The Empire Life Insurance Company

Consolidated Financial Statements
For the year ended December 31, 2023

Empire Life®

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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 as issued by the International Accounting Standards Board (IASB) (IFRS Accounting Standards).

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 Accounting Standards. 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, 2023. Based on that evaluation, management concluded that the Company's internal control over financial reporting was effective as at December 31, 2023.

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 insurance contract 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 insurance contract liabilities at the consolidated statement of financial position date and are appropriate for its purpose. Examination of supporting data for accuracy and completeness and analysis of Company assets for their ability to support the amount of insurance contract 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

Rebecca Rycroft
Senior Vice-President and Chief Financial Officer
Kingston, Ontario

Appointed Actuary's Report

To the policyholders and shareholders of The Empire Life Insurance Company

I have valued the policy liabilities of Empire Life for its Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) (IFRS Accounting Standards) for the year ended 31 December 2023.

In my opinion, the amount of policy liabilities is appropriate for its purpose. The valuation conforms to accepted actuarial practice in Canada 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 29, 2024

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, 2023 and 2022 and January 1, 2022, and its financial performance and its cash flows for the years ended December 31, 2023 and 2022 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2023 and 2022 and January 1, 2022;
- the consolidated statements of operations for the years ended December 31, 2023 and 2022;
- the consolidated statements of comprehensive income for the years ended December 31, 2023 and 2022;
- the consolidated statements of changes in equity for the years ended December 31, 2023 and 2022;
- the consolidated statements of cash flows for the years ended December 31, 2023 and 2022; and the notes to the consolidated financial statements, comprising material accounting policy information 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, 2023. 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.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>

Valuation of insurance contract liabilities – Estimation of fulfilment cash flows

Refer to note 2 – Material accounting policies and note 10 – Insurance contracts and reinsurance contracts held to the consolidated financial statements.

The Company has insurance contract liabilities of $15.2 billion, reinsurance contracts held liabilities of $0.3 billion and reinsurance contracts held assets of $0.3 billion as at December 31, 2023. Insurance contract liabilities consist of:

- fulfilment cash flows (FCFs) comprising unbiased and probability weighted estimates of future cash flows, discounted to present value to reflect the time value of money and financial risks, plus a risk adjustment for non-financial risk (risk adjustment) and;
- contractual service margin (CSM) representing the unearned profit in the group of insurance contracts.

Reinsurance contracts held consist of FCFs ceded to reinsurers and a CSM representing the net cost or net gain deferred in the group of reinsurance contracts.

Measurement of the FCFs requires management judgments in estimating the probability weighted mean of future cash flows on a present value basis, in addition to applying a risk adjustment. Estimates of expected cash flows incorporate assumptions used in the stochastic modelling of guarantees for segregated funds and best-estimate assumptions for mortality, morbidity, longevity, expenses, and policyholder behaviour, as well as assumptions for discount rates and the risk adjustment. These assumptions are reviewed and updated at least annually by the Company's Appointed Actuary.

We considered this a key audit matter due to the judgment applied by management when determining the FCFs, which in turn led to a high degree of auditor judgment and effort in evaluating specifically the significant best-estimate assumptions for mortality, policyholder behaviour, discount rates, the assumptions used in the stochastic modelling of guarantees for segregated funds, and the risk adjustment. Professionals with specialized skill and knowledge in the field of actuarial sciences assisted us in performing our procedures.

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Our approach to addressing the matter included the following procedures, among others:

- Tested how management determined the FCFs, which included the following:
  - Tested the operating effectiveness of certain controls over the actuarial models used in management's determination of FCFs and certain controls related to the completeness and accuracy of data used in the calculation of FCFs.
  - Tested accuracy and completeness of data used in the estimates of future cash flows.
  - 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 mortality, policyholder behaviour, discount rates, assumptions used in the stochastic modelling of guarantees for segregated funds, and the risk adjustment by:
    - Evaluating these assumptions in accordance with the requirements of the Canadian Institute of Actuaries (CIA).
    - Evaluating the Company's internal experience studies for appropriateness and considering the relationship of the results with recent CIA industry experience and observable market information.
  - With the assistance of professionals with specialized skill and knowledge in the field of actuarial science, evaluated a sample of actuarial models used in management's determination of the FCFs, by:
    - Assessing the appropriateness of the modelling of product features.
    - Assessing the appropriateness of the application of best-estimate assumptions for mortality, policyholder behaviour, discount rates, assumptions used in the stochastic modelling of guarantees for segregated funds and the risk adjustment.
- Assessed the disclosures made in the consolidated financial statements, particularly on the sensitivity of best-estimate assumptions on insurance contract liabilities.

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<tr><td>

Adoption of IFRS 17, *Insurance Contracts* – Contractual service margin (CSM) determined using the fair value approach as at January 1, 2022

Refer to note 2 – Material accounting policies and note 10 – Insurance contracts and reinsurance contracts held to the consolidated financial statements.

On January 1, 2023, the Company has retrospectively adopted IFRS 17, Insurance Contracts (IFRS 17) which impacted how the Company recognizes, measures, presents and discloses insurance contracts. In adopting the new standard, the Company used judgment in implementing accounting policies, including accounting policy choices specific to transition.

Due to the lack of historical data, the Company applied the fair value approach in determining the transition CSMs as at January 1, 2022 for all lines of business except for group insurance.

This transition CSM of $1.5 billion for insurance contracts issued and $0.2 billion for reinsurance contracts held was determined as the difference between the fair value of the groups of insurance contracts and the FCFs measured at the date of transition.

Management used an income approach to calculate the fair value of the insurance contracts liabilities at the transition date. The weighted average cost of capital (WACC), Life Insurance Capital Adequacy Test (LICAT) targets and underlying insurance assumptions used in applying the fair value approach were determined using market rates for a company of Empire Life Insurance Company’s size and capital sources as at January 1, 2022, which were considered to be consistent with those of a market participant in Canada. Allowances were made for the uncertainty around changes to segregated fund regulatory capital requirements expected in 2025.

We considered this a key audit matter due to (i) the judgment used by management when adopting IFRS 17, specifically determining the transition CSM using the fair value approach, (ii) a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence related to management’s judgments and assumptions used to determine the transition CSM using the fair value approach, specifically the actuarial methodology used in the income approach and the market participant assumptions for the WACC and the LICAT targets, and (iii) the audit effort involved the use of professionals with specialized skills and knowledge.

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Our approach to addressing the matter included the following procedures, among others:

- Evaluated the appropriateness of management’s IFRS 17 accounting policies and tested that they were appropriately implemented.
- Tested how management determined the fair value of the group of insurance contracts to measure the transition CSM as at January 1, 2022, which included the following:
  - With the assistance of professionals with specialized skill and knowledge in the field of actuarial science and valuations, assessed the reasonableness of the market participant assumptions used for the WACC and the LICAT targets by independently constructing a WACC and capital target benchmarking against industry experience.
  - Reconciled underlying insurance assumptions to the assumptions used in the FCFs.
  - With the assistance of professionals with specialized skill and knowledge in the field of actuarial science, evaluated the appropriateness of the actuarial methodology
- Assessed the disclosures made in the consolidated financial statements about the adoption of IFRS 17, including the CSM at transition determined using the fair value approach.

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Independent Auditor's Report

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 Accounting Standards, 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.

Independent Auditor's Report

- 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

PricewaterhouseCoopers LLP
Chartered Professional Accountants, Licensed Public Accountants
Toronto, Ontario
February 29, 2024

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

As at	Notes	December 31, 2023	December 31, 2022 restated	January 1, 2022 restated
Assets				
Cash and cash equivalents	3	$ **347,707**	$ 175,523	$ 193,218
Investments	3	**8,916,945**	8,160,299	9,839,335
Accrued investment income		**49,068**	48,645	40,789
Current tax asset		**—**	46,644	15,241
Other assets	4	**32,193**	32,725	16,765
Reinsurance contracts held assets	10	**281,359**	310,044	283,299
Property and equipment		**13,751**	13,642	14,889
Deferred tax asset	14	**89,444**	89,623	93,123
Investment in associates		**34,891**	29,816	22,504
Intangible assets	5	**61,511**	60,571	28,511
Goodwill	6	**24,950**	24,465	—
Segregated fund assets	8	**8,812,724**	8,565,675	9,257,298
Total assets		$ **18,664,543**	$ 17,557,672	$ 19,804,972
Liabilities				
Insurance contract liabilities, excluding segregated fund account balances	10	$ **6,708,434**	$ 6,145,378	$ 7,598,470
Reinsurance contracts held liabilities	10	**253,230**	217,056	338,922
Investment contract liabilities, excluding segregated fund account balances	3	**490,020**	334,664	322,208
Accounts payable and other liabilities	9	**97,318**	110,308	104,615
Current tax liability		**15,780**	—	—
Subordinated debt	12	**398,897**	399,129	398,858
Total liabilities, excluding those for account of segregated fund holders		**7,963,679**	7,206,535	8,763,073
Insurance contract liabilities for segregated fund account balances	10	**8,507,285**	8,278,948	8,947,820
Investment contract liabilities for segregated fund account balances	3	**305,439**	286,727	309,478
Insurance and investment contract liabilities for account of segregated fund holders		**8,812,724**	8,565,675	9,257,298
Total liabilities		**16,776,403**	15,772,210	18,020,371
Equity				
Preferred shares	16	**100,000**	100,000	100,000
Common shares	16	**985**	985	985
Other equity instruments	16	**196,664**	196,664	196,664
Contributed surplus		**19,387**	19,387	19,387
Retained earnings		**1,498,732**	1,417,584	1,435,391
Accumulated other comprehensive income		**26,215**	26,787	2,245
Total shareholders' equity		**1,841,983**	1,761,407	1,754,672
Participating account surplus		**46,157**	24,055	29,929
Total equity		**1,888,140**	1,785,462	1,784,601
Total liabilities and equity		$ **18,664,543**	$ 17,557,672	$ 19,804,972

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)

For the year ended	Notes	December 31, 2023	December 31, 2022 restated
Insurance service result			
Insurance revenue	**10**	**$ 1,325,508**	$ 1,255,349
Insurance service expenses	**13**	**(1,071,549)**	(1,018,110)
Insurance service result		**253,959**	237,239
Net recovery (expense) from reinsurance contracts held	**10**	**(72,637)**	(44,428)
Net insurance service result		**181,322**	192,811
Investment and insurance finance result			
Investment income (loss), excluding segregated funds			
Investment income	**3**	**816,789**	(1,663,952)
Change in investment contracts	**3**	**(28,171)**	10,331
Net investment result, excluding segregated funds	**3**	**788,618**	(1,653,621)
Insurance finance income (expense), excluding segregated fund account balances			
Insurance contracts	**3**	**(613,392)**	1,484,918
Reinsurance contracts held	**3**	**(39,503)**	83,005
Net insurance finance income (expense), excluding segregated funds		**(652,895)**	1,567,923
Segregated funds net investment and insurance finance result			
Investment income (loss) on investments for segregated fund account balances	**3**	**735,834**	(353,668)
Insurance finance income (expenses) segregated fund account balances	**3**	**(735,834)**	353,668
Segregated funds net investment and insurance finance result		**—**	—
Net investment and insurance finance result	**3**	**135,723**	(85,698)
Other income and expenses			
Fee and other income		**30,701**	24,184
Non-insurance expenses	**13**	**(95,525)**	(62,116)
Interest expenses	**13**	**(16,615)**	(11,648)
Total other income and expenses		**(81,439)**	(49,580)
Net income (loss) before taxes		**235,606**	57,533
Income taxes		**(45,650)**	1,722
Net income (loss) after taxes		**189,956**	59,255
Less: net income (loss) attributable to the participating account		**22,102**	(5,874)
Shareholders' net income (loss)		**167,854**	65,129
Less: preferred share dividends declared and distributions on other equity instruments	**17**	**(11,525)**	(10,237)
Common shareholders' net income (loss)		**$ 156,329**	$ 54,892
Earnings per share - basic and diluted	**15**	**$ 158.70**	$ 55.72
(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	Notes	December 31, 2023	December 31, 2022 restated
Net income (loss) after taxes		**$ 189,956**	$ 59,255
Other comprehensive income (loss), net of income taxes:			
Items that will not be reclassified to net income:			
Remeasurements of post-employment benefit liabilities	**14**	**(572)**	24,542
Total other comprehensive income (loss)		**(572)**	24,542
Total comprehensive income (loss)		**$ 189,384**	$ 83,797
Comprehensive income (loss) attributable to:			
Participating account		**$ 22,102**	$ (5,874)
Shareholders		**167,282**	89,671
Total comprehensive income (loss)		**$ 189,384**	$ 83,797

