474**	50,020	—	50,020
Other	**19,166**	**—**	**19,166**	29,161	—	29,161
Total common shares	**789,569**	**41,064**	**830,633**	961,709	57,725	1,019,434
Total derivative assets	**9,776**	**—**	**9,776**	6,302	—	6,302
Loans and receivables						
Mortgages	**—**	**—**	**119,556**	—	—	153,564
Loans on policies	**—**	**—**	**59,979**	—	—	56,917
Policy contract loans	**—**	**—**	**46,865**	—	—	52,808
Total financial instruments	**$ 6,430,546**	**$ 1,741,339**	**$ 8,398,285**	$ 7,855,644	$ 1,962,755	$ 10,081,688

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

As at December 31	2022			2021		
	Level 1	**Level 2**	**Total fair value**	Level 1	Level 2	Total fair value
Fair value through profit or loss:						
Cash and cash equivalents	**$ 78,310**	**$ 97,213**	**$ 175,523**	$ 62,512	$ 130,705	$ 193,217
Short-term investments	**—**	**8,439**	**8,439**	—	3,649	3,649
Bonds	**—**	**5,062,312**	**5,062,312**	—	6,257,472	6,257,472
Preferred shares	**296,924**	**88,003**	**384,927**	433,295	—	433,295
Common shares	**646,734**	**142,835**	**789,569**	821,560	140,149	961,709
Derivative assets	**7,604**	**2,172**	**9,776**	6,301	1	6,302
Available for sale:						
Short-term investments	**—**	**592**	**592**	—	4,998	4,998
Bonds	**—**	**1,682,445**	**1,682,445**	—	1,891,988	1,891,988
Preferred shares	**2,600**	**14,638**	**17,238**	8,044	—	8,044
Common shares	**41,064**		**41,064**	57,725	—	57,725
Loans and Receivables						
Mortgages	**—**	**113,901**	**113,901**	—	158,658	158,658
Loans on policies	**—**	**59,979**	**59,979**	—	56,917	56,917
Policy contract loans	**—**	**46,865**	**46,865**	—	52,808	52,808
Total	**$ 1,073,236**	**$ 7,319,394**	**$ 8,392,630**	$ 1,389,437	$ 8,697,345	$ 10,086,782

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 year ended December 31, 2022 or during the year ended December 31, 2021.

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 28 Risk Management.

(b) Impairments

(i) Loans and receivables

Investments in individual assets have been reduced by the following specific allowances for impairment:

As at December 31	2022			2021		
Impaired Loans	**Recorded investment**	**Allowance for impairment**	**Carrying value**	Recorded investment	Allowance for impairment	Carrying value
Mortgages	**$ 3,354**	**$ 1,573**	**$ 1,781**	$ 3,939	$ 1,550	$ 2,389
Policy contract loans	**813**	**406**	**407**	813	424	389
Total	**$ 4,167**	**$ 1,979**	**$ 2,188**	$ 4,752	$ 1,974	$ 2,778

The Company holds collateral with a fair value of $1,789 (2021 $2,389) in respect of these mortgages and $407 (2021 $389) in respect of these policy contract loans as at December 31, 2022. Mortgage loans are secured by real estate, and policy contract loans are secured by life insurance.

For the year ended December 31	2022	2021
Continuity of allowance for loan impairment:		
Allowance - beginning of year	**$ 1,974**	$ 3,591
Provision for loan impairment	**465**	(44)
Write-off of loans	**(460)**	(1,573)
Allowance - end of year	**$ 1,979**	$ 1,974

The Company has recorded interest income of $450 (2021 $513) on these assets.

(ii) Available for sale

For the year ended December 31, 2022, the Company performed quarterly impairment testing and did not experience any impairment on AFS common or preferred shares. For the year ended December 31, 2021, the Company reclassified a pre-tax gain of $1,506 from OCI to Net income due to write downs of impaired AFS common and preferred shares.

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 28.

(c) Investment income

Investment income is comprised of the following:

For the year ended December 31	2022	2021
Interest income	**$ 308,480**	$ 271,391
Dividend income	**48,960**	55,761
Other	**1,093**	2,171
Provision for loan impairment	**(465)**	370
Investment income	**$ 358,068**	$ 329,693

Interest income includes $70,196 (2021 $60,827) relating to assets not classified as FVTPL.

(d) 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 December 31	2022			2021		
	Notional principal	**Fair value assets**	**Fair value liabilities**	Notional principal	Fair value assets	Fair value liabilities
Exchange-traded						
Equity index futures	**$ 57,846**	**$ 1,008**	**$ 2,193**	$ 69,166	$ 2,669	$ 1,170
Equity options	**430,061**	**6,268**	**—**	448,381	3,632	—
Over-the-counter						
Foreign currency forwards	**172,979**	**19**	**32**	33,158	1	663
Cross currency swaps	**44,943**	**2,481**	**1,388**	20,980	—	596
Total	**$ 705,829**	**$ 9,776**	**$ 3,613**	$ 571,685	$ 6,302	$ 2,429

All contracts mature in less than one year, except for cross currency swaps which mature in more than five years. 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 28.

(e) 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.

Income recognized from securities lending activities was as follows:

For the year ended December 31		2022		2021
General funds	**$**	**2,184**	$	1,748
Segregated funds		**2,036**		1,564
Total	**$**	**4,220**	$	3,312

As at December 31, 2022 and December 31, 2021, the aggregate fair values of the Company's securities loaned and the collateral received were as follows:

As at December 31	2022						2021					
		General Funds		**Segregated Funds**		**Total**		General Funds		Segregated Funds		Total
Value of securities loaned	**$**	**1,183,898**	**$**	**1,839,056**	**$**	**3,022,954**	$	1,514,071	$	1,508,807	$	3,022,878
Value of collateral received	**$**	**1,207,628**	**$**	**1,877,197**	**$**	**3,084,825**	$	1,544,381	$	1,539,045	$	3,083,426

4. Insurance Receivables

As at December 31		2022		2021
Due from policyholders	**$**	**5,802**	$	4,786
Due and accrued from reinsurers		**47,941**		21,287
Fees receivable		**13,451**		13,806
Other		**13,889**		8,821
Insurance receivables	**$**	**81,083**	$	48,700

All amounts are expected to be recovered within one year of the Consolidated Statements of Financial Position date. These financial instruments are short-term in nature and their fair values approximate carrying values.

5. Other Assets

Other assets consist of the following:

As at December 31		2022		2021
Trade accounts receivable	**$**	**8,506**	$	6,696
Prepaid expenses		**8,422**		7,336
Right-of-use assets		**5,192**		5,420
Net post-employment benefit asset (Note 13)		**11,386**		—
Other assets	**$**	**33,506**	$	19,452

Of the above total, $16,578 (2021 $5,420) is expected to be settled more than one year after the Consolidated Statements of Financial Position date. Trade accounts receivable are short-term in nature and their fair values approximate carrying value. In the absence of an active market for post-employment benefit liabilities, the actuarially determined value provides a reasonable approximation of fair value.

6. Property and Equipment

	Land	Buildings	Furniture and equipment	Leasehold improvements	Total
Cost					
As at January 1, 2021	$ 2,318	$ 13,039	$ 47,259	$ 9,730	$ 72,346
Additions	—	—	1,351	28	1,379
Disposals	—	—	—	—	—
As at December 31, 2021	2,318	13,039	48,610	9,758	73,725
Additions	—	—	1,224	465	1,689
Disposals	—	—	—	—	—
As at December 31, 2022	**$ 2,318**	**$ 13,039**	**$ 49,834**	**$ 10,223**	**$ 75,414**
Amortization					
As at January 1, 2021	$ —	$ (5,584)	$ (40,777)	$ (7,684)	$ (54,045)
Charge for the year	—	(372)	(3,976)	(443)	(4,791)
Disposals	—	—	—	—	—
As at December 31, 2021	—	(5,956)	(44,753)	(8,127)	(58,836)
Charge for the year	—	(355)	(2,178)	(403)	(2,936)
Disposals	—	—	—	—	—
As at December 31, 2022	**$ —**	**$ (6,311)**	**$ (46,931)**	**$ (8,530)**	**$ (61,772)**
Carrying amount					
December 31, 2022	**$ 2,318**	**$ 6,728**	**$ 2,903**	**$ 1,693**	**$ 13,642**
December 31, 2021	$ 2,318	$ 7,083	$ 3,857	$ 1,631	$ 14,889

There were no asset impairments in 2022 or 2021.

7. Intangible Assets

	Intangible assets
Cost	
As at January 1, 2021	$ 86,926
Additions	9,363
Disposals	(444)
As at December 31, 2021	95,845
Additions	50,590
Disposals	—
As at December 31, 2022	**$ 146,435**
Amortization	
As at January 1, 2021	$ (58,943)
Charge for the year	(8,605)
Disposals	214
As at December 31, 2021	(67,334)
Charge for the year	(18,530)
Disposals	—
As at December 31, 2022	**$ (85,864)**
Carrying amount	
December 31, 2022	**$ 60,571**
December 31, 2021	$ 28,511

There were no asset impairments during 2022 or 2021.

8. Goodwill

The goodwill represents the excess amount after the allocation of the purchase price to identifiable tangible and intangible net assets. Goodwill is not subject to amortization however is assessed annually for impairment. There was no impairment charge booked against goodwill in 2022.

As at December 31	2022	2021
Goodwill	**$ 24,465**	$ —
Total	**$ 24,465**	**$ —**

9. Segregated Funds

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

As at December 31	2022	2021
Cash	**$ 7,737**	$ 39,880
Short-term investments	**579,148**	467,829
Bonds	**1,754,518**	1,880,326
Common and preferred shares	**6,301,258**	6,935,850
	8,642,661	9,323,885
Add other assets	**15,360**	30,271
Less segregated funds held within general fund investments	**(92,346)**	(96,858)
Total	**$ 8,565,675**	$ 9,257,298

(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 December 31	2022			2021		
	Level 1	**Level 2**	**Total**	Level 1	Level 2	Total
Cash	**$ 7,737**	**$ —**	**$ 7,737**	$ 39,880	$ —	$ 39,880
Short-term investments	**—**	**579,148**	**579,148**	—	467,829	467,829
Bonds	**—**	**1,754,518**	**1,754,518**	—	1,880,326	1,880,326
Common and preferred shares	**6,301,258**	**—**	**6,301,258**	6,935,850		6,935,850
Total	**$ 6,308,995**	**$ 2,333,666**	**$ 8,642,661**	$ 6,975,730	$ 2,348,155	$ 9,323,885

There were no transfers between Level 1 and Level 2 during the years ended December 31, 2022 and December 31, 2021. There were no Level 3 investments as at December 31, 2022 and December 31, 2021.

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

For the year ended December 31		2022		2021
Segregated fund assets - beginning of year	**$**	**9,257,298**	$	8,457,417
Additions to segregated funds:				
Amount received from policyholders		**872,244**		997,002
Interest		**77,045**		58,995
Dividends		**178,688**		204,465
Other income		**23,332**		22,441
Net realized gains on sale of investments		**102,624**		382,696
Net unrealized increase in fair value of investments		**—**		538,711
		1,253,933		2,204,310
Deductions from segregated funds:				
Amounts withdrawn or transferred by policyholders		**964,437**		1,131,098
Net unrealized decrease in fair value of investments		**735,370**		—
Management fees and other operating costs		**250,261**		258,979
		1,950,068		1,390,077
Net change in segregated funds held within general fund investments		**4,512**		(14,352)
Segregated fund assets - end of year	**$**	**8,565,675**	$	9,257,298

(d) 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.