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

Consolidated Statements of Changes in Equity

(in thousands of Canadian dollars)

	Preferred Shares	Common Shares	Other Equity Instruments	Contributed Surplus	Retained Earnings	AOCI (AOCL)	Total Shareholders' Equity	Participating Account Surplus	Total Equity
Previously reported balance as at December 31, 2021	**$ 100,000**	**$ 985**	**$ 196,664**	**$ 19,387**	**$ 1,746,945**	**$ 52,217**	**$ 2,116,198**	**$ 55,380**	**$ 2,171,578**
Impact of initial application of IFRS 17, net of taxes					(361,940)	—	**(361,940)**	(27,951)	**(389,891)**
Impact of initial application of IFRS 9 overlay, net of taxes					50,386	(49,972)	**414**	2,500	**2,914**
Restated balance as at January 1, 2022	**100,000**	**985**	**196,664**	**19,387**	**1,435,391**	**2,245**	**1,754,672**	**29,929**	**1,784,601**
Restated for the year ended December 31, 2022									
Comprehensive income (loss)					65,129	24,542	**89,671**	(5,874)	**83,797**
Preferred share dividends and distributions on other equity instruments					(10,237)		**(10,237)**		**(10,237)**
Common share dividends					(72,699)		**(72,699)**		**(72,699)**
Restated balance as at December 31, 2022	**100,000**	**985**	**196,664**	**19,387**	**1,417,584**	**26,787**	**1,761,407**	**24,055**	**1,785,462**
For the year ended December 31, 2023									
Comprehensive income (loss)					167,854	(572)	**167,282**	22,102	**189,384**
Preferred share dividends and distributions on other equity instruments					(11,525)		**(11,525)**		**(11,525)**
Common share dividends					(75,181)		**(75,181)**		**(75,181)**
Balance as at December 31, 2023	**$ 100,000**	**$ 985**	**$ 196,664**	**$ 19,387**	**$ 1,498,732**	**$ 26,215**	**$ 1,841,983**	**$ 46,157**	**$ 1,888,140**

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	Note	December 31, 2023	December 31, 2022 restated
Operating activities			
Net income before tax		**$ 235,606**	$ 57,533
Adjustments for:			
Accrued investment income		**(423)**	(7,856)
Depreciation of right-of-use assets		**1,386**	5,596
Amortization of (premium) discount on invested assets		**(81,855)**	(76,850)
Amortization related to property and equipment and intangible assets		**16,137**	15,870
Accrued Interest on Lease Liabilities		**176**	804
Net unrealized (gains)/losses on invested assets		**(342,482)**	1,896,302
Amortization of (premium) discount on subordinated debts		**468**	871
Accrued interest on subordinated debts		**7,667**	4,735
Share of loss (income) of associates		**(1,300)**	(1,466)
Changes in:			
Other assets		**(320)**	15,960
Accounts payable and other liabilities		**(4,219)**	18,720
Insurance contracts liabilities		**544,344**	(1,430,341)
Reinsurance contracts held		**62,950**	(148,611)
Investment contract liabilities		**174,068**	(10,295)
Cash generated from (used for) operating activities		**612,203**	340,972
Tax refund received (paid)		**19,310**	(40,277)
Cash provided from (used for) operating activities		**631,513**	300,695
Investing activities			
Portfolio investments			
Purchases and advances		**(2,022,167)**	(2,014,246)
Sales and maturities		**1,685,826**	1,873,830
Purchase of property and equipment and intangible assets		**(16,682)**	(19,779)
Dividends from associates		**985**	495
Investment in associates		**(4,760)**	(6,340)
Payments for acquisition of subsidiary, net of cash acquired		**(988)**	(57,910)
Cash provided from (used for) investing activities		**(357,786)**	(223,950)
Financing activities			
Dividends paid to common shareholders	**17**	**(75,181)**	(72,699)
Dividends paid to preferred shareholders and distributions from other equity instruments		**(11,204)**	(10,238)
Redemption of subordinated debt		**(200,000)**	—
Issuance of subordinated debt		**199,300**	—
Payment of lease liabilities		**(1,243)**	(726)
Interest paid on subordinated debt		**(13,215)**	(10,777)
Cash provided from (used for) financing activities		**(101,543)**	(94,440)
Net change in cash and cash equivalents		**172,184**	(17,695)
Cash and cash equivalents - beginning of year	**3**	**175,523**	193,218
Cash and cash equivalents - end of year	**3**	**$ 347,707**	$ 175,523
Supplementary cash flow information related to operating activities:			
Income taxes paid, net of (refunds)		**$ (19,310)**	$ 40,277
Interest income received		**256,610**	224,779
Dividend income received		**56,724**	49,857

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

1. Description of Company and Summary of Operations

The Empire Life Insurance Company (the Company or Empire Life) celebrated its 100th anniversary, as it 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 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 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) and subject to regulations in all of the provinces in which we conduct business. 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 subsidiary, Empire Life Investments Incorporated. (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.

TruStone Financial Inc. (TSFI), an Empire Life subsidiary, was established in 2022. Empire Life owns 100% of the voting shares and maintains control of its subsidiary. 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 29, 2024.

2. Material Accounting Policies

2.1. Basis of preparation

The Consolidated Financial Statements of the Company for the year ended December 31, 2023 have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) (IFRS Accounting Standards).

IFRS 17 Insurance Contracts (IFRS 17) replaces IFRS 4 Insurance Contracts (IFRS 4) for annual periods beginning on or after January 1, 2023. The Company has restated comparative information for 2022 applying the transition provisions in IFRS 17. Details of the Company's material accounting policies are included in this note.

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

All amounts included in the Consolidated Financial Statements are presented in thousands of Canadian dollars except for per share amounts and where otherwise stated.

2.2. 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. Inter-company transactions, balances, income and expenses are eliminated on consolidation.

2.3. Estimates, assumptions and judgments

The preparation of the Consolidated Financial Statements, in accordance with IFRS Accounting Standards, requires management to make estimates and assumptions that affect the application of accounting policies and 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 on-going basis, management evaluates its judgements, estimates, and critical assumptions in relation to assets, liabilities, revenue and expenses. Actual results may differ from the Company's estimates thereby impacting the Consolidated Financial Statements. Information on the Company's use of estimates and assumptions related to measurement of insurance contract liabilities and investment contract liabilities are discussed in this Note.

2.3.1. Insurance and reinsurance contracts held

Key assumptions and sources of estimation that can result in a material adjustment to the carrying amounts of assets and liabilities are discussed below. The Company bases assumptions and estimates on parameters available when the insurance and reinsurance contracts held are measured. Actuarial assumptions relate to events that are anticipated to occur, however, these may not be realized due to market changes, developing experience or circumstances arising that are unpredictable. Management applied judgement in determining the level of aggregation of information in which the disclosures are presented in Note 10 of the Consolidated Financial Statements.

Product guarantees for universal life, participating products and segregated funds are valued using stochastic models. Assumptions are discussed in more detail below and in Note 23.

Mortality rates (life insurance business)

Current estimates are based on a combination of Company and industry experience. Mortality projections are further adjusted for expected future mortality improvements. Assumptions are differentiated by policyholder gender, underwriting class and contract size.

Morbidity rates (health insurance business)

Morbidity rates relate to insurance contracts that have health risks. Morbidity refers to both the rates of accident or sickness and the rates of recovery from the accident or sickness. Assumptions are based on a combination of Company and industry experience.

Longevity (immediate annuity business)

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

Expenses

Expenses that are directly attributable to the fulfilment of insurance contracts are within the contract boundary (defined in Note 2.5.4) and included in the measurement of the group of insurance contracts. These expenses include costs of administering policies in-force, renewal commissions, acquisition costs, general expenses, transactional taxes, investment income tax and an allocation of fixed and variable overhead expenses. Overhead expenses are allocated to groups of insurance contracts using methods that are systematic and rational. The current level of expenses is taken as an appropriate expense base, projections adjusted for expected inflation. Expected inflation rates are based on management current estimates.

Policyholder behaviour

Policy lapse, surrender and premium payment assumptions (collectively policyholder behaviour) are based on Company and industry experience.

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

Discount rates

IFRS 17 differentiates the requirements for discount rates for cash flows that do not vary based on the returns of any underlying items from cash flows that do vary based on the returns of any underlying items. For those that do not vary, cash flows are discounted using risk free rates, plus an illiquidity premium. For the observable period (30 years), risk free rates are determined by reference to the yields of highly liquid AAA-rated Canadian sovereign securities. The ultimate (year 70) risk free rate was determined to be 3.15%, with an ultimate illiquidity premium of 1.50% for both 2022 and 2023. The total discount rate between the observable and the ultimate periods were derived using linear interpolation.

Discount rates applied to cash flows that do not vary based on the returns of any underlying items use the following rates for discounting of expected future cash flows:

For contracts whose cash flows do not vary with the underlying items		
Portfolio duration	**December 31, 2023**	December 31, 2022
1 year	**5.36 %**	5.53 %
3 years	**4.76 %**	5.25 %
5 years	**4.55 %**	5.07 %
10 years	**4.74 %**	5.15 %
20 years	**4.83 %**	5.31 %
30 years	**4.89 %**	5.29 %
Ultimate (year 70)	**4.65 %**	4.65 %

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

Risk adjustment for non-financial risk

The risk adjustment (RA) for non-financial risk represents the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows that arise from non-financial risk as the entity fulfills insurance contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the current estimate amount.

The Company derives risk adjustment for non-financial risk using a margin for adverse deviation (MfAD) approach. The approach adds a margin (conservatism) to each insurance risk (mortality, morbidity, longevity, expenses, policyholder behaviour) assumption. These MfADs are aggregated to derive the Company’s total risk adjustment. The risk adjustment recognizes the benefits of diversification and is further adjusted to achieve the target confidence level.

The net direct and ceded risk adjustment for non-financial risk for the Company corresponds to a confidence level target range of 80% to 85% as at December 31, 2023 and December 31, 2022.

Amortization of the CSM

The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts representing the expected future profits the Company will recognize as it provides insurance contract services under the insurance contracts in the group. An amount of the CSM for a given group of insurance contracts is recognized in insurance service revenue in each period to reflect the insurance services provided.

For universal life contracts, the coverage units are defined as the total current death benefit. Empire Life's position is that universal life products contain investment return services, whereas products with fixed Cash Surrender Values (CSVs) do not contain investment return services. Hence, the coverage units for individual non-participating contracts with fixed or no CSVs, are the sum insured less the CSVs.

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

For contracts measured using the GMM, coverage units are discounted at locked-in rates in order to determine the CSM amortization.

Amortization of the segregated funds CSM's use fund values as the coverage units and incorporates adjustments that reflect the impact of economic returns.

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

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

Accounting model eligibility

IFRS 17 requires the application of one of three models to groups of insurance contracts:

- General Measurement Model (GMM);
- Variable Fee Approach (VFA);
- Premium Allocation Approach (PAA).

The GMM is the default measurement model under IFRS 17. The GMM applies to all individual non-participating business including fixed life-contingent annuities and universal life insurance contracts. The universal life business contains some features of risk pass through where the VFA model might apply, however, management determined that there was not a link to clearly identified pool of underlying items, therefore the GMM applies.

The VFA applies to all groups of insurance contracts that are substantially investment-related service contracts under which the policyholder receives a substantial share of the investment returns on the linked underlying items. The VFA applies to the segregated fund business and eligible participating policies. There was judgment involved in deciding to apply the VFA model to the Company's participating business. Empire Life’s approach is to define the underlying as the entire participating account, including any surplus. The policyholders benefit from a substantial share of the return on these assets.

The PAA model is applicable when the coverage period of each contract in the group is one year or less or the Company reasonably expects that the resulting measurement of the liability for remaining coverage (LRC) would not differ materially from that of applying the GMM. The PAA is therefore applied to the Company's short-term group insurance business as it does not differ materially from that of applying the GMM. The Company does not adjust the LRC to reflect the time value of money and effect of financial risk if at initial recognition it does not expect that the time between providing each part of the services and the related premium due date will be more than one year.

2.3.2. 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 Statements of Operations. 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 2.19 and 11.

2.3.3. Fair value estimates

In measuring the fair value of financial instruments, management exercises judgment in the selection of fair value inputs and in determining their significance to the fair value estimate. Judgment is also required in the classification of fair value measurements within the levels of the fair value hierarchy, in particular those items categorized within Level 3 of the hierarchy.

Additional information regarding the fair value of financial instruments is included in Note 3**.**

2.4. New and amended standards and interpretations

The Company adopted the amendments to IFRS Accounting Standards for IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors.* The adoption of these amendments did not have a material impact on the Company's financial statements. See 2.4.1 and 2.4.2 for summaries of the nature of changes in accounting policies as a result of adopting IFRS 17 and IFRS 9 respectively.

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2.4.1. IFRS 17 *Insurance Contracts*

IFRS 17 was adopted on January 1, 2023 with a transition date of January 1, 2022. It is effective beginning on January 1, 2023. The Company has restated comparative information for 2022 applying the transition provisions in IFRS 17. The nature of changes in accounting policies are summarized below.

Changes to classification and measurement

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

The primary principles of IFRS 17 are that the Company:

- Identifies insurance contracts as those under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.
- Identifies and separates distinct investment components and distinct services other than insurance contract services from insurance contracts and accounts for them in accordance with other standards.
- Aggregates insurance contracts issued and reinsurance contracts held into portfolios of contracts which represent similar insurance risks to the Company and which are managed together. Portfolios of contracts consist of groups of insurance contracts which are separated at initial recognition between contracts expected to produce a loss (onerous contracts) and the remaining contracts. Each group contains contracts which are issued no more than one year apart except those transitioned to IFRS 17 under the Fair Value method.
- Recognizes each group of insurance contracts separately at initial recognition and measures each separately in each future accounting period.
- Recognizes and measures groups of insurance contracts at the risk-adjusted present value of the expected future cash flows that incorporates all available information about the fulfilment cash flows in a way that is consistent with observable market information.
- Establishes a contractual service margin (CSM), representing the unearned profit in the group of insurance contracts.
- Recognizes insurance service revenue from a group of insurance contracts over the period that insurance contract services are provided. If a group of insurance contracts is expected to be onerous (loss making, exclusive of ceded risks) over the remaining coverage period, losses are recognized immediately.
- Measures insurance contract liabilities as the total of the following measurement components:
    - probability weighted, discounted, future cash flows;
    - a risk adjustment for non-financial risk; and

- CSM.

The Company's classification and measurement of insurance contracts issued and reinsurance contracts held is explained in Note 2.5.

Changes to presentation and disclosure

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

Under IFRS 17, a number of insurance-related assets and liabilities that were previously reported on the Consolidated Statement of Financial Position are now incorporated into the insurance contract liabilities caption. Examples include loans on policies, insurance receivables, insurance payables, policyholders' funds on deposit and provision for profit to policyholders.

Under IFRS 17 the changes to the Consolidated Statement of Operations are significant. The Consolidated Statement of Operations no longer reports gross and ceded premiums written, gross and ceded benefits and claims paid, change in insurance and reinsurance contract liabilities or commissions. Instead, it reports insurance service result comprising insurance revenue and insurance service expenses, net recovery (expense) from reinsurance contracts held, net investment result and net insurance finance result.

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

Transition Impact

IFRS 17 transition is applied using a full retrospective approach unless impracticable. Due to the lack of historical data, the Company applied the fair value approach (defined below) in determining the transition values for all lines of business except for group insurance. Full retrospective approach was used for the Group insurance contracts which qualified for the PAA. The Company has derecognized any existing balances that would not exist had IFRS 17 always applied. Resulting net differences are recognized in equity.

Fair value approach

For all in-force business at transition, for each portfolio, the Company grouped insurance contracts from multiple cohorts into a single group for measurement purposes. The Company determined the CSM included in the LRC at the transition date as the difference between the fair value of the group of insurance contracts and the fulfilment cash flows (FCFs) (as defined in Note 2.5.5) measured at January 1, 2022. In determining fair value, the Company applied the principles of IFRS 13 Fair Value Measurement.

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

- Identify groups of insurance contracts and whether they are within the scope of IFRS 17
- Determine which measurement model (GMM, VFA, PAA) applies to each group of insurance contracts
- Determine appropriate fulfilment cash flow assumptions and project them into the future
- Project policy values and regulatory capital amounts

The Company used an income approach to calculate the fair value of the insurance contract liabilities at the transition date. CSM balances were derived separately for non-participating life, health, universal life, fixed life-contingent annuities, segregated funds and participating business.

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

The weighted average cost of capital (WACC), Life Insurance Capital Adequacy Test (LICAT) targets and underlying insurance assumptions used in applying the fair value approach were determined using market rates for a company of Empire Life's size and capital sources as at January 1, 2022, which were considered to be consistent with those of a market participant in Canada. Allowances were made for the uncertainty around changes to segregated fund regulatory capital requirements expected in 2025. The fair value calculations are based on a number of actuarial assumptions, including discount rates, and involves consideration of the most appropriate assumptions for use by a market participant. Empire assumed that the market participant would have the same characteristics (size, market, risk appetite) as itself. Projected cash flows use Empire Life's valuation assumptions.

The CSM derived at transition is as follows:

Transition CSM as at January 1, 2022 **($ millions)**		
Gross	$	**1,544**
Ceded		**(186)**
Net	$	**1,358**

The total transition CSM is made up of approximately 40% wealth business (including segregated funds) and 60% individual life insurance.

2.4.2. IFRS 9 *Financial Instruments*

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

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

Changes to classification and measurement

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

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

Additional information regarding the classification and measurement of the Company's financial assets and liabilities is included in Note 3.

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

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

Financial instrument	IAS 39 Classification	IFRS 9 Classification	Carrying amount as at December 31, 2022 (IAS 39)[1]	Impact of classification and measurement	Carrying amount as at January 1, 2023 (IFRS 9)
Financial assets					
Cash and cash equivalents	FVTPL (Designated)	FVTPL	$ 2,346	$ —	**$ 2,346**
Cash and cash equivalents	FVTPL (Designated)	FVTPL (Designated)	173,177	—	**173,177**
Short-term investments [2]	AFS	FVTPL	592	—	**592**
Short-term investments	FVTPL (Designated)	FVTPL (Designated)	8,439	—	**8,439**
Bonds [2]	AFS	FVTPL	397,072	—	**397,072**
Bonds [2]	AFS	FVTPL (Designated)	1,285,373	—	**1,285,373**
Bonds	FVTPL (Designated)	FVTPL	207,699	—	**207,699**
Bonds	FVTPL (Designated)	FVTPL (Designated)	4,854,613	—	**4,854,613**
Preferred shares [3]	AFS	FVTPL	17,238	(17,238)	**—**
Preferred shares	FVTPL (Designated)	FVTPL	384,927	17,238	**402,165**
Common shares [3]	AFS	FVTPL	41,064	(41,064)	**—**
Common shares	FVTPL (Designated)	FVTPL	789,569	41,064	**830,633**
Derivative assets	FVTPL (Designated)	FVTPL	9,776	—	**9,776**
Mortgages	Loans and receivables	FVTPL (Designated)	113,901	—	**113,901**
Loans [4][5]	Loans and receivables	FVTPL (Designated)	50,036	—	**50,036**
Segregated fund assets	FVTPL	FVTPL	8,565,675	—	**8,565,675**
Total financial assets			**$ 16,901,497**	**$ —**	**$ 16,901,497**
Financial liabilities					
Accounts payable and other liabilities	Amortized cost	Amortized cost	$ 110,308	$ —	**$ 110,308**
Investment contract liabilities, excluding segregated fund account balances [6]	Amortized cost	FVTPL (Designated)	27,246	307,418	**334,664**
Investment contract liabilities for account of segregated fund holders[7]	FVTPL	FVTPL	—	286,727	**286,727**
Total financial liabilities [8]			**$ 137,554**	**$ 594,145**	**$ 731,699**

(1) Amounts for the year ended December 31, 2022 include the impact of the overlay approach.
(2) Certain amounts classified as AFS under IAS 39 were reclassified to FVTPL under IFRS 9 because they do not pass the SPPI test or because doing so can eliminate or significantly reduce an accounting mismatch.
(3) Under IAS 39, certain preferred shares and common shares were classified as AFS. Under IFRS 9, these financial assets are classified as FVTPL. and we have not elected to designate them as FVOCI.
(4) Certain balances, such as $59,979 in Loans on policies, that were previously presented separately as financial instruments, are excluded from the above table and are now included in the determination and reported balance of Insurance contract liabilities.
(5) Certain non-current balances have been reclassified from Accounts receivable.
(6) Deferred annuities of $291,293 were classified as insurance contracts under IFRS 4 and are now classified as investment contracts under IFRS 9.
(7) Investment contract liabilities for account of segregated fund holders $286,727 are now classified as investment contracts under IFRS 9.
(8) Total financial liabilities excludes Subordinated debt (Note 12), which has had no impact from IFRS 9 and remains classified as amortized cost.