10. Insurance Payables

As at December 31		2022		2021
Claims due and accrued	**$**	**72,915**	$	47,237
Payable to agents		**24,544**		20,342
Premiums paid in advance		**1,639**		1,506
Due to reinsurance companies		**8,430**		18,289
Other		**49,057**		28,419
Insurance payables	**$**	**156,585**	$	115,793

Of the above total, $721 (2021 $786) is expected to be settled more than one year after the Consolidated Statements of Financial Position date. Most of these financial instruments are short-term in nature and their fair value approximates carrying values.

11. Insurance Contract Liabilities and Reinsurance Assets/Liabilities

(a) Nature and composition of insurance contract liabilities and related reinsurance

Insurance contract liabilities include life, health and annuity contracts on a participating and non-participating basis.

Changes in actuarial assumptions are made based on emerging and evolving experience with respect to major factors affecting estimates of future cash flows and consideration of economic forecasts of investment returns, industry and internal studies and the Standards of Practice of the Canadian Institute of Actuaries (CIA) and OSFI guidelines.

Insurance contract liabilities represent an estimate of the amount that, together with estimated future premiums and investment income, will be sufficient to pay future benefits, dividends, expenses, and premium taxes on policies in force. Insurance contract liabilities are determined using accepted actuarial practice according to standards established by the CIA and the requirements of OSFI.

The Company reinsures excess risks with Canadian registered reinsurance companies. The reinsurance assets (liabilities) are determined based on both the premiums expected to be paid by the Company under reinsurance agreements over the duration of the insurance contracts that they support and the insurance claims expected to be received by the Company when an insured event occurs under those insurance contracts. The liability position of some of the reinsurance is due to the excess of future premiums payable over the expected benefit of reinsurance. The change in reinsurance liabilities is primarily related to the Company's revised mortality assumptions, which reduce the present value of insurance claims expected to be recovered from the reinsurance companies. The Company enters into reinsurance agreements only with reinsurance companies that have an independent credit rating of "A-" or better.

Reinsurance transactions do not relieve the original insurer of its primary obligation to policyholders.

The Company is active in most life insurance and annuity product lines across Canada and does not operate in foreign markets. The table below shows the concentration of insurance contract liabilities and related reinsurance assets (liabilities) by type of contract:

As at December 31	**2022**			2021		
	Gross insurance contract liabilities	**Reinsurance (assets) liabilities**	**Net**	Gross insurance contract liabilities	Reinsurance (assets) liabilities	Net
Participating Individual						
Life	**$ 781,827**	**$ 5,153**	**$ 786,980**	$ 878,191	$ 6,975	$ 885,166
Annuity	**82**	**—**	**82**	79	—	79
Non-participating Individual						
Life	**3,613,338**	**341,985**	**3,955,323**	4,836,301	413,301	5,249,602
Health	**203,021**	**(7,130)**	**195,891**	260,617	(8,332)	252,285
Annuity	**700,728**	**(5,719)**	**695,009**	792,840	(7,314)	785,526
Non-participating Group						
Life	**43,040**	**(9,416)**	**33,624**	41,063	(6,880)	34,183
Health	**333,058**	**(161,661)**	**171,397**	318,024	(144,420)	173,604
Annuity	**36,170**	**—**	**36,170**	41,178	—	41,178
Segregated fund deferred acquisition costs	**(70,922)**	**—**	**(70,922)**	(77,240)	—	(77,240)
Total	**$ 5,640,342**	**$ 163,212**	**$ 5,803,554**	$ 7,091,053	$ 253,330	$ 7,344,383

The Company expects to pay $5,529,304 (2021 $6,996,900) of Insurance contract liabilities and $197,935 (2021 $279,162) of Reinsurance liabilities more than one year after the Consolidated Statements of Financial Position date. The remaining balance is expected to be settled within one year.

The following segregated fund deferred acquisition costs are included in Insurance contract liabilities:

	2022	2021
Segregated funds deferred acquisition costs - beginning of year	**$ 77,240**	$ 78,412
Deferred during year	**23,522**	28,170
Amortized during year	**(29,840)**	(29,342)
Segregated funds deferred acquisition costs - end of year	**$ 70,922**	$ 77,240

Of the above total, $29,903 (2021 $31,701) is expected to be amortized during the next year.

(b) Change in insurance contract liabilities and reinsurance assets/liabilities

For the year ended December 31	2022			2021		
	Gross insurance contract liabilities	**Reinsurance (assets) liabilities**	**Net**	Gross insurance contract liabilities	Reinsurance (assets) liabilities	Net
Balance - beginning of year	**$ 7,091,053**	**$ 253,330**	**$ 7,344,383**	$ 7,145,461	$ 384,761	$ 7,530,222
Changes in methods and assumptions						
Non-participating policies						
Changes for expected mortality/morbidity	**(68,557)**	**46,421**	**(22,136)**	83,021	(57,640)	25,381
Lapse/premium assumption updates	**28,972**	**6,429**	**35,401**	150,691	(37,459)	113,232
Update of investment return assumptions	**(91,606)**	**(4,615)**	**(96,221)**	(79,112)	(3,352)	(82,464)
Model enhancements and other changes	**20,711**	**(7,021)**	**13,690**	2,480	2	2,482
Reinsurance recapture	**—**	**—**	**—**	(11,357)	—	(11,357)
Participating policies						
Model enhancements and other changes	**486**	**(4)**	**482**	145	(53)	92
Normal changes						
New business	**60,778**	**(8,199)**	**52,579**	(31,000)	213	(30,787)
In-force business	**(1,401,495)**	**(123,129)**	**(1,524,624)**	(169,276)	(33,142)	(202,418)
Balance - end of year	**$ 5,640,342**	**$ 163,212**	**$ 5,803,554**	$ 7,091,053	$ 253,330	$ 7,344,383

Net changes in methods and assumptions summarized in the above tables are further explained as follows:

Liability reduction related to changes in mortality assumptions are due to normal updates of the Company's experience studies while changes in 2021 are related to experience updates and changes to the calculation of mortality improvement used in the valuation of liabilities.

In both 2022 and 2021 the lapse/premium assumption change is related to updates of assumed lapse rates on renewable term and universal life polices as experience continues to unfold.

The investment return assumption in 2022 is primarily related to an increase in the initial reinvestment rate (IRR) used in the valuation of the liabilities. This change reflects the increased market rates in 2022. The changes in 2021 were for similar reasons but to a smaller scale. In addition, 2021 changes were made to the assumed reinvestment mix used in the calculation of valuation credit spreads and to the CALM risk-free reinvestment scenario. Also, regular annual updates were made to the preferred share maturity value assumption.

In 2019, the Company enacted significant changes to its reinsurance programs. Specifically, the reinsurers of the Company's individual life policies were notified that in 2020 the Company would increase its individual life retention from $500,000 to $1.5 million and the recapture provisions of all eligible reinsurance treaties would be enacted. The recapture resulted in a substantial net liability decrease on both the universal life and non-participating blocks of business as the present value of future reinsurance premiums was greater than the estimated future claims. Additional amounts were recognized in 2020 and 2021 as provisions from the actuarial liabilities were released. No such releases occurred in 2022.

(c) Mix of assets allocated to insurance, annuity, investment contract liabilities and equity

	As at December 31, 2022				
	Insurance liabilities	**Annuity liabilities**	**Investment contract liabilities**	**Equity and other liabilities**	**Total**
Cash and cash equivalents & Short-term investments	**$ 130,341**	**$ 19,340**	**$ 723**	**$ 34,150**	**$ 184,554**
Bonds	**4,124,128**	**484,377**	**18,120**	**2,118,132**	**6,744,757**
Mortgages	**17,359**	**93,275**	**1,902**	**7,020**	**119,556**
Preferred shares	**251,758**	**120,282**	**11,780**	**18,345**	**402,165**
Common shares	**789,463**	**—**	**106**	**41,064**	**830,633**
Derivative assets	**3,492**	**—**	**16**	**6,268**	**9,776**
Loans on policies	**59,071**	**—**	**908**	**—**	**59,979**
Policy contract loans	**269**	**14,622**	**—**	**31,974**	**46,865**
Other	**31,297**	**4,804**	**1,442**	**291,390**	**328,933**
Total	**$ 5,407,178**	**$ 736,700**	**$ 34,997**	**$ 2,548,343**	**$ 8,727,218**

	As at December 31, 2021				
	Insurance liabilities	Annuity liabilities	Investment contract liabilities	Equity and other liabilities	Total
Cash and cash equivalents & Short-term investments	$ 154,696	$ 46,514	$ 2,499	$ (1,845)	$ 201,864
Bonds	5,102,016	587,909	198,079	2,261,456	8,149,460
Mortgages	25,885	114,628	5,877	7,174	153,564
Preferred shares	216,149	149,182	8,354	67,654	441,339
Common shares	961,671	—	37	57,726	1,019,434
Derivative assets	2,670	—	—	3,632	6,302
Loans on policies	56,197	—	720	—	56,917
Policy contract loans	256	16,852	—	35,700	52,808
Other	27,041	4,893	971	158,772	191,677
Total	$ 6,546,581	$ 919,978	$ 216,537	$ 2,590,269	$ 10,273,365

Provisions made for anticipated future losses of principal and interest on investments and included as a component of insurance contract liabilities are $204,900 (2021 $259,200).

(d) Fair value of insurance and investment contract liabilities and reinsurance assets/liabilities

In the absence of an active market for the sale of insurance and investment contract liabilities and reinsurance assets/liabilities, the actuarially determined values provide a reasonable approximation of their fair value. Investment contract liabilities are term certain annuities with a relatively short duration.

(e) Liquidity

The Company defines liquid assets as high quality marketable investments that may be easily sold, meaning there exists an active market and observable prices for the investments. Liquid asset values are based on fair value as at the reporting date.

The Company defines cash demands or demand liabilities as those policyholder obligations that may be called on immediately at the discretion of the policyholder. More specifically, demand liabilities include cash surrender values under whole life insurance products as well as current accumulated values of annuity products. Amounts would be gross of any surrender charge or market value adjustment allowed under the terms of the contract. Demand liabilities are determined as though all such policyholders made their call at the same time and as such cannot be readily compared to insurance contract liabilities that are determined based on actuarial assumptions associated with lapse as well as other decrements.

The Company maintains a high level of liquid assets so that cash demands can be readily met. The Company's liquidity position is as follows:

As at December 31		2022		2021
Assets:				
Cash and cash equivalents & Short-term investments	**$**	**184,554**	$	201,864
Canadian federal and provincial bonds		**2,916,849**		4,082,043
Other readily-marketable bonds and stocks		**4,658,541**		4,816,579
Total liquid assets	**$**	**7,759,944**	$	9,100,486
Liabilities:				
Demand liabilities with fixed values	**$**	**915,899**	$	875,418
Demand liabilities with market value adjustments		**1,192,870**		1,227,633
Total liquidity needs	**$**	**2,108,769**	$	2,103,051

12. Accounts Payable and Other Liabilities

Accounts payable and other liabilities consist of:

As at December 31		2022		2021
Accounts payable	**$**	**82,893**	$	46,406
Net post-employment benefit liability (Note 13)		**—**		23,503
Accrued interest on subordinated debt		**4,735**		4,735
Derivative liabilities (Note 3d)		**3,613**		2,429
Lease liabilities		**5,509**		5,690
Other		**3,888**		12,820
Accounts payable and other liabilities	**$**	**100,638**	$	95,583

Of the above total, $4,408 (2021 $28,236) is expected to be settled more than one year after the Consolidated Statements of Financial Position date. In the absence of an active market for post-employment benefit liabilities, the actuarially determined value provides a reasonable approximation of fair value. Derivative liabilities are carried at fair value, as disclosed in Note 3(d). All other amounts are short-term in nature and their fair value approximates carrying value.