Impairment of Financial Assets

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

Transition Impact

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

- The determination of the business model within which a financial asset is held;

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

- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

Overlay approach

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

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

The following provides a summary of the impact from applying the overlay approach on the classification and measurement of financial assets for the comparative year:

Financial instrument	IAS 39 Measurement	IFRS 9 Measurement	Original carrying amount as at December 31, 2021	Impact of overlay application	Adjusted carrying amount as at January 1, 2022
Financial assets impacted by the overlay application					
Short-term investments	AFS	FVTPL	$ 4,998	$ —	$ 4,998
Bonds [1]	AFS	FVTPL	1,891,988	—	1,891,988
Preferred shares [2]	AFS	FVTPL	8,044	—	8,044
Common shares [2]	AFS	FVTPL	57,725	—	57,725
Mortgages	Loans and receivables	FVTPL	153,564	5,094	158,658
Financial assets not impacted by the overlay application[3]					
Cash and cash equivalents	FVTPL	FVTPL	193,218	—	193,218
Short-term investments	FVTPL	FVTPL	3,649	—	3,649
Bonds	FVTPL	FVTPL	6,257,472	—	6,257,472
Preferred shares	FVTPL	FVTPL	433,295	—	433,295
Common shares	FVTPL	FVTPL	961,709	—	961,709
Segregated fund assets	FVTPL	FVTPL	9,257,298	—	9,257,298
Derivative assets	FVTPL	FVTPL	6,302	—	6,302
Loans	Loans and receivables	FVTPL	52,808	—	52,808
Total financial assets			**$ 19,282,070**	**$ 5,094**	**$ 19,287,164**

(1) Certain bonds classified as AFS under IAS 39 were reclassified to FVTPL under IFRS 9 because they do not pass the IFRS 9 Solely Payments of Principal and Interest (SPPI) test or because doing so can eliminate or significantly reduce an accounting mismatch.
(2) Under IAS 39, certain preferred shares and common shares were classified as AFS. Under IFRS 9, these financial assets are classified as FVTPL. and we have not elected to designate them as FVOCI.
(3) Certain balances, such as Loans on policies, that were previously presented separately as financial instruments, are excluded from the above table and are now included in the determination and reported balance of Insurance contract liabilities or Reinsurance contracts held liabilities under IFRS 17.

2.5. Insurance contracts and reinsurance contracts held

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

2.5.1. Separating components from insurance and reinsurance contracts held

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

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

2.5.2. Level of aggregation

IFRS 17 requires an entity to determine the level of aggregation for applying its requirements. The level of aggregation for the Company is determined by dividing business written into portfolios of contracts which have similar risks and are managed together. IFRS 17 also requires that no new groups contain contracts issued more than one year apart. Portfolios are further divided based on each contract's expected profitability at inception.

The direct insurance portfolios are divided into groups of insurance contracts:

- That are onerous at initial recognition;
- That at initial recognition have no significant possibility of becoming onerous subsequently; and
- All other remaining contracts in the portfolio.

The Company evaluates the expected profitability of each new contract issued by comparing its specific policy characteristics, including coverage, age, sex, amount and smoker status to a pre-defined modeled profitability of a similar contract. The Company has identified six portfolios of insurance contracts issued based on the fact that these portfolios contain products that are subject to similar risks and managed together. The expected profitability of these portfolios is based on the current actuarial valuation assumptions which includes existing and new business. For financial reporting, the Company has assigned portfolios to one of three reporting segments, namely, Individual Insurance, Wealth Management and Group Solutions.

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

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

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

The Company has identified portfolios of reinsurance contracts held based products that are subject to similar risks and managed together. The expected profitability of these portfolios is based on the current actuarial valuation assumptions which includes existing and new business. For financial reporting, the Company has assigned portfolios to one of three reporting segments, namely, Individual Insurance, Wealth Management and Group Solutions.

2.5.3. Recognition

The Company recognizes groups of insurance contracts that it issues from the earliest of the following:

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

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

2.5.4. Contract boundary

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

For life contracts with renewal periods, the Company assesses whether premiums and related cash flows that arise from the renewed contract are within the contract boundary. The Company reassesses contract boundary of each group at the end of each reporting period.

2.5.5. Measurement models

Insurance contracts – initial measurement

Insurance contract liabilities under IFRS 17 include two components: an LRC and a liability for incurred claims (LIC). The LRC reflects the Company’s obligation to pay valid claims for insured events that have not yet occurred.

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

Outlined below are the requirements for initial measurement of the LRC for the three measurement models included in IFRS 17.

GMM and VFA

For non-onerous GMM and VFA insurance contracts, the LRC of a group of insurance contracts is the total of:

- Fulfilment cash flows (FCFs) which represent the present value of the expected future cash flows, and
- CSM representing the unearned profit the Company will recognize as it provides service to the insurance contracts in the group.

FCFs comprise unbiased and probability-weighted estimates of future cash flows, discounted to present value to reflect the time value of money and financial risks, plus a risk adjustment for non-financial risk. The CSM on initial recognition is an amount that, unless the group of insurance contracts is onerous, results in no net income arising from initial recognition of the FCFs.

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

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

- Premiums and related cash flows;
- Claims and benefits including reported claims not yet paid, incurred claims not yet reported and expected future claims:
    - Payments to policyholders resulting from embedded surrender value options;
    - An allocation of insurance acquisition cash flows attributable to the portfolio to which the contract belongs.
- Claims handling costs;
- Acquisition costs;
- Policy administration and maintenance costs, including recurring commissions that are expected to be paid to intermediaries;
- An allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts; and
- Investment and premium taxes.

The Company estimates the probabilities and amounts of future payments under existing contracts based on information obtained, including:

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

Insurance acquisition cash flows arise from selling and underwriting activities required to initiate a group of contracts. The measurement of fulfilment cash flows includes insurance acquisition cash flows which are allocated as a portion of premium to profit or loss (through insurance service revenue) over the period of the contract in a systematic and rational way based on the passage of time. For policies accounted for under the GMM and VFA, acquisition costs are deferred and amortized into income using the same coverage units as the CSM amortization.

A loss component represents a notional record within the LRC of the losses attributable to each group of onerous insurance contracts (or contracts profitable at inception that have become onerous). For groups of contracts assessed as onerous on initial recognition, the Company recognizes a loss in insurance service expenses in the Consolidated Statement of Operations for the net outflow, resulting in the carrying amount of the liability for the group being equal to the FCFs and the CSM of the group being zero.

PAA

Measurement on initial recognition under the PAA consist of premiums received. If a group of PAA contracts is onerous on initial recognition, then the Company recognizes a loss in insurance service expenses and increases the LRC for the difference between the current estimates of the FCFs that relate to remaining coverage and the carrying amount of the LRC. The Company has selected the accounting policy option to expense acquisition costs as incurred when applying the PAA.

Insurance contracts – subsequent measurement

Subsequent measurement of the LRC included in the insurance contract liability is different depending on the measurement model being applied to the group of insurance contracts. Outlined below are the requirements for subsequent measurement of the LRC for the three IFRS 17 measurement models.

For all measurement models, the LIC is measured as cash flows for claims and expenses that relate to past service and have not yet been paid, including a risk adjustment for non-financial risk and the time value of money.

GMM

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

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

The locked-in discount rate is set at the date of initial recognition for contracts that joined a group over a 12-month period. The discount rate used for accretion of interest on the CSM is determined using a bottom-up approach (Note 2.3.1) at inception.

The changes in FCFs relating to future service that adjust the CSM comprise:

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

Except for changes in the risk adjustment, adjustments to the CSM noted above are measured at the locked-in discount rates.

VFA

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

- The effect of any new contracts added to the group;
- The change in the entity's share of the fair value of underlying items, except to the extent a decrease exceeds the carrying amount of the CSM;
- The changes in FCFs relating to future service, except to the extent that:
    - Such increases in the FCFs exceed the carrying amount of the CSM, giving rise to a loss; or
    - Such decreases in the FCFs are allocated to the loss component of the LRC.
- The amount recognized as insurance service revenue because of the transfer of services in the period, determined by the allocation of the CSM remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period.

For VFA and GMM contracts, the Company chose an accounting policy to not change the treatment of accounting estimates made in previous Interim Consolidated Financial Statements when applying IFRS 17 in subsequent Interim or Annual Consolidated Financial Statements. Therefore, the CSM at the end of the reporting period is the CSM at the beginning of the reporting period adjusted as described above, rather than the CSM at the beginning of the calendar year adjusted as described above.

For onerous VFA and GMM groups of contracts, the loss component is released based on a systematic allocation of the subsequent changes in the FCFs to: (i) the loss component; and (ii) the LRC excluding the loss component. The loss component is also updated for subsequent changes in estimates of the FCFs related to future service. The systematic allocation of subsequent changes to the loss component results in the total amounts allocated to the loss component being equal to zero by the end of the coverage period of a group of contracts (since the loss component will have been materialized in the form of incurred claims). The Company uses a systematic allocation percentage calculated as a ratio of the loss component amount expressed as a percentage of the liability for remaining coverage, where adjustments are made to include or exclude particular cash flows in the allocation.

PAA

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

For onerous PAA groups of contracts, the LRC is adjusted to reflect reversals or increases in the loss component by comparing the current estimates of the FCFs that relate to remaining coverage and the carrying amount of the LRC. If a loss component did not exist on initial recognition but there are indications that a group of contracts is onerous on subsequent measurement, then the Company establishes the loss component using the same methodology as on initial recognition.

Reinsurance contracts held

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

- Measurement of the cash flows include an allowance on a probability-weighted basis for the effect of any non-performance by the reinsurers, including the effects of collateral and losses from disputes.
- The Company determines the risk adjustment for non-financial risk so that it represents the amount of risk being transferred to the reinsurer.
- The Company defers both profits and losses at initial recognition in the statement of financial position as a CSM and releases this to profit or loss as the reinsurer renders services.

For subsequent measurement of reinsurance contracts held, the carrying amount of the CSM of the group at the end of the reporting period equals the carrying amount at the beginning of the reporting period adjusted, as follows:
- The effect of any new contracts added to the group;
- Interest accretion on the carrying amount of the CSM;
- Income recognized in profit or loss in the period for the recovery of losses recognized on initial recognition of onerous underlying contracts (see below);
- Reversals of loss recovery components to the extent that the reversals are not changes in fulfilment cash flows of the reinsurance contract held (see below);
- The changes in FCFs relating to future service, except to the extent that the change results from a change in the fulfilment cash flows allocated to a group of underlying insurance contracts that does not adjust its CSM;
- The amount recognized in income due to services rendered in the period.

When a loss component is recognized on underlying insurance contracts, the CSM of the reinsurance contract held is adjusted to establish a loss-recovery component and a recovery is simultaneously recognized in profit or loss relating to the recovery of that loss. The Company calculates the loss-recovery component by multiplying the loss recognized on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held. Where only some contracts in the onerous underlying group are covered by the group of reinsurance contracts held, the Company uses a systematic and rational method to determine the portion of losses recognized on the underlying group of insurance contracts to insurance contracts covered by the group of reinsurance contracts held.

Loss-recovery components are tracked, similar to the loss component, and determines the amounts that are subsequently presented in the Consolidated Statement of Operations within net reinsurance results. The loss recovery component is adjusted on subsequent measurement to reflect changes in the loss component of the onerous group of underlying contracts, however it cannot exceed the portion of the loss component of the onerous group of underlying contracts that the Company expects to recover from the reinsurance contracts held. On this basis, the loss-recovery component recognized at initial recognition is reduced to zero in line with reductions in the onerous group of underlying insurance contracts and is nil when loss component of the onerous group of underlying insurance contracts is nil.

2.5.6. Modification and derecognition

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

Reinsurance assets and liabilities held are derecognized when the contractual rights and obligations are extinguished or expire or when the contract is transferred to another party.

2.5.7. Presentation

The Company has presented separately in the Annual Statement of Financial Position the carrying amount of portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities.

The Company disaggregates the amounts recognized in the Consolidated Statement of Operations and other comprehensive income into an insurance service result, comprising insurance service revenue, insurance service expenses, insurance finance income or expenses and net expense from reinsurance contracts held. The Company chooses not to disaggregate insurance finance income or expenses between profit or loss and other comprehensive income and instead presents the total amount within net finance and investment result. Insurance finance income related to segregated fund account liabilities and the corresponding income on segregated fund assets are separately presented in the Consolidated Statement of Operations.

The Company disaggregates the change in risk adjustment for non-financial risk between the financial and non-financial portion and includes the non-financial change as part of risk adjustment movements in the insurance service result.

The Company separately presents income and expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

Insurance service revenue

Insurance service revenue from a group of insurance contracts is the amount that is earned in the period arising from:
- Expected future cash outflows in the period, including claims and directly attributable expenses expected to be incurred;
- Release of the risk adjustment for non-financial risk as risk expires throughout the term of the contract;
- CSM earned over the service period, based on coverage units for each period of service;
- Allocation of expected premium receipts from PAA contracts;
- Amortization of insurance acquisition cash flows;
- Revenue excludes non-distinct investment components described in Note 2.5.1.

For approaches applied to the amortization of CSM, please refer to Note 2.3.1.

Insurance finance income or expense

For insurance contracts issued and reinsurance contracts held measured using the GMM, insurance finance income or expense comprise the change in the carrying amount of the group of insurance contracts arising from:
- The effect of the time value of money and changes in the time value of money; and
- The effect of financial risk and changes in financial risk.

For insurance contracts issued that are measured using the VFA, insurance finance income or expense includes the changes in the fair value of underlying items, while changes in the effect of time value of money and financial risk not arising from underlying items adjusts the CSM.

Net recovery (expense) from reinsurance contracts held

The Company presents net recovery (expense) from reinsurance contracts held on the face of the Consolidated Statement of Operations as the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. The Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contracts held and excludes investment components and commissions from an allocation of reinsurance premiums presented on the face of the Consolidated Statement of Operations. Amounts relating to the recovery of losses relating to reinsurance of onerous direct contracts are included as amounts recoverable from the reinsurer.

2.5.8. Participating insurance policies

The Company maintains an account in respect of participating policies (“participating account”), separate from those maintained in respect of other policies, as required by sections 456-464 of the Insurance Companies Act (Canada) (ICA). 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 certain older plans paying dividends every five years as per contractual provisions. Participating policyholder dividends are projected in the FCFs of the insurance contract liabilities and are excluded from insurance service revenue and insurance service expenses.

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

2.6. Financial instruments

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

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

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

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

Financial assets are not reclassified subsequent to their initial recognition, unless there is a change in the business model in managing the financial asset that would cause the Company to reassess the classification of financial assets. Financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL. Refer to Note 2.7 Investment contracts for additional details on the classification and measurement of our Investment contract liabilities.

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

See Note 2.4.2 for a summary of the classification and measurement of financial assets and liabilities.

Prior to January 1, 2023, with the exception of the overlay approach (See Note 2.4.2), 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 investment income in the Consolidated Statements of Operations in the period in which they occur.

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

2.6.1. 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, short-term investments, government bonds, certain corporate and private bonds, loans, certain common shares (real estate limited partnership units) and over the counter derivatives.

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

2.6.2. Cash and cash equivalents

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.

2.6.3. 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 included in the reported balance of Accounts payable and other liabilities. Changes in fair value are recorded in investment income in the Consolidated Statements of Operations.

2.6.4. Other

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

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

2.6.5. AFS instruments (IAS 39)

Prior to January 1, 2023, with the exception of the overlay approach (See Note 2.4.2), most financial assets supporting capital and surplus and participating account surplus were classified as AFS. These assets comprised of short-term investments, bonds and debentures or common and preferred shares. AFS assets were 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 were recorded, net of income taxes, in Other comprehensive income (OCI). Gains and losses realized on sale or maturity of AFS assets were reclassified from OCI to realized gain (loss) on AFS assets in the Consolidated Statements of Operations.

AFS debt instruments

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

AFS equity instruments

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

The accounting for an impairment that was 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.

2.6.6. Policy loans and insurance receivables (IAS 39)

Prior to January 1, 2023, with the exception of the overlay approach (See Note 2.4.2), loans and receivables include insurance and trade accounts receivables. These assets were recorded at amortized cost, using the effective interest rate method, net of provisions for impairment losses, if any. Mortgages were secured by real estate and in most instances, loans are secured by policy values. Loans and receivables were defined as non-derivative financial assets with fixed or determinable payments that are not quoted in active markets. Loans on policies are included in insurance contract cash flows under IFRS 17.

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

Objective evidence of impairment exists if there was no longer reasonable assurance of full collection of loan principal or loan interest related to a mortgage or loan. Events and conditions considered in determining if there was objective evidence of impairment included the value of the security underlying the mortgage or 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 was found, allowances for credit losses were established to adjust the carrying value of these assets to their net recoverable amount and the impairment loss was recorded in net income. If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be objectively related to an event occurring after the impairment was recognized, the impairment loss was reversed by adjusting the allowance account and the reversal is recognized in net income.

2.6.7. Derecognition

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

2.6.8. 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 3.4.

2.7. Investment contracts

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

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

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

2.8. 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 and non-monetary financial assets classified as FVTPL and amortized cost, translation differences are recognized in the Consolidated Statements of Operations.

2.9. Comprehensive income

Comprehensive income consists of net income and OCI. OCI includes items that will not be reclassified to net income (i.e., remeasurements of post-employment benefit liabilities). All OCI amounts are presented net of taxes.

Prior to January 1, 2023, with the exception of the overlay approach (see Note 2.4.2), OCI includes items that may be reclassified subsequently to net income, which included 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.

2.10. 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 segregated fund's investment performance. Segregated fund assets are not available to pay liabilities of the Company's general fund. The assets of these segregated funds are carried at their period-end fair values based on quoted market prices or, where quoted market prices are not readily available, on prevailing market prices for instruments with similar characteristics and risk profiles or by using internal or external valuation models with observable market-based inputs. The Company provides minimum guarantees on certain segregated fund contracts, these include death, maturity and withdrawal benefit guarantees. The Company presents an insurance contract liability for account of segregated fund holders equal to the fair value of the assets and any benefit guarantees are presented as a separate line on the Statement of Financial Position within insurance contract liabilities, excluding segregated fund account balances.

The Company earns a fee for the management of these segregated funds which is included in the determination of expected future cash flows.

2.11. Fee income

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

2.12. Investment income

Changes in the fair value of financial assets are recorded in investment income, excluding segregated funds in the Consolidated Statements of Operations in the period in which they occur.

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

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

Interest income and dividend income, excluding amounts from segregated funds, are included in investment income in the Consolidated Statements of Operations for all financial assets.

2.13. 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.

Current tax assets and liabilities for the current and prior periods are measured as 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.

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

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

2.14. 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 allocated between insurance service expenses and non-insurance 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.

2.15. Intangible assets

Intangible assets include customer and distributor relationships, 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 allocated between insurance service expenses and non-insurance 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.

2.16. 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.

2.17. 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 Consolidated 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.

2.18. 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.

2.19. 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.

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.

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.

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.

2.20. 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.

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

2.21. 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. The interest expense is allocated between insurance service expenses and non-insurance expenses. The depreciation on the corresponding right-of-use asset is allocated between insurance service expenses and non-insurance expenses.

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

2.22. 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.

3. Financial Instruments

The carrying values of the Company's financial assets and liabilities, excluding subordinated debt (Note 12), are shown in the following table:

As at		**December 31, 2023**			December 31, 2022 restated		
		Mandatory	**Designated**	**Total**	Mandatory	Designated	Total
Assets							
Cash and cash equivalents	FVTPL	**$ 6,897**	**$ 340,810**	**$ 347,707**	$ 2,346	$ 173,177	$ 175,523
Short-term investments	FVTPL	**—**	**4,957**	**4,957**	592	8,439	9,031
Bonds	FVTPL	**696,084**	**6,760,099**	**7,456,183**	604,771	6,139,986	6,744,757
Preferred shares	FVTPL	**519,359**	**—**	**519,359**	402,165	—	402,165
Common shares	FVTPL	**776,777**	**—**	**776,777**	830,633	—	830,633
Derivative assets	FVTPL	**13,825**	**—**	**13,825**	9,776	—	9,776
Mortgages	FVTPL	**—**	**98,679**	**98,679**	—	113,901	113,901
Loans	FVTPL	**—**	**47,165**	**47,165**	—	50,036	50,036
		2,012,942	**7,251,710**	**9,264,652**	1,850,283	6,485,539	8,335,822
Segregated funds	FVTPL	**8,812,724**	**—**	**8,812,724**	$ 8,565,675	$ —	8,565,675
		10,825,666	**7,251,710**	**18,077,376**	10,415,958	6,485,539	16,901,497
Liabilities							
Accounts payable and other liabilities	Amortized cost			**97,318**			110,308
Investment contract liabilities, excluding segregated fund account balances	FVTPL	**—**	**490,020**	**490,020**	—	334,664	334,664
Investment contract liabilities for account of segregated fund holders	FVTPL	**—**	**305,439**	**305,439**	—	286,727	286,727
		$ —	**$ 795,459**	**$ 892,777**	$ —	$ 621,391	$ 731,699

(1) December 31, 2022 amounts include the impact of the overlay approach. See Note 2.4.2 for additional details.

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

3.1. Summary of cash and cash equivalents and investments

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

As at	December 31, 2023				December 31, 2022 restated		
	Level 1	**Level 2**	**Level 3**	**Total FVTPL**	Level 1	Level 2	Total FVTPL
Assets							
Cash and cash equivalents	**$ 68,486**	**$ 279,221**	**$ —**	**$ 347,707**	$ 78,310	$ 97,213	$ 175,523
Short-term investments	**—**	**4,957**	**—**	**4,957**	—	9,031	9,031
Bonds	**—**	**7,427,458**	**28,725**	**7,456,183**	—	6,744,757	6,744,757
Preferred shares	**519,359**	**—**	**—**	**519,359**	299,524	102,641	402,165
Common shares	**686,225**	**79,260**	**11,292**	**776,777**	687,798	142,835	830,633
Derivative assets	**2,641**	**11,184**	**—**	**13,825**	7,604	2,172	9,776
Mortgages	**—**	**98,679**	**—**	**98,679**	—	113,901	113,901
Loans	**—**	**47,165**	**—**	**47,165**	—	50,036	50,036
	1,276,711	**7,947,924**	**40,017**	**9,264,652**	1,073,236	7,262,586	8,335,822
Liabilities							
Investment contract liabilities, excluding segregated fund account balances	**—**	**490,020**	**—**	**490,020**	—	334,664	334,664
Investment contract liabilities for segregated fund account balances	**—**	**305,439**	**—**	**305,439**	—	286,727	286,727
	$ —	**$ 795,459**	**$ —**	**$ 795,459**	$ —	$ 621,391	$ 621,391

Level 2 investments use fair values 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 fair value of mortgages and loans have been calculated by discounting cash flows of each mortgage or loan at a discount rate appropriate to its remaining term to maturity. The discount rates are determined based on regular competitive rate surveys.