13. Employee Benefit Plans

Empire Life sponsors pension and other post-employment benefit plans for eligible employees. The Empire Life Insurance Company Staff Pension Plan (the Plan) consists of a defined benefit component and a defined contribution component. The Company discontinued enrolments in the defined benefit component effective October 1, 2011. The Company has supplemental arrangements that provide defined pension benefits in excess of statutory limits. In addition to pension benefits, the Company also provides for post-employment health and dental care coverage and other future benefits to qualifying employees and retirees.

The defined benefit component of the Plan is a final average salary pension plan, which provides benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' age, length of service and their salary in the final years leading up to retirement. Pensions generally do not receive inflationary increases once in payment. In the past, however, the Company has provided ad-hoc pension increases on its defined benefit staff pension plan. Increases take place at the discretion of the Board. The pension benefit payments are from trustee-administered funds.

The Plan is governed by the *Pension Benefits Act of the Province of Ontario*, as amended, which requires that the plan sponsor fund the defined benefits determined under the plan. The Company's supplemental employee retirement benefit plan is governed by provisions of the plan, which requires that the plan sponsor fund the defined benefits determined under the plan. The amount of funds contributed to these defined benefit pension plans is determined by an actuarial valuation of the Plans.

Under the defined contribution component, contributions are made in accordance with the provisions of the Plan documents.

A pension committee, composed of selected senior members of management and that of its parent, E-L Financial Corporation, oversees the Pension Plan of the Company. The Pension Committee reports to the Human Resources Committee of the Board at least three times each year. The Audit Committee of the Board approves the audited annual financial statements of the Pension Plan.

The other post-employment benefit plan provides for health, dental care, and other future defined benefits to qualifying employees and retirees. It is unfunded and the Company meets the benefit payment obligation as it falls due.

The following tables present financial information for the Company's defined benefit plans:

	Pension benefits		Other post-employment benefits	
As at December 31	**2022**	2021	**2022**	2021
Present value of obligations	**$ 197,258**	$ 245,593	**$ 6,785**	$ 8,706
Fair value of plan assets	**218,165**	232,426	**—**	—
Post-employment benefit asset (liability)	**20,907**	(13,167)	**(6,785)**	(8,706)
Effect of asset limit	**(2,736)**	(1,630)	**—**	—
Net post-employment benefit asset (liability)	**$ 18,171**	$ (14,797)	**$ (6,785)**	$ (8,706)

The post-employment benefit asset (liability), net of the cumulative impact of the asset ceiling, is included in the Consolidated Statements of Financial Position in Accounts payables and other liabilities (Note 12).

The movement in the present value of the defined benefit obligations over the year is as follows:

	Pension benefits		Other post-employment benefits	
As at December 31	2022	2021	2022	2021
Present value of defined benefit obligation - beginning of year	$ 245,593	$ 280,587	$ 8,706	$ 8,919
Current service cost	5,512	6,811	—	—
Interest expense	7,476	6,936	253	207
Decrease (increase) in net income before tax	12,988	13,747	253	207
Remeasurements				
(Gain) loss from changes in demographic assumptions	—	—	—	155
(Gain) loss from changes in financial assumptions	(53,121)	(25,650)	(1,581)	(563)
Actuarial (gain) loss from member experience	3,715	(112)	(162)	377
Decrease (increase) in OCI before tax	(49,406)	(25,762)	(1,743)	(31)
Employee contributions	1,213	1,249	—	—
Benefits paid	(13,130)	(24,228)	(431)	(389)
Present value of defined benefit obligation - end of year	$ 197,258	$ 245,593	$ 6,785	$ 8,706

The movement in the fair value of the Plan's defined benefit assets over the year is as follows:

	Pension benefits	
As at December 31	2022	2021
Fair value of defined benefit assets - at beginning of year	$ 232,426	$ 220,979
Interest income	7,181	5,519
Administrative expense	(337)	(291)
Increase (decrease) in net income before tax	6,844	5,228
Remeasurements		
Return on plan assets, excluding amounts included in interest income	(16,758)	21,969
Increase (decrease) in OCI before tax	(16,758)	21,969
Employer contributions	7,570	7,229
Employee contributions	1,213	1,249
Benefits paid	(13,130)	(24,228)
Fair value of defined benefit assets - end of year	$ 218,165	$ 232,426

The change in the asset ceiling/onerous liability over the year is as follows:

	Pension benefits	
As at December 31	2022	2021
Asset ceiling/onerous liability beginning year	$ 1,630	$ —
Interest income	51	—
Change in asset ceiling/onerous liability (excluding interest income)	1,055	1,630
Asset ceiling/onerous liability end of year	$ 2,736	$ 1,630

The actual return on defined benefit assets net of administrative expense, for the year ended December 31, 2022 was a loss of $9,914 (2021 gain of $27,197).

Defined benefit plan expense is recognized in Operating expenses. Remeasurements in the defined benefit plan are included in OCI. Operating expenses also include $2,964 (2021 $2,488) of employer contributions related to the defined contribution component of the Plan.

Expected contributions (including both employer and employee amounts) to the Company's defined benefit pension plans for the year ending December 31, 2023 are approximately $7,413.

The Plan invests primarily in Empire Life segregated and mutual funds. The fair value of the underlying assets of the funds and other investments are included in the following table:

As at December 31	2022		2021	
Equity				
Canadian	$ **38,626**	**18%**	$ 82,532	36%
Foreign	**90,731**	**41%**	57,173	24%
Total equity	**129,357**	**59 %**	139,705	60 %
Debt				
Canadian	**67,801**	**31%**	71,278	31%
Cash, cash equivalent, accruals	**3,864**	**2%**	3,551	2%
Mutual funds	**8,970**	**4%**	9,229	4%
Other	**8,173**	**4 %**	8,663	3 %
Total fair value of assets	$ **218,165**	**100%**	$ 232,426	100%

Fair value is determined based on Level 1 inputs for equities and Level 2 inputs for debt.

The following weighted average assumptions were used in actuarial calculations:

	Pension benefits		Other post-employment benefits	
As at December 31	2022	2021	2022	2021
Defined benefit obligation as at December 31:				
Discount rate - defined benefit obligation	**5.25%**	3.15%	**5.25%**	3.00%
Discount rate - net interest	**3.15%**	2.55%	**3.00%**	2.40%
Rate of compensation increase	**5% in 2022, 4% in 2023 and 3% thereafter**	3.00%	**n/a**	n/a
Assumed health care cost trend rates at December 31:				
Initial health care cost trend rate	**n/a**	n/a	**5.4%**	5.4%
Cost trend rate declines to	**n/a**	n/a	**4.0%**	4.0%
Year ultimate health care cost trend rate is reached	**n/a**	n/a	**2040**	2040

Assumptions (in number of years) relating to future mortality, to determine the defined benefit obligation and the net benefit cost for the defined benefit pension plans are as follows:

As at December 31	2022	2021
Males aged 65 at measurement date	**22.21**	22.13
Females aged 65 at measurement date	**24.88**	24.81
Males aged 40 at measurement date	**24.04**	23.97
Females aged 40 at measurement date	**26.54**	26.47

The following table provides the sensitivity of the defined benefit pension and other post-employment benefit obligations to changes in significant actuarial assumptions. For each sensitivity test, the impact of a reasonably possible change in a single factor is shown with other assumptions left unchanged. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the Post-employment benefit liability recognized within the Consolidated Statements of Financial Position.

		Impact on Pension Benefit Obligation		Impact on Other Post Employment Benefit Obligations	
As at December 31, 2022	**Change in assumption**	**Increase**	**Decrease**	**Increase**	**Decrease**
Discount rate	**1%**	**$ (15,443)**	**$ 19,111**	**$ (644)**	**$ 531**
Rate of compensation increase	**1%**	**$ 6,351**	**$ (5,653)**	**n/a**	**n/a**
Health care cost increase	**1%**	**n/a**	**n/a**	**$ 512**	**$ (636)**
Life expectancy	**1 year**	**$ 3,137**	**$ (3,265)**	**$ 185**	**$ (384)**

		Impact on pension benefits		Impact on other post employment benefits	
As at December 31, 2021	Change in assumption	Increase	Decrease	Increase	Decrease
Discount rate	1%	$ (24,760)	$ 31,816	$ (968)	$ 820
Rate of compensation increase	1%	$ 10,665	$ (10,099)	n/a	n/a
Health care cost increase	1%	n/a	n/a	$ 760	$ (932)
Life expectancy	1 year	$ 5,121	$ (5,197)	$ 285	$ (575)

The weighted average duration, in number of years, of the defined benefit obligations are:

As at December 31	2022	2021
Staff pension plan	**9**	12
Supplemental employee retirement plan	**7**	9
Other post-employment benefits	**9**	10

Risks

Through its defined benefit pension plan and the other post-employment benefit plan, the Company is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility

The Plan obligations are calculated using a discount rate set with reference to corporate bond yields. If Plan assets underperform against this yield, this will create a deficit. The Plan holds a significant proportion of equities, which are expected to outperform corporate bonds in the long-term while producing volatility and risk in the short-term.

Changes in bond yields

A decrease in corporate bond yields will increase Plan obligations, although this will be partially offset by an increase in the value of the Plans' bond holdings.

Life expectancy

The majority of the Plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the Plans' liabilities. In case of the funded plans, the Pension Committee ensures that the investment positions are managed in accordance with the investment philosophy outlined in the investment policy approved by the Human Resources Committee of the Board. The fundamental philosophy is to achieve acceptably high investment return over the long term without

jeopardizing the level of security of the members' benefits and without introducing too much volatility into the Company's future expense. The Company's objective is to match assets to the pension obligations by investing in equities as well as fixed interest securities. The Company monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Plan has not changed the processes used to manage its risks from previous periods. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. The Plan invests primarily in Canadian Bonds and Equities through its ownership of units in Empire Life segregated and mutual funds.

In February 2023, the Plan withdrew 100% of its investment in Empire Life Aggressive Growth Mutual Fund. The proceeds were reinvested in exchange traded funds with exposure to Canadian (30%), US (35%) and International (35%) markets.

The last triennial valuation on the Staff Pension Plan was completed in August 2022, as at December 31, 2021. The next triennial valuation will be completed in 2025, as at December 31, 2024

14. Subordinated Debt

The table below presents the obligations included in Subordinated debt as at December 31.