Included in Level 3 are investments in notes, common shares and units of certain limited partnerships. The fair value of limited partnership investments are based on fair values determined and reported by the respective investment managers, which are principally based on net asset value (NAV). The Financial Statements used in calculating the NAV are generally audited annually. We review the NAV of the limited partnership investments and perform analytical and other procedures to ensure the fair value is reasonable.

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 during the year ended December 31, 2023, during the fourth quarter of 2023 there was a transfer between Level 2 and Level 3. There were no transfers between Level 1, Level 2 and Level 3 during the year ended December 31, 2022.

A summary of changes in the fair values of Level 3 financial instruments measured at FVTPL for the year:

For the year ended	**December 31, 2023**
Balance beginning of year	**$ —**
Transfer-in	**40,666**
Purchases	**536**
Sales	**(72)**
Net fair value change	**(1,113)**
Balance end of year	**$ 40,017**

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 23 Risk Management.

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

3.2. Investment income

Net investment result recognized in net income

For the year ended	December 31, 2023	December 31, 2022 restated
Net investment result, excluding segregated funds		
Interest and other investment income	**$ 397,297**	$ 358,991
Change in fair value of investments	**419,492**	(2,022,943)
Investment income, excluding segregated funds	**816,789**	(1,663,952)
Change in investment contracts	**(28,171)**	10,331
Net investment result, excluding segregated funds	**788,618**	(1,653,621)
Insurance finance income (expense) from insurance contracts, excluding segregated fund account balances		
Interest accreted	**(179,411)**	(113,687)
Effect of changes in interest rates and other financial assumptions	**(364,332)**	1,484,067
Changes in fair value of underlying items in insurance contracts with direct participation features	**(69,649)**	114,538
Insurance finance income (expense) from insurance contracts, excluding segregated fund account balances	**(613,392)**	1,484,918
Finance income (expense) from reinsurance contracts held		
Interest accreted	**4,409**	4,024
Effect of changes in interest rates and other financial assumptions	**(43,912)**	78,981
Reinsurance finance income (expense) from reinsurance contracts held	**(39,503)**	83,005
Investment income (loss) related to segregated fund net assets		
Investment income (loss) on investments related to segregated fund net assets, insurance contacts	**711,118**	(342,957)
Investment income (loss) on investments related to segregated fund net assets, investment contacts	**24,716**	(10,711)
Investment income (loss) related to segregated fund net assets	**735,834**	(353,668)
Changes in underlying items of the segregated funds		
Insurance finance income (expenses), insurance contracts segregated fund account balances	**(711,118)**	342,957
Change in investment contracts, segregated fund account balances	**(24,716)**	10,711
Changes in underlying items of the segregated funds	**(735,834)**	353,668
Net finance and investment result	**$ 135,723**	$ (85,698)

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

Amounts related to changes in investment contracts, which includes deferred annuities and guaranteed annuities, arise from discount rates that include a provision to reflect the Company's own credit risk and an illiquidity adjustment.

With regards to VFA contracts (participating insurance and segregated funds), the change in the underlying items would be recognized both as insurance finance income (or expense) and investment income, with offsetting impacts. For these contracts, changes in the effect of time value of money and financial risk not arising from underlying items adjusts the CSM and are not included in the insurance finance income (expense) amounts presented in the table above.

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

Investment income, excluding segregated funds

For the year ended	December 31, 2023	December 31, 2022 restated
Investment income (loss), excluding segregated funds		
Interest and other investment income		
Interest income (1)	$ 339,199	$ 308,509
Dividend income (2)	56,724	48,960
Income from investments in associates	1,300	1,466
Other	74	56
Total interest and other investment income	397,297	358,991
Net realized and unrealized gain (loss)	419,492	(2,022,943)
Total investment income (loss), excluding segregated funds	$ 816,789	$ (1,663,952)

(1) Primarily from financial assets designated as fair value through profit or loss.
(2) Primarily from financial assets mandatorily classified as fair value through profit or loss.

Net realized and unrealized gains (losses) from financial instruments classified and designated as FVTPL

Financial instruments classified and designated as FVTPL are measured at fair value with realized and unrealized gains and losses recognized in investment income.

For the year ended	December 31, 2023	December 31, 2022 restated
Net realized and unrealized gain (loss)		
Mandatorily classified as fair value through profit or loss	$ 57,969	$ (245,544)
Designated as fair value through profit or loss	361,523	(1,777,399)
Total net realized and unrealized gain (loss)	$ 419,492	$ (2,022,943)

3.3. 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, 2023			December 31, 2022		
	Notional principal	Fair value assets	Fair value liabilities	Notional principal	Fair value assets	Fair value liabilities
Exchange-traded						
Equity index futures	$ —	$ —	$ —	$ 57,846	$ 1,008	$ 2,193
Equity options	765,152	2,835	—	430,061	6,268	—
Over-the-counter						
Foreign currency forwards	204,756	6,243	—	172,979	19	32
Cross currency swaps	66,484	4,747	672	44,943	2,481	1,388
Total	$ 1,036,392	$ 13,825	$ 672	$ 705,829	$ 9,776	$ 3,613

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

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

Cross currency swaps are valued by discounting the expected 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 23.

3.4. 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.

As at December 31, 2023 and December 31, 2022, the aggregate fair values of the Company's securities loaned and the collateral received were as follows:

As at	**December 31, 2023**			December 31, 2022		
	General Funds	**Segregated Funds**	**Total**	General Funds	Segregated Funds	Total
Value of securities loaned	**$ 1,421,820**	**$ 1,479,136**	**$ 2,900,956**	$ 1,183,898	$ 1,839,056	$ 3,022,954
Value of collateral received	**$ 1,450,283**	**$ 1,510,186**	**$ 2,960,469**	$ 1,207,628	$ 1,877,197	$ 3,084,825

Income recognized from securities lending activities was as follows:

For the year ended	**December 31, 2023**	December 31, 2022
General funds	**$ 2,055**	$ 2,184
Segregated funds	**2,012**	2,036
Total	**$ 4,067**	$ 4,220

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

4. Other Assets

Other assets consist of the following:

As at		December 31, 2023		December 31, 2022 restated
Other assets				
Trade accounts receivable	**$**	**4,423**	$	7,725
Prepaid expenses		**9,288**		8,422
Right-of-use assets		**4,009**		5,192
Net post-employment benefit asset (Note 11)		**14,473**		11,386
Total other assets	**$**	**32,193**	$	32,725

Of the above total, $18,482 (2022 $16,578) 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 assets, the actuarial determined value provides a reasonable approximation of fair value.

5. Intangible Assets

		Intangible assets
Cost		
As at January 1, 2022	$	95,845
Additions		50,590
Disposals		—
As at December 31, 2022		146,435
Additions		15,178
Disposals		—
As at December 31, 2023	**$**	**161,613**
Amortization		
As at January 1, 2022	$	(67,334)
Charge for the year		(18,530)
Disposals		—
As at December 31, 2022		(85,864)
Charge for the year		(14,238)
Disposals		—
As at December 31, 2023	**$**	**(100,102)**
Carrying amount		
December 31, 2023	**$**	**61,511**
December 31, 2022	$	60,571

There were no asset impairments during 2023 or 2022.

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

6. 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.

As at	**December 31, 2023**	December 31, 2022
Balance beginning of year	**$ 24,465**	$ —
Business acquisitions and dispositions	**485**	24,465
Balance end of year	**$ 24,950**	$ 24,465

There was no impairment charge booked against goodwill in 2023 or 2022.

7. 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. (TSFI). 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 TSFI was paid with $57,910 in cash. The purchase price is primarily comprised of goodwill and intangible assets, including customer relationships, distributor relationships, and non-competition agreements.

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

For the year ended	December 31, 2022
Business acquisitions	
Intangible assets	$ 32,500
Other net assets	945
Total identifiable net assets at fair value	33,445
Goodwill arising on acquisition	24,465
Total consideration	$ 57,910

8. Segregated Funds

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

As at	**December 31, 2023**			December 31, 2022		
	Insurance contracts	**Investment contracts**	**Total**	Insurance contracts	Investment contracts	Total
Cash	**$ 9,897**	**$ 402**	**$ 10,299**	$ 7,344	$ 393	$ 7,737
Short-term investments	**627,676**	**14,345**	**642,021**	564,500	14,648	579,148
Bonds	**1,690,358**	**131,286**	**1,821,644**	1,651,525	102,993	1,754,518
Common and preferred shares	**6,157,983**	**253,647**	**6,411,630**	6,046,280	254,978	6,301,258
	8,485,914	**399,680**	**8,885,594**	8,269,649	373,012	8,642,661
Add other assets	**28,734**	**216**	**28,950**	14,533	827	15,360
Less segregated funds held within general fund investments	**(7,363)**	**(94,457)**	**(101,820)**	(5,234)	(87,112)	(92,346)
Total	**$ 8,507,285**	**$ 305,439**	**$ 8,812,724**	$ 8,278,948	$ 286,727	$ 8,565,675

All segregated fund assets are categorized as FVTPL.

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

8.2. 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, 2023			December 31, 2022		
	Level 1	**Level 2**	**Total**	Level 1	Level 2	Total
Cash	**$ 10,299**	**$ —**	**$ 10,299**	$ 7,737	$ —	$ 7,737
Short-term investments	**—**	**642,021**	**642,021**	—	579,148	579,148
Bonds	**—**	**1,821,644**	**1,821,644**	—	1,754,518	1,754,518
Common and preferred shares	**6,411,630**	**—**	**6,411,630**	6,301,258	—	6,301,258
Total	**$ 6,421,929**	**$ 2,463,665**	**$ 8,885,594**	$ 6,308,995	$ 2,333,666	$ 8,642,661

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

8.3. The following table presents the change in segregated fund assets:

For the year ended	December 31, 2023	December 31, 2022
Segregated fund assets at beginning of year	**$ 8,565,675**	$ 9,257,298
Additions to segregated funds:		
Amount received from policyholders	**887,284**	872,244
Interest	**88,396**	77,045
Dividends	**196,582**	178,688
Other income and (expense)	**28,349**	23,332
Net realized gains on sale of investments	**238,020**	102,624
Net unrealized increase in fair value of investments	**184,487**	—
Total	**1,623,118**	1,253,933
Deductions from segregated funds:		
Amounts withdrawn or transferred by policyholders	**(1,117,282)**	(964,437)
Net unrealized decrease in fair value of investments	**—**	(735,370)
Management fees and other operating costs	**(249,302)**	(250,261)
Total	**(1,366,584)**	(1,950,068)
Net change in segregated funds held within general fund investments	**(9,485)**	4,512
Segregated fund assets at end of year	**$ 8,812,724**	$ 8,565,675

9. Accounts Payable and Other Liabilities

Accounts payable and other liabilities consist of:

As at	December 31, 2023	December 31, 2022 restated
Accounts payable	**$ 84,597**	$ 96,451
Accrued interest on subordinated debt	**7,667**	4,735
Derivative liabilities (Note 3.3)	**672**	3,613
Lease liabilities	**4,382**	5,509
Accounts payable and other liabilities	**$ 97,318**	$ 110,308

Of the above total, $3,300 (2022 $4,408) is expected to be settled more than one year after the Consolidated Statements of Financial Position date. Derivative liabilities are carried at fair value, as disclosed in Note 3.3. All other amounts are short-term in nature and their fair value approximates carrying value.