As at December 31					2022		2021
	Interest rate	Earliest par call or redemption Date	Maturity		Carrying value		Carrying value
Series 2017-1[1]	3.664 %	March 15, 2023	2028		**199,964**		199,790
Series 2021-1[2]	2.024 %	September 24, 2026	2031		**199,165**		199,068
Total Subordinated Debt				**$**	**399,129**	$	398,858
Fair Value				**$**	**374,616**	$	401,850

[1] Series 2017-1 Subordinated 3.664% Unsecured Debentures due 2028. From March 15, 2023, interest is payable at 1.53% over CDOR.
[2] Series 2021-1 Subordinated 2.024% Unsecured Debentures due 2031. From September 24, 2026, interest is payable at 0.67% over CDOR

15. Insurance Premiums

For the year ended December 31		2022						2021			
		Gross		Reinsurance ceded		Net		Gross		Reinsurance ceded		Net
Life premiums	**$**	**609,163**	**$**	**(140,415)**	**$**	**468,748**	$	583,034	$	(132,918)	$	450,116
Health premiums		**590,879**		**(156,651)**		**434,228**		525,119		(134,295)		390,824
Total life and health premiums		**1,200,042**		**(297,066)**		**902,976**		1,108,153		(267,213)		840,940
Annuity premiums		**139,794**		**(216)**		**139,578**		74,746		(143)		74,603
Total insurance premiums	**$**	**1,339,836**	**$**	**(297,282)**	**$**	**1,042,554**	$	1,182,899	$	(267,356)	$	915,543

16. Fee Income

For the year ended December 31		2022		2021
Investment management, policyholder administration and guarantee fees	**$**	**272,253**	$	260,409
Surrender charges and other miscellaneous fees		**10,883**		12,365
Fee income	**$**	**283,136**	$	272,774

17. Benefits and Expenses

(a) Insurance contract benefits and claims paid

For the year ended December 31	2022			2021		
	Gross	**Reinsurance ceded**	**Net**	Gross	Reinsurance ceded	Net
Life claims	**$ 306,199**	**$ (100,104)**	**$ 206,095**	$ 260,545	$ (77,663)	$ 182,882
Health claims	**408,843**	**(91,003)**	**317,840**	356,449	(80,514)	275,935
Total life and health claims	**715,042**	**(191,107)**	**523,935**	616,994	(158,177)	458,817
Annuity benefits	**150,816**	**(1,541)**	**149,275**	172,056	(755)	171,301
Benefits and claims paid	**$ 865,858**	**$ (192,648)**	**$ 673,210**	$ 789,050	$ (158,932)	$ 630,118

(b) Change in insurance contract liabilities and reinsurance ceded

For the year ended December 31	2022			2021		
	Gross	**Reinsurance ceded**	**Net**	Gross	Reinsurance ceded	Net
Life	**$ (1,317,354)**	**$ (75,674)**	**$ (1,393,028)**	$ 144,478	$ (103,124)	$ 41,354
Health	**(42,560)**	**(16,039)**	**(58,599)**	44,314	(29,838)	14,476
Total life and health	**(1,359,914)**	**(91,713)**	**(1,451,627)**	188,792	(132,962)	55,830
Annuity	**(90,797)**	**1,595**	**(89,202)**	(243,200)	1,531	(241,669)
Change in insurance contract liabilities	**$ (1,450,711)**	**$ (90,118)**	**$ (1,540,829)**	$ (54,408)	$ (131,431)	$ (185,839)

18. Operating Expenses

Operating expenses include the following:

For the year ended December 31	2022	2021
Salary and benefits expense	**$ 116,533**	$ 104,923
Professional services	**21,420**	15,492
Rent, maintenance and amortization of right-of-use assets	**27,238**	18,306
Amortization of property and equipment and intangibles	**9,924**	13,396
Other	**26,949**	24,396
Total	**$ 202,064**	$ 176,513

19. Income Taxes

(a) Income tax expense

The Company's income tax expense includes provisions for current and deferred taxes as follows:

For the year ended December 31		2022		2021
Current income tax expense	**$**	**70,089**	$	66,751
Deferred income tax expense (benefit)				
Relating to the origination and reversal of temporary differences		**(16,688)**		(2,342)
Income tax expense	**$**	**53,401**	$	64,409

During 2022 the Company paid income tax installments totaling $40,277 (2021 $22,790).

(b) Variance from statutory provision

Income taxes provided varies from the expected statutory provision as follows:

For the year ended December 31		2022		2021
Net income before income taxes	**$**	**263,816**	$	323,343
Income tax provision at statutory rates		**69,595**		85,310
Increase (decrease) resulting from:				
Tax paid on dividends		**(10,074)**		(12,132)
Miscellaneous		**(6,120)**		(8,769)
Income tax expense	**$**	**53,401**	$	64,409

The current enacted corporate tax rates as they impact the Company in 2022 stand at 26.38% (2021 26.38%). Expected future tax rates are as follows:

2022	26.38 %
2023	26.38 %
2024	26.38 %
2025	26.38 %
2026	26.38 %

The impact of future enacted corporate tax rates has been taken into consideration in the deferred tax calculation.

(c) Deferred income taxes

In certain instances the tax basis of assets and liabilities differs from the carrying amount. These differences will give rise to deferred income taxes, which are reflected on the Consolidated Statements of Financial Position. These differences arise in the following items:

As at December 31		2022		2021
Insurance contracts	**$**	**(28,005)**	$	(39,452)
Portfolio investments		**(6,279)**		(9,553)
Post-employment benefit plans		**(2,981)**		6,786
Other, net		**(381)**		(3,320)
Deferred income tax asset (liability)	**$**	**(37,646)**	$	(45,539)

Of the above total, $37,050 is expected to be paid (2021 $44,663) more than one year after the Consolidated Statements of Financial Position date.

The net movement on the deferred income tax account is as follows:

For the year ended December 31	2022	2021
Deferred income tax asset (liability) - beginning of year	$ **(45,539)**	$ (35,711)
Deferred income tax benefit (expense)		
Statement of operations	**16,688**	2,342
Other comprehensive income	**(8,795)**	(12,170)
Deferred income tax asset (liability) - end of year	$ **(37,646)**	$ (45,539)

(d) Income taxes included in other comprehensive income

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 year ended December 31	2022			2021		
	Before tax	**Tax (provision) recovery**	**After tax**	Before tax	Tax (provision) recovery	After tax
Unrealized fair value change on available for sale investments	$ **(294,992)**	$ **77,818**	$ **(217,174)**	$ (77,892)	$ 20,664	$ (57,228)
Fair value change on available for sale investments reclassified to net income, including impairment write downs	**34,286**	**(9,384)**	**24,902**	1,477	(276)	1,201
Remeasurements of post-employment benefit liabilities	**33,336**	**(8,794)**	**24,542**	46,132	(12,171)	33,961
Total other comprehensive income (loss)	$ **(227,370)**	$ **59,640**	$ **(167,730)**	$ (30,283)	$ 8,217	$ (22,066)

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

For the year ended December 31	2022			2021		
	Before tax	**Tax (provision) recovery**	**After tax**	Before tax	Tax (provision) recovery	After tax
Unrealized fair value change on available for sale investments	$ **(286,369)**	$ **75,544**	$ **(210,825)**	$ (77,152)	$ 20,468	$ (56,684)
Fair value change on available for sale investments reclassified to net income, including impairment write downs	**33,051**	**(9,028)**	**24,023**	2,360	(512)	1,848
Remeasurements of post-employment benefit liabilities	**31,093**	**(8,202)**	**22,891**	42,979	(11,339)	31,640
Shareholder portion of policyholder other comprehensive income (loss)	$ **(513)**	$ **133**	$ **(380)**	$ (116)	$ 31	$ (85)
Total other comprehensive income (loss)	$ **(222,738)**	$ **58,447**	$ **(164,291)**	$ (31,929)	$ 8,648	$ (23,281)

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

For the year ended December 31	2022			2021		
	Before tax	**Tax (provision) recovery**	**After tax**	Before tax	Tax (provision) recovery	After tax
Unrealized fair value change on available for sale investments	**$ (8,623)**	**$ 2,274**	**$ (6,349)**	$ (740)	$ 196	$ (544)
Fair value change on available for sale investments reclassified to net income, including impairment write downs	**1,235**	**(356)**	**879**	(883)	236	(647)
Remeasurements of post-employment benefit liabilities	**2,243**	**(592)**	**1,651**	3,153	(832)	2,321
Shareholder portion of policyholder other comprehensive income (loss)	**513**	**(133)**	**380**	116	(31)	85
Total other comprehensive income (loss)	**$ (4,632)**	**$ 1,193**	**$ (3,439)**	$ 1,646	$ (431)	$ 1,215

20. Earnings Per Share

Earnings per share is calculated by dividing common shareholders' net income by the weighted average number of common shares outstanding. The preferred shares issued (refer to Note 21) do not dilute EPS as the preferred 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 year ended December 31	2022	2021
Basic and diluted EPS		
Common shareholders' net income	**$ 204,223**	$ 239,036
Weighted average number of common shares outstanding	**985,076**	985,076
Basic and diluted EPS	**$ 207.32**	$ 242.66

21. Capital Stock

As at	December 31, 2022			December 31, 2021		
	Shares authorized	**Shares issued and outstanding**	**Amount**	Shares authorized	Shares issued and outstanding	Amount
Preferred shares						
Series 3	**unlimited**	**4,000,000**	**$ 100,000**	unlimited	4,000,000	$ 100,000
Limited recourse capital notes		**200,000**	**$ 200,000**		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 3-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.

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

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

22. Dividends

	Dividend declaration date	Shares issued and outstanding	Dividend rate per share	Total dividend ($ 000's)	Dividend payment date
Common shareholder dividends					
Common shares	October 27, 2022	985,076	$ 18.450000	$ 18,175	December 6, 2022
	July 28, 2022	985,076	$ 18.450000	$ 18,175	September 7, 2022
	April 28, 2022	985,076	$ 18.450000	$ 18,175	June 7, 2022
	February 23, 2022	985,076	$ 18.450000	$ 18,175	March 31, 2022
	October 28, 2021	985,076	$ 14.210000	$ 13,998	December 7, 2021
	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
Preferred shareholder dividends					
Series 1	February 24, 2021	5,980,000	$ 0.359375	$ 2,149	April 17, 2021
Series 3	October 27, 2022	4,000,000	$ 0.306250	$ 1,225	January 17, 2023
	July 28, 2022	4,000,000	$ 0.306250	$ 1,225	October 17, 2022
	April 28, 2022	4,000,000	$ 0.306250	$ 1,225	July 17, 2022
	February 23, 2022	4,000,000	$ 0.306250	$ 1,225	April 17, 2022
	October 28, 2021	4,000,000	$ 0.306250	$ 1,225	January 17, 2022
	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

On February 23, 2023, the Board approved the following cash dividends:

- $18,175 ($18.45 per share) on the issued and outstanding Common Shares, payable on April 4, 2023.
- $1,547 ($0.3866875 per share) on the issued and outstanding Series 3 Preferred Shares, payable on April 17, 2023.

23. Shareholders' Equity Entitlement

Shareholders' entitlement to $3,934 (2021 $4,328) of shareholders' equity is contingent upon future payment of dividends to participating policyholders.

24. 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, guaranteed interest rate annuities and annuities providing income for life.

The Group Solutions product line offers group benefit plans to employers for medical, dental, disability, critical illness 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, TruStone 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 year ended December 31, 2022				
	Wealth Management	Group Solutions	Individual Insurance	Capital & Surplus	Total
Revenue					
Gross premiums (Note 15)	$ 139,794	$ 615,174	$ 584,868	$ —	$ 1,339,836
Premiums ceded to reinsurers (Note 15)	(216)	(162,882)	(134,184)	—	(297,282)
Net premiums (Note 15)	139,578	452,292	450,684	—	1,042,554
Investment income	33,359	8,129	249,552	67,028	358,068
Fair value change in fair value through profit or loss assets	(102,404)	(23,118)	(1,613,281)	1,426	(1,737,377)
Realized gain (loss) on fair value through profit or loss assets sold	363	—	29,598	(9,234)	20,727
Realized gain (loss) on available for sale assets including impairment write downs (Note 3)	(61)	(48)	(10)	(33,795)	(33,914)
Fee income	251,290	15,441	115	16,290	283,136
Total revenue	322,125	452,696	(883,342)	41,715	(66,806)
Benefits and expenses					
Gross benefits and claims paid (Note 17)	150,816	422,839	292,203	—	865,858
Claims recovery from reinsurers (Note 17)	(1,541)	(93,487)	(97,620)	—	(192,648)
Gross change in insurance contract liabilities (Note 17)	(90,797)	16,681	(1,376,595)	—	(1,450,711)
Change in insurance contract liabilities ceded (Note 17)	1,595	(19,354)	(72,359)	—	(90,118)
Change in investment contracts provision	1,088	—	—	—	1,088
Policy dividends	—	—	39,773	—	39,773
Operating expenses	65,145	61,864	63,681	11,374	202,064
Commissions	86,813	86,141	100,321	7,873	281,148
Commission recovery from reinsurers	—	(31,429)	(356)	—	(31,785)
Interest expense	—	—	—	18,898	18,898
Total benefits and expenses	213,119	443,255	(1,050,952)	38,145	(356,433)
Premium tax	—	11,851	10,508	—	22,359
Investment and capital tax	—	—	3,452	—	3,452
Net income (loss) before income taxes	109,006	(2,410)	153,650	3,570	263,816
Income taxes	26,537	(697)	28,081	(520)	53,401
Net income	$ 82,469	$ (1,713)	$ 125,569	$ 4,090	$ 210,415

	For the year ended December 31, 2021				
	Wealth Management	**Group Solutions**	**Individual Insurance**	**Capital & Surplus**	**Total**
Revenue					
Gross premiums (Note 15)	$ 74,746	$ 547,405	$ 560,752	$ —	$ 1,182,903
Premiums ceded to reinsurers (Note 15)	(143)	(140,075)	(127,142)	—	(267,360)
Net premiums (Note 15)	74,603	407,330	433,610	—	915,543
Investment income	35,519	3,511	226,531	64,132	329,693
Fair value change in fair value through profit or loss assets	(9,725)	(4,030)	(344,918)	(4,742)	(363,415)
Realized gain (loss) on fair value through profit or loss assets sold	777	5	122,588	(17,761)	105,609
Realized gain (loss) on available for sale assets including impairment write downs (Note 3)	471	430	423	(2,801)	(1,477)
Fee income	258,532	13,604	536	102	272,774
Total revenue	360,177	420,850	438,770	38,930	1,258,727
Benefits and expenses					
Gross benefits and claims paid (Note 17)	172,058	366,419	250,573	—	789,050
Claims recovery from reinsurers (Note 17)	(757)	(80,840)	(77,335)	—	(158,932)
Gross change in insurance contract liabilities (Note 17)	(243,200)	58,543	130,248	—	(54,409)
Change in insurance contract liabilities ceded (Note 17)	1,531	(33,022)	(99,939)	—	(131,430)
Change in investment contracts provision	471	—	—	—	471
Policy dividends	—	—	36,820	—	36,820
Operating expenses	58,355	54,948	61,818	1,392	176,513
Commissions	84,874	79,639	100,823	—	265,336
Commission recovery from reinsurers	—	(31,170)	(388)	—	(31,558)
Interest expense	—	—	—	21,472	21,472
Total benefits and expenses	73,332	414,517	402,620	22,864	913,333
Premium tax	—	10,520	7,709	—	18,229
Investment and capital tax	—	—	3,822	—	3,822
Net income (loss) before income taxes	286,845	(4,187)	24,619	16,066	323,343
Income taxes	71,897	(1,657)	(7,287)	1,456	64,409
Net income	$ 214,948	$ (2,530)	$ 31,906	$ 14,610	$ 258,934

Supplemental information:

	Wealth Management	**Group Solutions**	**Individual Insurance**	**Capital & Surplus**	**Total**
Interest income					
For the year ended December 31, 2022	**$ 30,105**	**$ 10,235**	**$ 203,273**	**$ 64,867**	**$ 308,480**
For the year ended December 31, 2021	27,768	7,416	182,072	54,135	271,391
Amortization of property and equipment and intangibles					
For the year ended December 31, 2022	**$ 3,836**	**$ 7,531**	**$ 10,099**	**$ —**	**$ 21,466**
For the year ended December 31, 2021	2,394	4,700	6,302	—	13,396

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

	For the year ended December 31, 2022				
	Wealth Management	**Group Solutions**	**Individual Insurance**	**Capital & Surplus**	**Total**
Assets excluding segregated funds	**$ 755,544**	**$ 218,208**	**$ 5,205,123**	**$ 2,559,729**	**$ 8,738,604**
Segregated funds	**8,547,562**	**—**	**18,113**	**—**	**8,565,675**
Total assets	**$ 9,303,106**	**$ 218,208**	**$ 5,223,236**	**$ 2,559,729**	**$ 17,304,279**

	For the year ended December 31, 2021				
	Wealth Management	Group Solutions	Individual Insurance	Capital & Surplus	Total
Assets excluding segregated funds	$ 919,978	$ 216,545	$ 6,546,573	$ 2,590,269	$ 10,273,365
Segregated funds	9,237,282	—	20,016	—	9,257,298
Total assets	$ 10,157,260	$ 216,545	$ 6,566,589	$ 2,590,269	$ 19,530,663

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.

25. Commitments and Contingencies

Investment Commitments

In the normal course of business, outstanding investment commitments are not reflected in the Consolidated Financial Statements. There were $5,543 (December 31, 2021, $21,742) of outstanding commitments as at December 31, 2022. The outstanding commitments are payable at any time up to and including June 30, 2025.

Other contingencies

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigation) will have a material effect on its results and financial position.

The Company by-laws provide indemnification to its current and former directors, officers and employees to the extent permitted by law, against contractual indemnities and liabilities arising from their service to the Company. The broad general nature of these indemnification by-laws does not permit a reasonable estimate of the maximum potential amount of any liability.

In certain cases, the Company would have recourse against third parties with respect to the foregoing items and the Company also maintains insurance policies that may provide coverage against certain of these items.

26. Related Party Transactions

The Company is a 98.3% owned subsidiary of E-L Financial Services Limited (ELFS) which in turn is a 100.0% owned subsidiary of E-L Financial Corporation Limited (E-L). E-L owns, directly and indirectly through ELFS, 99.4% of the common shares of Empire Life. The Company's ultimate controlling party is The Honourable Henry N. R. Jackman together with a trust created in 1969 by his father, Henry R. Jackman. In the normal course of business, the Company enters into transactions with E-L and other companies under common control or common influence involving the leasing of office property, investment management services and miscellaneous office services. The amounts earned and expensed were not significant. Some directors and officers have insurance and investment policies underwritten by the Company.

In the fourth quarter of 2017, the Company issued 4,000,000 Non-Cumulative Rate Reset Preferred Shares, Series 3 to E-L Financial Corporation Limited at $25 per share. Refer to Note 21 for further details.

Compensation of key management personnel
Key management personnel are comprised of directors and executive officers of the Company. The remuneration of key management personnel is as follows:

For the year ended December 31		**2022**		2021
Salaries and other short-term and long-term employee benefits	**$**	**7,861**	$	7,260
Post-employment benefits		**508**		468
Total	**$**	**8,369**	$	7,728

Post-employment benefits are comprised of employer current service costs for pension and other post-employment benefits.

27. Capital Management

The Company aims to manage 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. OSFI has established a Supervisory Target Total Ratio of 100% and a Supervisory Target Core Ratio of 70%. As at December 31, 2022 and December 31, 2021 the Company was in compliance with the applicable regulatory capital ratios.

28. Risk Management

The Company is exposed to risks arising from its investing activities and its insurance operations and to general reputation risk associated with these activities and its ability to manage specific risks. The following sections describe 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 product.

Caution related to sensitivities

In the sections that follow, the Company provides sensitivities and risk exposure measures for certain risks. These include sensitivities due to specific changes in market prices and interest rates, based on the market prices, interest rates, assets, liabilities and business mix in place as at the calculation dates. The sensitivities are calculated independently for each risk factor, assuming that all other risk variables remain constant. The sensitivities do not take into account indirect effects such as potential impacts on goodwill impairments or valuation allowances on deferred tax assets. Actual results can differ materially from these estimates for a variety of reasons, including differences in the pattern or distribution of market shocks, the interaction among these factors when more than one factor changes; changes in actuarial and investment return and future investment activity assumptions; actual experience differing from the assumptions; changes in business mix, effective tax rates and other market factors; and the general limitations of the Company's internal models used for purposes of these calculations. Changes due to new sales or maturities, asset purchases/sales, or other management actions could also result in material changes to these reported sensitivities. For these reasons, the sensitivities should only be viewed as directional estimates of the underlying sensitivities for the respective factors based on the assumptions outlined, and should not be viewed as predictors for the Company's future Net income, 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

Market risk is the risk of loss arising from adverse changes in market rates and prices such as interest rates, trading prices of equities, real estate and other securities, credit spreads, foreign exchange rates and inflation.

Market risk is directly influenced by the volatility and liquidity in the markets in which the related financial instruments are traded, expectations of future price and yield movements and the composition of the Company's investment portfolio. Under the Canadian insurance accounting and regulatory regime the Company's results for any period reflect equity market values and interest rates at the end of the period through mark-to-market accounting. Consequently, a decline in public equity market values or changes in interest rates or spreads could result in material changes to net income attributed to shareholders, increases to regulatory capital requirements and reduction in the Company's capital ratios.
The Company buys investment quality bonds to support, to a very large extent, the liabilities under the insurance and annuity policies of the Company. The Company's investment strategy also includes the use of publicly-listed common stocks or exchange-traded funds (ETFs) to support the liabilities under its insurance policies. Cash flows arising from these investments are intended to match the liquidity requirements of the Company's policies, within the limits prescribed by the Company. However, if the Company does not achieve the expected returns underlying the pricing of its products, its operating results may be adversely affected.

Furthermore, a decrease in the fair value of the Company's common stock portfolio results in reduced shareholders' equity, reduced policyholders' surplus and a reduced LICAT position. Regulatory pressure to increase capital escalates as the LICAT position approaches OSFI's supervisory minimum. Net income would also be reduced if the declines in value are realized through dispositions or recognized in provisions for impairment.

The Company manages this risk exposure mainly through investment limits and oversight of its investment managers by the Chief Investment Officer, Chief Actuary, the Asset Management Committee, and the Investment Committee of the Board. The Investment Committee actively monitors the investment portfolio and asset mix.

The Company's general fund investments are subject to limits established by the *Insurance Companies Act* and to investment guidelines established by the Investment Committee of the Board. The investment guidelines are designed to limit overall investment risk by defining investment objectives, eligible investments, diversification criteria, exposure, concentration and asset quality limits for eligible investments by segment. On at least a quarterly basis, management and the Company's investment managers report to the Investment Committee, and through the Investment Committee to the Board, on the performance of general and segregated funds and compliance with the investment guidelines.

The Company has an Asset Management Committee, which meets regularly and reports at least quarterly to the Investment Committee of the Board. The mandate of the Asset Management Committee includes monitoring of the matched position of Empire Life's investments in relation to its liabilities within the various segments of the Company's operations. The matching process is designed so that assets supporting policy liabilities closely match the timing and amount of policy obligations, and to plan for the appropriate amount of liquidity in order to meet its financial obligations as they fall due. Investments and asset/liability management guidelines, which are reviewed regularly with the Investment Committee, have been established to govern these activities. The Asset Management Committee reports regularly to the Investment Committee on the Company's matched positions, asset mixes, and investment allocation decisions relative to the Company's asset segments.