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

10. Insurance Contracts and Reinsurance Contracts Held Assets/Liabilities

Assets and liabilities

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

As at	December 31, 2023			December 31, 2022 restated			January 1, 2022 restated		
	(Assets)	Liabilities	Total	(Assets)	Liabilities	Total	(Assets)	Liabilities	Total
Insurance contracts									
Insurance contracts not measured under PAA, excluding segregated fund account balances	$ —	$ 6,311,068	$ 6,311,068	$ —	$ 5,791,737	$ 5,791,737	$ —	$ 7,238,640	$ 7,238,640
Insurance contracts measured under PAA	—	397,366	397,366	—	353,641	353,641	—	359,830	359,830
Insurance contracts, excluding segregated fund account balances	—	6,708,434	6,708,434	—	6,145,378	6,145,378	—	7,598,470	7,598,470
Insurance contracts for segregated fund account balances	—	8,507,285	8,507,285	—	8,278,948	8,278,948	—	8,947,820	8,947,820
Total insurance contracts	—	15,215,719	15,215,719	—	14,424,326	14,424,326	—	16,546,290	16,546,290
Less insurance contracts measured under PAA	—	(397,366)	(397,366)	—	(353,641)	(353,641)	—	(359,830)	(359,830)
Total insurance contracts not measured under PAA	$ —	$14,818,353	$14,818,353	$ —	$14,070,685	$14,070,685	$ —	$16,186,460	$16,186,460
Reinsurance contracts held									
Reinsurance contracts held not measured under PAA	$ (113,071)	$ 253,230	$ 140,159	$ (150,168)	$ 217,056	$ 66,888	$ (132,336)	$ 338,922	$ 206,586
Reinsurance contracts held measured under PAA	(168,288)	—	(168,288)	(159,876)	—	(159,876)	(150,963)	—	(150,963)
Total reinsurance contracts held	$ (281,359)	$ 253,230	$ (28,129)	$ (310,044)	$ 217,056	$ (92,988)	$ (283,299)	$ 338,922	$ 55,623

10.1. Effect on measurement components of insurance contracts initially recognized in the period

The components of new business for insurance contracts issued applying the VFA or the GMM are disclosed in the table below. There were no insurance contracts acquired in a business combination or portfolio transfer in 2023 or 2022.

For the year ended	December 31, 2023			December 31, 2022 restated		
	Non-onerous contracts issued	Onerous contracts issued	Total	Non-onerous contracts issued	Onerous contracts issued	Total
Insurance contracts initially recognized in the period						
Insurance acquisition cash outflows	$ 94,724	$ 67,368	$ 162,092	$ 100,300	$ 44,844	$ 145,144
Claims and other cash outflows	262,938	151,487	414,425	345,049	90,677	435,726
Estimates of the present value of future cash outflows	357,662	218,855	576,517	445,349	135,521	580,870
Estimates of the present value of future cash inflows	(434,162)	(255,842)	(690,004)	(544,602)	(152,214)	(696,816)
Risk adjustment for non-financial risk	39,392	56,572	95,964	60,605	26,075	86,680
Contractual service margin	37,108	—	37,108	38,648	—	38,648
Increase in insurance contract liabilities from contracts recognized in the year	$ —	$ 19,585	$ 19,585	$ —	$ 9,382	$ 9,382

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

10.2. Analysis by measurement component for insurance contracts

The tables below present the net asset or liability for insurance contracts issued showing estimates of the present value of expected future cash flows, risk adjustment and CSM by product line.

As at December 31, 2023	**Estimates of present value of future cash flows**	**Risk adjustment for non-financial risk**	**Contractual service margin**		**Total**
			Fair value approach	**Post transition**	
Insurance contracts					
Insurance contracts not measured under PAA, excluding segregated fund account balances					
Wealth Management	$ **(316,719)**	$ **81,186**	$ **718,604**	$ **40,162**	$ **523,233**
Group Solutions	**4,580**	**227**	**—**	**—**	**4,807**
Individual Insurance	**4,052,159**	**1,025,096**	**658,104**	**47,669**	**5,783,028**
Total	**3,740,020**	**1,106,509**	**1,376,708**	**87,831**	**6,311,068**
Insurance contracts for segregated fund account balances					
Wealth Management	**8,489,371**	**—**	**—**	**—**	**8,489,371**
Individual Insurance	**17,914**	**—**	**—**	**—**	**17,914**
Total	**8,507,285**	**—**	**—**	**—**	**8,507,285**
Total Insurance contracts not measured under PAA	$ **12,247,305**	$ **1,106,509**	$ **1,376,708**	$ **87,831**	$ **14,818,353**

As at December 31, 2022 restated	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin		Total
			Fair value approach	Post transition	
Insurance contracts					
Insurance contracts not measured under PAA, excluding segregated fund account balances					
Wealth Management	$ (333,408)	$ 56,239	$ 766,220	$ 25,034	$ 514,085
Group Solutions	5,197	196	—	—	5,393
Individual Insurance	3,447,753	879,168	922,995	22,342	5,272,258
Total	3,119,542	935,603	1,689,215	47,376	5,791,736
Insurance contracts for segregated fund account balances					
Wealth Management	8,260,834	—	—	—	8,260,834
Individual Insurance	18,114	—	—	—	18,114
Total	8,278,948	—	—	—	8,278,948
Total Insurance contracts not measured under PAA	$ 11,398,490	$ 935,603	$ 1,689,215	$ 47,376	$ 14,070,684

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

The tables below present a roll-forward of the net asset or liability for insurance contracts issued showing estimates of the present value of expected future cash flows, risk adjustment and CSM. These tables exclude insurance contracts measured using the PAA.

For the year ended December 31, 2023	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin		Total
			Fair value approach	Post transition	
Insurance contracts at beginning of year					
Insurance contract liabilities	$ 3,119,542	$ 935,603	$ 1,689,215	$ 47,376	**$ 5,791,736**
Insurance contract liabilities for segregated fund account balances	8,278,948	—	—	—	**8,278,948**
Net insurance contracts at beginning of year	**11,398,490**	**935,603**	**1,689,215**	**47,376**	**14,070,684**
Changes that relate to current services					
CSM recognized for services provided			(176,342)	(6,505)	**(182,847)**
Change in risk adjustment for non-financial risk for risk expired		(53,408)			**(53,408)**
Experience adjustments	13,568				**13,568**
Changes that relate to future services					
Contracts initially recognized in the period	(113,487)	95,964	—	37,108	**19,585**
Changes in estimates that adjust the CSM	116,231	39,324	(163,681)	8,126	**—**
Changes in estimates that do not adjust the CSM	3,383	(19,951)			**(16,568)**
Changes that relate to past services					
Adjustments to liabilities for incurred claims	(802)	43	—	—	**(759)**
Insurance service result	**18,893**	**61,972**	**(340,023)**	**38,729**	**(220,429)**
Insurance finance (income) expense, excluding segregated fund account balances	453,336	108,934	27,516	1,726	**591,512**
Insurance finance (income) expenses segregated fund account balances	711,118				**711,118**
Total changes in the Consolidated Statement of Operations	**1,183,347**	**170,906**	**(312,507)**	**40,455**	**1,082,201**
Cash flows					
Premiums received	872,649				**872,649**
Claims and other expenses paid	(547,837)				**(547,837)**
Insurance acquisition cash flows	(176,563)				**(176,563)**
Total cash flows	**148,249**				**148,249**
Movements related to insurance contract liabilities for segregated fund account balances	**(482,781)**				**(482,781)**
Net insurance contracts at end of year	**$ 12,247,305**	**$ 1,106,509**	**$ 1,376,708**	**$ 87,831**	**$ 14,818,353**
Insurance contracts at end of year					
Insurance contract liabilities	$ 3,740,020	$ 1,106,509	$ 1,376,708	$ 87,831	**$ 6,311,068**
Insurance contract liabilities for segregated fund account balances	8,507,285	—	—	—	**8,507,285**
Net insurance contracts at end of year	**$ 12,247,305**	**$ 1,106,509**	**$ 1,376,708**	**$ 87,831**	**$ 14,818,353**

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

For the year ended December 31, 2022 restated	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin		Total
			Fair value approach	Post transition	
Insurance contracts at beginning of year					
Insurance contract liabilities	$ 4,503,851	$ 1,190,973	$ 1,543,816	$ —	$ 7,238,640
Insurance contract liabilities for segregated fund account balances	8,947,820	—	—	—	8,947,820
Net insurance contracts at beginning of year	13,451,671	1,190,973	1,543,816	—	16,186,460
Changes that relate to current services					
CSM recognized for services provided			(182,808)	(2,082)	(184,890)
Change in risk adjustment for non-financial risk for risk expired		(49,774)			(49,774)
Experience adjustments	13,776				13,776
Changes that relate to future services					
Contracts initially recognized in the period	(115,946)	86,680	—	38,648	9,382
Changes in estimates that adjust the CSM	(256,905)	(51,176)	297,714	10,367	—
Changes in estimates that do not adjust the CSM	(63)	(6,248)			(6,311)
Changes that relate to past services					
Adjustments to liabilities for incurred claims	(185)	12	—	—	(173)
Insurance service result	(359,323)	(20,506)	114,906	46,933	(217,990)
Insurance finance (income) expense, excluding segregated fund account balances	(1,257,299)	(234,864)	30,493	443	(1,461,227)
Insurance finance (income) expenses segregated fund account balances	(342,957)				(342,957)
Total changes in the Consolidated Statement of Operations	(1,959,579)	(255,370)	145,399	47,376	(2,022,174)
Cash flows					
Premiums received	830,212				830,212
Claims and other expenses paid	(437,005)				(437,005)
Insurance acquisition cash flows	(160,894)				(160,894)
Total cash flows	232,313				232,313
Movements related to insurance contract liabilities for segregated fund account balances	(325,915)				(325,915)
Net insurance contracts at end of year	$ 11,398,490	$ 935,603	$ 1,689,215	$ 47,376	$ 14,070,684
Insurance contracts at end of year					
Insurance contract liabilities	$ 3,119,542	$ 935,603	$ 1,689,215	$ 47,376	$ 5,791,736
Insurance contract liabilities for segregated fund account balances	8,278,948	—	—	—	8,278,948
Net insurance contracts at end of year	$ 11,398,490	$ 935,603	$ 1,689,215	$ 47,376	$ 14,070,684

Analysis of contractual service margin for insurance contracts by product line

For the year ended	**December 31, 2023**			December 31, 2022 restated		
	Wealth Management	**Individual Insurance**	**Total**	Wealth Management	Individual Insurance	Total
Contractual service margin at beginning of year	**$ 791,254**	**$ 945,337**	**$ 1,736,591**	$ 567,288	$ 976,528	$ 1,543,816
CSM recognized for services provided	**(100,360)**	**(82,487)**	**(182,847)**	(98,995)	(85,895)	(184,890)
Contracts initially recognized in the period	**13,920**	**23,188**	**37,108**	20,500	18,148	38,648
Changes in estimates that adjust the CSM	**53,223**	**(208,778)**	**(155,555)**	301,942	6,139	308,081
Interest accretion	**729**	**28,513**	**29,242**	519	30,417	30,936
Contractual service margin at end of year	**$ 758,766**	**$ 705,773**	**$ 1,464,539**	$ 791,254	$ 945,337	$ 1,736,591

Changes in estimates that adjust the CSM for direct insurance contracts is $155,555. Net of reinsurance contracts held of $99,288 (Note 10.7), changes in estimates that adjust the CSM is a decrease of $56,267 and include assumption updates that relate to:

- Lapse impacts of $38,000 to the Segregated fund and Universal life products;
- Expense assumptions of $7,000 to reflect the Company's experience with respect to inflation and changes to operations; and
- Mortality updates of $80,000 to future mortality experience, which was unfavourable to the CSM for the Individual life line of business, partially offset by similar updates for the Fixed annuity business.