The Company has established a Capital Management Policy, capital management levels that exceed regulatory minimums and Financial Condition Testing (FCT) that takes into account the potential effect of adverse risk scenarios (including adverse market conditions and adverse interest rates) on the Company's capital position and liquidity. Management monitors its LICAT position on a regular basis and reports at least quarterly to the Board on the Company's LICAT.

For the Company, the most significant market risks are equity risk, interest rate risk and foreign exchange rate risk.

(1) Equity risk

The Company's investment portfolio consists primarily of bonds and equity securities and the fair value of its investments varies according to changes in general economic and securities market conditions, including volatility and declines in equity markets. Equity market volatility could occur as a result of general market volatility or as a result of specific social, political or economic events. A decline in securities markets could have an adverse impact on the return on assets backing capital, capital adequacy, and the management fees collected on segregated fund contracts, mutual funds and on index funds within universal life contracts and insurance policy liabilities and capital requirements, particularly in respect of segregated fund guarantees.

The risk of fluctuation of the market value of the Company's segregated funds and mutual funds is generally assumed by the policyholders and unit holders, respectively. Market value variations of such assets will result in variations in the income of the Company to the extent management fees are determined in relation to the value of such funds. A significant and steady decline of the securities markets may result in net losses on such products which could adversely affect the Company. Additionally, the majority of the Company's segregated fund products contain guarantees upon death, maturity or withdrawal, where the guarantee may be triggered by the market performance of the underlying funds. If a significant market decline is experienced, the resulting increased cost of providing these guarantees could have an adverse effect on the Company's financial position, LICAT position and results of operations. The Company has reinsured a portion of its segregated fund death benefit guarantee. The Company also has a semi-static, economic hedging program. The objective of the economic hedging program is to partially

protect the Company from possible future LICAT ratio declines that might result from adverse stock market price changes. The program presently employs put options and futures on key equity indices. Improper use of these instruments could have an adverse impact on earnings. The Company manages this risk by applying limits established by the Investment Committee in its investment guidelines, which set out permitted derivatives and permitted uses for derivatives, as well as limits to the use of these instruments. In particular, no leverage is permitted in the use of derivatives and strict counterparty credit restrictions are imposed.

The Company has an Equity Risk Hedging Policy to support general fund economic hedging programs. The policy outlines objectives, risk limits and authorities associated with its economic hedging activities. Management monitors its economic hedging activities on a regular basis and reports, at least quarterly, to the Risk and Capital Committee of the Board on the status of the economic hedging program.

The Company uses stochastic models to monitor and manage risk associated with segregated fund guarantees and establishes policyholder liability provisions in accordance with the Standards of Practice of the CIA. Product development and pricing policies also require consideration of portfolio risk and capital requirements in the design, development and pricing of the products. The Chief Actuary reports quarterly to the Risk and Capital Committee of the Board on the nature and value of the Company’s segregated fund guarantee liabilities, including capital requirements.

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 (described above). For segregated fund guarantees the level of sensitivity is highly dependent on the level of the stock market at the time of performing the sensitivity test. If period end 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.

	As at December 31, 2022			
	10% Increase	**10% Decrease**	**20% Increase**	**20% Decrease**
Shareholders' net income (including segregated fund guarantees)*	**$ 9,099**	**$ (12,968)**	**$ 19,396**	**$ (83,028)**
Policyholders' net income	**$ nil**	**$ nil**	**$ nil**	**$ nil**
Shareholders' other comprehensive income	**$ 3,023**	**$ (3,023)**	**$ 6,046**	**$ (6,046)**
Policyholders' other comprehensive income	**$ nil**	**$ nil**	**$ nil**	**$ nil**
	As at December 31, 2021			
	10% Increase	10% Decrease	20% Increase	20% Decrease
Shareholders' net income (including segregated fund guarantees)*	$ 17,836	$ (23,535)	$ 38,214	$ (80,708)
Policyholders' net income	$ nil	$ nil	$ nil	$ nil
Shareholders' other comprehensive income	$ 4,250	$ (4,250)	$ 8,500	$ (8,500)
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.

For the life insurance business, the Company’s policy is to use equity investments to cover a portion of the estimated insurance liability cash flows of non-participating life and universal life products beyond 20 years following the balance sheet date. The value of the liabilities supported by these equity investments depends on assumptions about the future level of equity markets. The best-estimate return assumptions for equities are primarily based on long-term historical averages of total returns (including dividends) for the Canadian equity market, which is 8.9%

(2021 9.2%). The Company uses an assumption of 7.6% (2021 7.2%) to include provisions for moderate changes in equity rates of return determined in accordance with Canadian actuarial standards of practice. The returns are then reduced by margins to determine the net returns used in the valuation. Changes in the current market would result in changes to these assumptions.

The impact of an immediate change in equity markets is described above. If the change in equity markets persisted for one year, then a change to the actuarial future equity market return assumption would be made. For non-participating insurance business, a 1.0% decrease in future equity market returns would result in an increase to policy liabilities thereby reducing Net income by approximately $87,300 (2021 $129,800).

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

As at December 31		**2022**		2021
Holdings of common equities in the 10 issuers to which the Company had the greatest exposure	**$**	**574,892**	$	709,451
Percentage of total cash and investments		**6.8%**		7.0%
Exposure to the largest single issuer of common equities	**$**	**348,714**	$	454,457
Percentage of total cash and investments		**4.2%**		4.5%

(2) Interest rate risk

Interest rate risk arises when economic losses are incurred due to the need to reinvest or divest during periods of changing interest rates. Changes in interest rates, as a result of the general market volatility or as a result of specific social, political or economic events, could have an adverse effect on the Company's business and profitability in several ways. Certain of the Company's product offerings contain guarantees and, if long-term interest rates fall below those guaranteed rates, the Company may be required to increase policy liabilities against losses, thereby adversely affecting its operating results. Interest rate changes can also cause compression of net spread between interest earned on investments and interest credited to customers, thereby adversely affecting the Company's operating results.

Rapid declines in interest rates may result in, among other things, increased asset calls and mortgage prepayments and require reinvestment at significantly lower yields, which could adversely affect earnings. Additionally, during periods of declining interest rates, bond redemptions generally increase, resulting in the reinvestment of such funds at lower current rates. Rapid increases in interest rates may result in, among other things, increased surrenders. Fluctuations in interest rates may cause losses to the Company due to the need to reinvest or divest during periods of changing interest rates, which may force the Company to sell investment assets at a loss. In addition, an interest rate sensitivity mismatch between assets and the liabilities that they are designated to support could have an adverse effect on the Company's financial position and operating results.

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 December 31, 2022						
		50 bps Increase		**50 bps Decrease**		**100 bps Increase**		**100 bps Decrease**
Shareholders' net income	**$**	**6,049**	**$**	**(7,528)**	**$**	**10,158**	**$**	**(15,641)**
Policyholders' net income	**$**	**199**	**$**	**(218)**	**$**	**382**	**$**	**(457)**
Shareholders' other comprehensive income	**$**	**(43,588)**	**$**	**51,364**	**$**	**(79,519)**	**$**	**110,403**
Policyholders' other comprehensive income	**$**	**(1,885)**	**$**	**2,101**	**$**	**(3,551)**	**$**	**4,422**

	As at December 31, 2021			
	50 bps Increase	50 bps Decrease	100 bps Increase	100 bps Decrease
Shareholders' net income	$ 6,366	$ (7,068)	$ 12,109	$ (14,929)
Policyholders' net income	$ 281	$ (310)	$ 538	$ (651)
Shareholders' other comprehensive income	$ (52,995)	$ 62,918	$ (96,042)	$ 135,784
Policyholders' other comprehensive income	$ (1,363)	$ 1,447	$ (2,647)	$ 2,974

The computation of policy liabilities takes into account projected investment income net of investment expenses from the assets supporting policy liabilities, and investment income expected to be earned on reinvestments. The assets supporting the policy liabilities are segmented from the assets backing shareholders' and policyholders' equity. For life and health insurance, the projected cash flows from the assets supporting policy liabilities are combined with estimated future reinvestment rates based on both the current economic outlook and the Company's expected future asset mix. In order to provide a margin that recognizes the mismatch of assets and liabilities, the cash flows are subjected to tests under a wide spectrum of possible reinvestment scenarios, and the policy liabilities are then adjusted to provide for credible adverse future scenarios.

In order to match the savings component of policy liabilities that vary with a variety of indices and currencies, the Company maintains certain equity, bond and currency financial instruments as part of its general fund assets. Asset-liability mismatch risk for these liabilities is monitored regularly.

For the life insurance business, where the Insurance contract liabilities have a longer term than most available bonds and mortgages, the Company will need to reinvest net cash flows arising in the future to extend the duration of its assets. Under the Standards of Practice of the CIA, the yields assumed for these future reinvestments are related to current interest rates, the current economic outlook and the Company's expected future asset mix. The reinvestment assumption grades from the initial reinvestment rate (IRR) assumption to the ultimate reinvestment rate (URR) assumption over the rolling 40-year period following the balance sheet date.

The estimated impact of an immediate change in interest rates is described above. If interest rates increase or decrease during the next year, then a change to the IRR assumption would be required to take into account the then-current economic outlook. For non-participating insurance business, a 1.0% decrease in interest rates would cause a decrease in reinvestment assumption for the next 40-years, resulting in an increase to policy liabilities thereby reducing net income by approximately $43,700 (2021 $50,800). This assumes no change in the URR assumption.

For investment income expected to be earned on reinvestments beyond the rolling 40-year period, the Company uses an URR assumption. Under the Canadian Asset Liability Method (CALM), the URR assumption is prescribed as a long-term ultimate risk-free reinvestment rate of 2.9% (2021 2.9%) plus a maximum amount for credit spreads minus asset default rates of 0.9% (2021 0.9%). The Company uses a total URR of 3.8% (2021 3.8%). The prescribed level of the URR assumption may be periodically changed by the Actuarial Standards Board.

In order to provide a margin that recognizes the longer-term mismatch, the cash flows are subjected to tests under a wide spectrum of possible reinvestment scenarios (as prescribed under CALM), and the insurance contract liabilities reflect amounts for credible adverse future scenarios.

For annuity business, where the timing and amount of the benefit obligations can be more readily determined, much closer matching of the asset and liability cash flows is possible, and applied, which helps mitigate the potential impact on the business from a sudden increase or decrease in interest rates. For annuity business, the impact a 1.0% decrease in assumed IRR has on policy liabilities and subsequently on Net income is negligible as a result of the matching process described above.

Interest rate risk in Empire Life's investment portfolio is managed through Investment Committee established limits and regular reporting by management to the Investment Committee and the Board. The Company's investment guidelines establish investment objectives and eligible interest rate sensitive investments, as well as establish diversification criteria, exposure, concentration and asset quality limits for these investments. The Asset Management Committee oversees sensitivity to interest rates. The objective is to maximize investment yields while managing the default, liquidity and reinvestment risks at acceptable levels and within risk tolerances. Product development and pricing policies and practices also require consideration of interest rate risk in the design, development and pricing of the products.

(3) Foreign exchange rate risk

Foreign exchange rate risk arises when the fair value of cash flows of a financial instrument fluctuate due to changes in exchange rates. This can create an adverse effect on earnings and equity when measured in the Company's functional currency.

The Company's primary foreign currency exposure arises from portfolio investments denominated in US dollars. A 10% fluctuation in the US dollar would have an impact of approximately $ nil (2021 $ nil) on shareholders' Net income, $ nil (2021 $ nil) on policyholder's Net income, $ nil (2021 $ nil) on shareholders' OCI and $ nil (2021 $ nil) on policyholders' OCI. The Company's exposure to foreign currency risk in its financial liabilities is not material.

The Company uses derivative instruments, including futures contracts and foreign currency forward contracts, to manage foreign exchange risks. Improper use of these instruments could have an adverse impact on earnings. The Company manages this risk by applying limits established by the Investment Committee in its investment guidelines, which set out permitted derivatives and permitted uses for derivatives, as well as limits to the use of these instruments. In particular, no leverage is permitted in the use of derivatives and strict counterparty credit restrictions are imposed.

The Company has a Foreign Exchange Risk Management Policy which outlines objectives, risk limits and authority associated with any foreign exchange rate exposure. Oversight and management of this policy falls under the responsibility of the Asset Management Committee, which reports exposures and any breaches to the Risk and Capital Committee of the Board.

(b) Liquidity risk

Liquidity risk is the risk that an entity will not be able to fund all cash outflow commitments or obligations as they fall due or that, in order to fund commitments, an entity may have to sell assets at depressed prices resulting in losses at time of sale. Cash outflows could be in the form of benefit payments to policyholders, expenses, asset purchases and interest on debt. The majority of the Company's obligations relate to its policy liabilities, the duration of which varies by line of business and expectations relating to key policyholder actions or events (i.e., cash withdrawal, mortality, and morbidity). The remaining obligations of the Company relate to the subordinated debt (refer to Note 14 - Subordinated Debt) and the Limited Recourse Capital Notes, and to ongoing operating expenses as they fall due, which are expected to settle in a very short period of time.

The Company's liquidity risk management strategy is to ensure that there will be sufficient cash to meet all financial commitments and obligations as they become due.

The Company's liquidity risk management program is monitored by management and by the Board of the Company through regular reporting to the Investment Committee. The Company monitors its cash flow obligations and meets its liquidity needs by holding high quality marketable investments that may be easily sold, if necessary, and by maintaining a portion of investments in cash and short-term investments.

The Company maintains a liquidity policy requiring an assessment of the Company's liquidity risk and specific procedures so that liquidity needs are met. Compliance with the policy is monitored by the Asset Management Committee and exposures and breaches are reported to the Investment Committee of the Board. The Company's current liquidity position as at December 31 is provided in a table in Note 11(e). Based on the Company's historical cash flows and current financial performance, management believes that the cash flows from the Company's operating activities will continue to provide sufficient liquidity for the Company to satisfy debt service obligations and to pay other expenses.

The following table shows details of the expected maturity profile of the Company's undiscounted obligations with respect to its financial liabilities and estimated cash flows of policy liabilities. Subordinated debt that are not due at a single maturity date are included in the tables in the year of final maturity. Actual maturities could differ from contractual maturities because of the borrower's right to call or extend prepay obligations, with or without prepayment penalties. Policy liability cash flows include estimates related to the timing and payment of death and disability claims, policy maturities, annuity payments, policyholder dividends, amounts on deposit, commission and premium taxes offset by contractual future premiums and fees on in-force business. Recoverables from reinsurance agreements are also reflected. Segregated fund liabilities are excluded from this analysis. These estimated cash flows are based on the best estimate assumptions, with margins for adverse deviations, used in the determination of policy liabilities. The actuarial and other policy liability amounts included in the Company's 2022 Consolidated Financial Statements are based on the present value of the estimated cash flows. Due to the use of assumptions, actual cash flows will differ from these estimates.

	As at December 31, 2022				
	1 year or less	**1 - 5 years**	**5 - 10 years**	**Over 10 years**	**Total**
Insurance contract liabilities	**$ 76,242**	**$ 271,902**	**$ 776,718**	**$ 26,503,823**	**$ 27,628,685**
Investment contract liabilities	**3,554**	**13,637**	**10,092**	**7,011**	**34,294**
Subordinated debt	**14,726**	**69,672**	**439,308**	**—**	**523,706**
Preferred shares	**5,865**	**24,748**	**101,547**	**—**	**132,160**
Limited recourse capital notes	**7,250**	**39,024**	**248,668**	**—**	**294,942**
Accounts payable and Other liabilities	**330,508**	**30,117**	**—**	**—**	**360,625**
Total	**$ 438,145**	**$ 449,100**	**$ 1,576,333**	**$ 26,510,834**	**$ 28,974,412**

	As at December 31, 2021				
	1 year or less	1 - 5 years	5 - 10 years	Over 10 years	Total
Insurance contract liabilities	$ 69,210	$ 175,021	$ 706,802	$ 25,147,726	$ 26,098,759
Investment contract liabilities	3,365	13,457	10,686	7,840	35,348
Subordinated debt	11,548	228,852	206,760	—	447,160
Preferred shares	4,900	101,225	—	—	106,125
Limited recourse capital notes	7,250	33,296	261,646	—	302,192
Accounts payable and Other liabilities	266,240	40,104	24,339	—	330,683
Total	$ 362,513	$ 591,955	$ 1,210,233	$ 25,155,566	$ 27,320,267

The Asset Management Committee, which meets regularly, monitors the matched position of the Company's investments in relation to its liabilities within the various segments of its operations. The matching process is designed to require that assets supporting policy liabilities closely match, to the extent possible, the timing and amount of policy obligations, and to plan for the appropriate amount of

liquidity in order to meet its financial obligations as they fall due. The Company maintains a portion of its investments in cash, cash equivalents and short-term investments to meet its short-term funding requirements. As at December 31, 2022, 2.2% (2021 2.0%) of cash and investments were held in these shorter duration investments.

(c) Credit risk

Credit risk is the possibility of loss from amounts either owed by financial counterparties, such as debtors, reinsurers and other financial institutions, or in connection with issuers of securities held in an asset portfolio. The Company is subject to credit risk which arises from debtors or counterparties who are unable to meet their obligations under debt or derivative instruments. This credit risk is derived primarily from investments in bonds, debentures, preferred shares, cash and cash equivalents, mortgages and from reinsurers under reinsurance agreements.

The Company manages this risk by applying its investment guidelines and reinsurance risk management policy established by the Investment Committee and Risk and Capital Committee of the Board respectively. The investment guidelines establish minimum credit ratings for issuers of bonds, debentures and preferred share investments, and provide for concentration limits by issuer of such debt instruments. Management and Board committees review credit quality relative to investment purchases and also monitor the credit quality of invested assets over time. Management reports regularly to the Investment Committee of the Company's Board on the credit risk to which the portfolio is exposed. The Reinsurance Risk Management Policy (along with supporting material in the Product Design and Pricing Risk Management Policy) establishes reinsurance objectives and limits, and requires ongoing evaluation of reinsurers for financial soundness. The Company enters into long-term reinsurance agreements only with reinsurance companies that have a credit rating of "A-" or better.

Credit risk analysis includes the consideration of credit spreads. From an investment perspective, when buying credit the Company is guided by two principles; first that there is a high likelihood of return of principal and second that there is an acceptable return on investment. The Company looks to obtain a risk/reward balance that aligns with its objectives and risk philosophy. When determining Insurance contract liabilities, credit spreads and changes in credit spreads are reflected in the interest rate assumption.

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

As at December 31	2022	2021
Cash and cash equivalents	**$ 175,523**	$ 193,217
Short-term investments	**9,031**	8,647
Bonds	**6,744,757**	8,149,460
Preferred shares	**402,165**	441,339
Derivative assets	**9,776**	6,302
Mortgages	**119,556**	153,564
Reinsurance	**192,058**	175,933
Loans on policies	**59,979**	56,917
Policy contract loans	**46,865**	52,808
Accrued investment income	**50,291**	42,379
Insurance receivables	**81,083**	48,700
Trade accounts receivable	**8,506**	6,696
Total	**$ 7,899,590**	$ 9,335,962

Mortgages, Loans on policies and Policy contract loans are fully or partially secured.

The Company has made provision in its Consolidated Statements of Financial Position for credit losses. Provisions have been made partly through reduction in the value of the assets (see Note 3(b)) and partly through a provision in policy liabilities (see Note 11(c)).

Concentration of credit risk

(1) Bonds and debentures
The concentration of the Company's bond portfolio by investment grade is as follows:

As at December 31	2022		2021	
	Fair value	**% of Fair value**	Fair value	% of Fair value
AAA	**$ 351,680**	**5 %**	$ 484,746	6 %
AA	**1,537,528**	**23 %**	2,059,678	25 %
A	**3,078,452**	**45 %**	3,879,522	47 %
BBB	**1,731,033**	**26 %**	1,681,358	21 %
BB (and lower ratings)	**46,064**	**1 %**	44,156	1 %
Total	**$ 6,744,757**	**100 %**	$ 8,149,460	100%

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 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 December 31	2022	2021
Provincial bond holdings	**$ 2,730,730**	$ 3,739,035
Percentage of total bond holdings	**40.5%**	45.9%

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

As at December 31	2022		2021	
	Fair value	**% of Fair value**	Fair value	% of Fair value
1 year or less	**$ 393,179**	**6%**	$ 150,713	2%
1 - 5 years	**816,633**	**12%**	991,282	12%
5 - 10 years	**504,238**	**7%**	757,588	9%
Over 10 years	**5,030,707**	**75%**	6,249,877	77%
Total	**$ 6,744,757**	**100 %**	$ 8,149,460	100%

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 December 31	2022	2021
Holdings of fixed income securities* in the 10 issuers (excluding federal governments) to which the Company had the greatest exposure	**$ 3,384,587**	$ 4,416,034
Percentage of total cash and investments	**40.3%**	43.8%
Exposure to the largest single issuer of corporate bonds	**$ 167,572**	$ 269,638
Percentage of total cash and investments	**2.0%**	2.7%

*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% (2021 1%) rated as P1, 99% rated as P2 (2021 96%) and 0% (2021 3%) rated as P3.

(3) Mortgages

Mortgages in the province of Ontario represent the largest concentration with $119,556 or 100% (2021 $153,564 or 100%) of the total mortgage portfolio.

(d) Product risk

The Company provides a broad range of life insurance, health insurance and wealth management products, employee benefit plans, and financial services that are concentrated by product line as follows:

(millions of dollars)	Wealth Management		Group Solutions		Individual Insurance		Capital & Surplus		Total	
For the year ended December 31	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Net premium income	**$ 139.6**	$ 74.6	**$ 452.3**	$ 407.3	**$ 450.7**	$ 433.6	**$ —**	$ —	**$ 1,042.6**	$ 915.5
Fee and other income	**251.3**	258.5	**15.4**	13.6	**0.1**	0.5	**16.3**	0.1	**283.1**	272.7
Total	**$ 390.9**	$ 333.1	**$ 467.7**	$ 420.9	**$ 450.8**	$ 434.1	**$ 16.3**	$ 0.1	**$ 1,325.7**	$ 1,188.2

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

Economic and environmental events, such as natural disasters, human-made disasters as well as pandemics, could occur in regions where Empire Life has significant insurance coverage, impacting financial results. The Company regularly evaluates its exposure to foreseeable risks through stress testing techniques including FCT analysis.

The principal risk the Company faces under insurance contracts is the risk that experience on claims, policy lapses and operating expenses will not emerge as expected. To the extent that emerging experience is more favourable than assumed in the valuation, income will emerge. If emerging experience is less favourable, losses will result. Therefore, the objective of the Company is to establish sufficient insurance liabilities to cover these obligations with reasonable certainty.

The computation of insurance liabilities and related reinsurance recoverable requires “best estimate” assumptions covering the remaining life of the policies. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market trends and other published information. These assumptions are made for mortality, morbidity, longevity, lapse, expenses, inflation and taxes. Due to the long-term risks and measurement uncertainties inherent in the life insurance business, a margin for adverse deviations from best estimates is calculated separately for each variable and included in policy liabilities. These margins are intended to allow for possible deterioration in experience and to provide greater confidence that policy liabilities are adequate to pay future benefits. The effect of these margins is to increase policy liabilities over the best estimate assumptions.

The margins for adverse deviation used by the Company are within the target range established by the CIA. A correspondingly larger margin is included in the insurance contract liabilities if an assumption is susceptible to change or if there is more uncertainty about the best estimate assumption. Each margin is reviewed annually for continued appropriateness.

Policy liability assumptions are reviewed and updated at least annually by the Company's Appointed Actuary. The impact of changes in those assumptions is reflected in earnings in the year of the change. Details related to the changes in assumptions are also discussed with the Audit Committee of the Board. The methods for arriving at the most material of these assumptions are outlined below. Also included are measures of the Company's estimated net income sensitivity to changes in best estimate assumptions in the non-participating insurance liabilities, based on a starting point and business mix as of December 31, 2022. For participating business it is assumed that changes will occur in policyholder dividend scales corresponding to changes in best estimate assumptions such that the net change in participating insurance contract liabilities is immaterial.

(1) Mortality

The Company carries out an annual mortality study. The valuation mortality assumptions are based on a combination of Company experience and recent CIA industry experience. An increase in the rate of mortality will lead to a larger number of claims (and claims could occur sooner than anticipated), which for life insurance, will increase expenditures and reduce profits for the shareholders.

For non-participating insurance business, a 2.0% increase in the best estimate mortality assumption would increase policy liabilities thereby decreasing Net income by approximately $16,000 (2021 $18,600).

For annuity business, lower mortality (or longevity) is financially adverse so a 2.0% decrease in the best estimate mortality assumption would increase policy liabilities thereby decreasing Net income by approximately $2,800 (2021 $3,200).

(2) Policyholder behaviour (termination or lapse)

Policy termination (lapse) and surrender assumptions are based on a combination of the Company's own internal termination studies and recent CIA industry experience. Separate policy termination assumptions are used for permanent cash-value business, for renewable term insurance, term insurance to age 100 and for universal life insurance. In setting policy termination rates for renewable term insurance, it is assumed that extra lapses will occur at each renewal point and that healthy policyholders are more likely to lapse at that time than those who have become uninsurable.

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

For non-participating insurance and annuity business, a 10.0% adverse change in the lapse assumption would result in an increase to policy liabilities thereby decreasing Net income by approximately $140,000 (2021 $173,500). For products where fewer terminations would be financially adverse to the Company, the change is applied as a decrease to the lapse assumption. Alternatively, for products where more terminations would be financially adverse to the Company, the change is applied as an increase to the lapse assumption.

(3) Expenses

Policy liabilities provide for the future expense of administering policies in force, renewal commissions, general expenses and taxes. Expenses associated with policy acquisition and issue are specifically excluded. The future expense assumption is derived from internal cost studies and includes an assumption for inflation.

An increase in the level of expenses would result in an increase in expenditure thereby reducing profits for the shareholders.

For non-participating insurance business and annuity business combined, a 5% increase in the maintenance expense assumption would result in an increase to policy liabilities thereby reducing net income by approximately $6,800 (2021 $6,800).

(4) Morbidity

The Company carries out annual internal studies of its own morbidity experience where morbidity refers to both the rates of accident or sickness and the rates of recovery from the accident or sickness. The valuation assumptions are based on a combination of internal experience and recent CIA industry experience.

For individual and group critical illness business, the incidence rates (or rates of accident or sickness) are the key assumption related to morbidity. An increase in incidence rates would result in an increase in the number of claims which increases expenditures and reduces shareholders' profits. For group long-term disability business the termination rates (or rates of recovery) are the key assumption related to morbidity. A decrease in termination rates would result in disability claims persisting longer which increases expenditures.

For non-participating insurance business where morbidity is a significant assumption, a 5% adverse change in the assumption would result in an increase to policy liabilities thereby reducing Net income by approximately $8,300 (2021 $9,100).

(5) Product design and pricing risk

The Company is subject to the risk of financial loss resulting from transacting insurance business where the costs and liabilities assumed in respect of a product exceed the expectations reflected in the pricing of the product. This risk may be due to an inadequate assessment of market needs, a poor estimate of the future experience of several factors, such as mortality, morbidity, lapse, future returns on investments, expenses and taxes, as well as the introduction of new products that could adversely impact the future behaviour of policyholders.

For certain types of contracts, all or part of this risk may be shared with or transferred to the policyholder through dividends and experience rating refunds or through the fact that the Company can adjust the premiums or future benefits if experience turns out to be different than expected. For other types of contracts, the Company assumes the entire risk and thus must carry out a full valuation of the commitments in this regard. Empire Life may transfer some of this risk through a reinsurance arrangement.

The Company manages product design and pricing risk through a variety of enterprise-wide programs and controls. The key programs and controls are described as follows. The Company has established policy liabilities in accordance with standards set forth by the CIA. Experience studies (both Company-specific and industry level) are factored into ongoing valuation, renewal and new business processes so that policy liabilities, as well as product design and pricing, take into account emerging experience. The Company has established an active capital management process that includes a Capital Management Policy and capital management levels that exceed regulatory minimums. As prescribed by regulatory authorities, the Appointed Actuary conducts FCT and reports annually to the Audit Committee on the Company's financial condition, outlining the impact on capital levels should future experience be adverse. The Company has a Product Design and Pricing Risk Management Policy governing all of its major product lines. This policy, which is established by the Product Management Review Committee ("PMRC") and approved by the Risk and Capital Committee of the Board, defines the Company's product design and pricing risk management philosophy. The policy sets out principles for prudent product design and pricing, approval authorities, product concentration limits, and required product development monitoring processes and controls.

(6) Underwriting and claims risk

The Company is subject to the risk of financial loss resulting from the selection and underwriting of risks to be insured and from the adjudication and settlement of claims. Many of the Company's individual insurance and group disability products provide benefits over the policyholder's lifetime. Actual claims experience may differ from the mortality and morbidity assumptions used to calculate the related premiums. Catastrophic events such as earthquakes, acts of terrorism or an influenza pandemic in Canada could result in adverse claims experience.

In addition to the risk management controls described above under Product Design and Pricing Risk, the Company also manages underwriting and claims risk through its Underwriting and Liability Risk Management Policy which governs each of its major product lines. This policy is established by the PMRC and approved by the Risk and Capital Committee of the Board. It defines the Company's underwriting and claims management philosophy and sets out principles for prudent underwriting and claims management including, underwriting classification, claims requirements, approval authorities and limits, and ongoing risk monitoring. The Company uses reinsurance to mitigate excessive exposure to adverse mortality and morbidity experience. The PMRC reviews and establishes retention limits for its various product lines and the Risk and Capital Committee of the Board recommends changes to these retention limits for approval by the Board.

(7) Reinsurance risk

The Company is subject to the risk of financial loss due to inadequate reinsurance coverage or a default of a reinsurer. Amounts reinsured per life vary according to the type of protection and the product. The Company also maintains a catastrophe reinsurance program, which provides protection in the event that multiple insured lives perish in a common accident or catastrophic event. Although the Company relies on reinsurance to mitigate excessive exposure to adverse mortality and morbidity experience, reinsurance does not release it from its primary commitments to its policyholders and it is exposed to the credit risk associated with the amounts ceded to reinsurers. The availability and cost of reinsurance are subject to prevailing reinsurance market conditions, both in terms of price and availability, which can also affect earnings.

The Reinsurance Risk Management Policy establishes reinsurance objectives and limits, and requires ongoing evaluation of reinsurers for financial soundness. As reinsurance does not release a company from its primary commitments to its policyholders, an ongoing oversight process is critical. The PMRC reports annually to the Risk and Capital Committee of the Board on reinsurance activities. Most of Empire Life's reinsurance is on an excess basis, meaning Empire Life retains 100% of the risk up to its retention level. Effective April 1, 2020, Empire Life updated its single life retention limit for new business to $1,500 in face amount (previously $500). For some insurance risk categories and/or products, retention levels below this maximum are applied. Reinsurance is used to limit losses, minimize exposure to significant risks and to provide capacity for growth. As a result of the retention limit increase, recapture provisions of all eligible reinsurance treaties were exercised commencing April 1, 2020. These activities result in an increase in product risk for Empire Life, which it deems acceptable.

The Company does not have any assumed reinsurance business.

(e) Significant Developments

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

Management is monitoring the developments in equity markets generally, and their effects on the Company's investment portfolios in particular. The duration and impacts of these events cannot currently be determined. Unexpected developments in financial markets and regulatory environments, may also have adverse impacts on the Company's financial results.

The Company has considered these events and their effects when applying the measurement techniques for critical accounting estimates and judgments provided in Note 2(c). The potential effect on the Company's financial results due to fluctuations in equity markets and interest rates are provided in Note 28(a).

29. Business Acquisition

On March 10, 2022, the Company acquired 100% of the shares of six financial services firms and amalgamated them into one wholly-owned subsidiary of Empire Life under the name TruStone Financial Inc. ("TruStone Financial"). The six purchased agencies are Life Management Financial Group Ltd., LMF Investor Services Inc., Paradigm Financial Advisors (North) Inc., Paradigm Financial Advisors Inc., Dwight Goertz & Associates Insurance Agency Limited, and Pacific Place Financial Services Inc. The acquisitions support the Company's commitment to facilitating access to independent financial advice for Canadians.

Total consideration for the 100% acquisition of TruStone Financial was paid with $57,910 in cash. The purchase price is primarily comprised of goodwill and intangible assets, including customer relationships, distributor relationships, and non-competition agreement.

The fair values of the identifiable assets acquired and liabilities assumed were:

As at		**March 10, 2022**
Intangible assets	**$**	**32,500**
Other net assets		**945**
Total identifiable net assets at fair value		**33,445**
Goodwill arising on acquisition (Note 8)		**24,465**
Total consideration	**$**	**57,910**

The fair values of the identifiable assets and liabilities are subject to refinement and may be adjusted to incorporate new information about the facts and circumstances that existed on acquisition during the measurement period.

30. Subsequent Events

(a) Debenture Issue

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

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

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

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

(b) Debenture Redemption

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

The redemption has been approved by the OSFI.

This page has been left blank intentionally.

Empire Life Consolidated Financial Statements 2022

Established in 1923 and a subsidiary of E-L Financial Corporation Limited, The Empire Life Insurance Company provides individual and group life and health insurance, investment and retirement products.

Our mission is to make it simple, fast and easy for Canadians to get the products and services they need to build wealth, generate income, and achieve financial security.

Follow us on social media @EmpireLife or visit empire.ca for more information including current ratings and financial results.

Transfer Agent and Registrar
TSX Trust Company
301 - 100 Adelaide Street West
Toronto, Ontario M5H 4H1
Phone 416-682-3860
Toll Free 800-387-0825
www.tsxtrust.com

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
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 info@empire.ca

A-0004-ENG-03/23