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

Total changes in estimates that adjust the CSM also includes an increase of $71,000 (2022 $281,000) of changes in the effect of time value of money and financial risk relating to contracts measured using the VFA in the Company's Wealth Management and Individual Insurance product lines.

10.3. Analysis by remaining coverage and incurred claims for insurance contracts

The table below present a roll-forward of the net asset or liability for all insurance contracts issued showing liabilities for remaining coverage and liability for incurred claims by product line. These tables include insurance contracts measured using the PAA.

As at December 31, 2023	**Remaining coverage**		**Incurred claims**			**Total**
			Contracts not using PAA	**Contracts using PAA**		
	Excluding loss component	**Loss component**		**Estimate of PV of future cash flows**	**Risk adjustment**	
Insurance contracts						
Wealth Management	**$ 8,981,914**	**$ 1,448**	**$ 29,242**	**$ —**	**$ —**	**$ 9,012,604**
Group Solutions	**(7,685)**	**—**	**—**	**375,077**	**34,781**	**402,173**
Individual Insurance	**5,666,506**	**5,629**	**128,807**	**—**	**—**	**5,800,942**
Total insurance contracts	**$ 14,640,735**	**$ 7,077**	**$ 158,049**	**$ 375,077**	**$ 34,781**	**$ 15,215,719**

As at December 31, 2022 restated	Remaining coverage		Incurred claims			Total
			Contracts not using PAA	Contracts using PAA		
	Excluding loss component	Loss component		Estimate of PV of future cash flows	Risk adjustment	
Insurance contracts						
Wealth Management	$ 8,748,487	$ —	$ 26,432	$ —	$ —	$ 8,774,919
Group Solutions	(6,945)	—	—	332,098	33,882	359,035
Individual Insurance	5,148,630	3,794	137,948	—	—	5,290,372
Total insurance contracts	$ 13,890,172	$ 3,794	$ 164,380	$ 332,098	$ 33,882	$ 14,424,326

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

The table below present a roll-forward of the net asset or liability for all insurance contracts issued showing liabilities for remaining coverage and liability for incurred claims. These tables include insurance contracts measured using the PAA.

For the year ended December 31, 2023	Remaining coverage		Incurred claims			Total
			Contracts not using PAA	Contracts using PAA		
	Excluding loss component	Loss component		Estimate of PV of future cash flows	Risk adjustment	
Insurance contracts at beginning of year						
Insurance contract liabilities	$ 5,611,224	$ 3,794	$ 164,380	$ 332,098	$ 33,882	**$ 6,145,378**
Insurance contract liabilities for segregated fund account balances	8,278,948	—	—	—	—	**8,278,948**
Net insurance contracts at beginning of year	**13,890,172**	**3,794**	**164,380**	**332,098**	**33,882**	**14,424,326**
Insurance service revenue						
Contracts under fair value approach	(634,813)					**(634,813)**
Contracts post transition	(690,695)					**(690,695)**
Insurance service expenses						
Incurred claims and other expenses		(334)	434,736	601,482	—	**1,035,884**
Amortization of insurance acquisition cash flows	35,524					**35,524**
Losses and reversal of losses on onerous contracts		3,016	—	—	—	**3,016**
Adjustments to liabilities for incurred claims		—	—	(1,651)	(1,224)	**(2,875)**
Investment components	(106,770)		106,770			**—**
Insurance service result	**(1,396,754)**	**2,682**	**541,506**	**599,831**	**(1,224)**	**(253,959)**
Insurance finance (income) expense from insurance contracts, excluding segregated fund account balances	590,951	601	—	19,717	2,123	**613,392**
Insurance finance (income) expenses, insurance contracts segregated fund account balances	711,118					**711,118**
Total changes in the Consolidated Statement of Operations	**(94,685)**	**3,283**	**541,506**	**619,548**	**899**	**1,070,551**
Cash flows						
Premiums received	1,504,592					**1,504,592**
Claims and other expenses paid			(547,837)	(576,569)		**(1,124,406)**
Insurance acquisition cash flows	(176,563)					**(176,563)**
Total cash flows	**1,328,029**		**(547,837)**	**(576,569)**		**203,623**
Movements related to insurance contract liabilities for segregated fund account balances	**(482,781)**		**—**			**(482,781)**
Net insurance contracts at end of year	**$ 14,640,735**	**$ 7,077**	**$ 158,049**	**$ 375,077**	**$ 34,781**	**$ 15,215,719**
Insurance contracts at end of year						
Insurance contract liabilities	$ 6,133,450	$ 7,077	$ 158,049	$ 375,077	$ 34,781	$ 6,708,434
Insurance contract liabilities for segregated fund account balances	8,507,285	—	—	—	—	8,507,285
Net insurance contracts at end of year	**$ 14,640,735**	**$ 7,077**	**$ 158,049**	**$ 375,077**	**$ 34,781**	**$ 15,215,719**

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

For the year ended December 31, 2022 restated	Remaining coverage		Incurred claims			Total
			Contracts not using PAA	Contracts using PAA		
	Excluding loss component	Loss component		Estimate of PV of future cash flows	Risk adjustment	
Insurance contracts at beginning of year						
Insurance contract liabilities	$ 7,133,726	$ —	$ 98,749	$ 332,151	$ 33,844	$ 7,598,470
Insurance contract liabilities for segregated fund account balances	8,947,820	—	—	—	—	8,947,820
Net insurance contracts at beginning of year	16,081,546	—	98,749	332,151	33,844	16,546,290
Insurance service revenue						
Contracts under fair value approach	(623,380)					(623,380)
Contracts post transition	(631,969)					(631,969)
Insurance service expenses						
Incurred claims and other expenses		(104)	405,620	555,774	—	961,290
Amortization of insurance acquisition cash flows	24,992					24,992
Losses and reversal of losses on onerous contracts		3,071	—	—	—	3,071
Adjustments to liabilities for incurred claims		—	—	26,064	2,693	28,757
Investment components	(97,016)		97,016			—
Insurance service result	(1,327,373)	2,967	502,636	581,838	2,693	(237,239)
Insurance finance (income) expenses, excluding segregated funds	(1,462,032)	827	—	(21,058)	(2,655)	(1,484,918)
Insurance finance (income) expenses, segregated funds	(342,957)					(342,957)
Total changes in the Consolidated Statement of Operations	(3,132,362)	3,794	502,636	560,780	38	(2,065,114)
Cash flows						
Premiums received	1,427,797					1,427,797
Claims and other expenses paid			(437,005)	(560,833)		(997,838)
Insurance acquisition cash flows	(160,894)					(160,894)
Total cash flows	1,266,903		(437,005)	(560,833)		269,065
Movements related to insurance contract liabilities for segregated fund account balances	(325,915)		—			(325,915)
Net insurance contracts at end of year	$ 13,890,172	$ 3,794	$ 164,380	$ 332,098	$ 33,882	$ 14,424,326
Insurance contracts at end of year						
Insurance contract liabilities	$ 5,611,224	$ 3,794	$ 164,380	$ 332,098	$ 33,882	$ 6,145,378
Insurance contract liabilities for segregated fund account balances	8,278,948	—	—	—	—	8,278,948
Net insurance contracts at end of year	$ 13,890,172	$ 3,794	$ 164,380	$ 332,098	$ 33,882	$ 14,424,326

10.4. Insurance service revenue

For the year ended	**December 31, 2023**	December 31, 2022 restated
Insurance service revenue		
Contracts not measured under the PAA		
Amounts relating to changes in liabilities for remaining coverage		
CSM recognized for services provided	**$ 182,848**	$ 184,890
Change in risk adjustment for non-financial risk for risk expired	**53,284**	49,730
Expected claims and other insurance service expenses	**415,177**	391,808
Recovery of insurance acquisition cash flows	**35,524**	24,992
Total	**686,833**	651,420
Contracts measured under the PAA	**638,675**	603,929
Total insurance service revenue	**$ 1,325,508**	$ 1,255,349

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

10.5. Expected remaining CSM recognition for insurance contracts

	Less than 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	5 - 10 years	More than 10 years	Total
December 31, 2023	**$ 150,637**	**$ 136,156**	**$ 123,865**	**$ 111,999**	**$ 101,043**	**$ 366,474**	**$ 474,365**	**$ 1,464,539**
December 31, 2022	$ 171,216	$ 155,474	$ 141,915	$ 129,078	$ 117,001	$ 430,019	$ 591,888	$ 1,736,591

10.6. Effect on measurement components of reinsurance contracts held initially recognized in the period

For the year ended	December 31, 2023	December 31, 2022 restated
New business reinsurance contracts held		
Estimates of present value of cash outflows	**$ 203,826**	$ 177,055
Estimates of present value of cash inflows	**(192,384)**	(168,940)
Risk adjustment for non-financial risk	**(45,207)**	(39,626)
Contractual service margin	**25,000**	25,714
Amount included in reinsurance contracts held (assets) liabilities for the year	**$ (8,765)**	$ (5,797)

10.7. Analysis by measurement component for reinsurance contracts held

The tables below present the net asset or liability for reinsurance contracts held showing estimates of the present value of future cash flows, risk adjustment and CSM by product line.

As at December 31, 2023	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin		Total
			Fair value approach	Post transition	
Reinsurance contracts held					
Reinsurance contracts held not measured under PAA					
Wealth Management	**$ (12,364)**	**$ (603)**	**$ 945**	**$ —**	**$ (12,022)**
Individual Insurance	**602,699**	**(400,031)**	**(95,529)**	**45,042**	**152,181**
Total	**$ 590,335**	**$ (400,634)**	**$ (94,584)**	**$ 45,042**	**$ 140,159**

As at December 31, 2022 restated	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin		Total
			Fair value approach	Post transition	
Reinsurance contracts held					
Reinsurance contracts held not measured under PAA					
Wealth Management	$ (14,136)	$ (730)	$ 1,232	$ —	$ (13,634)
Individual Insurance	618,123	(343,812)	(214,397)	20,608	80,522
Total	$ 603,987	$ (344,542)	$ (213,165)	$ 20,608	$ 66,888

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

The tables below present a roll-forward of the net asset or liability for reinsurance contracts held showing estimates of the present value of future cash flows, risk adjustment and CSM. These tables exclude reinsurance contracts held measured using the PAA.

For the year ended December 31, 2023	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin		Total
			Fair value approach	Post transition	
Reinsurance contracts held at beginning of year					
Reinsurance contracts held (assets)	$ 343,690	$ (264,761)	$ (249,563)	$ 20,466	**$ (150,168)**
Reinsurance contracts held liabilities	260,297	(79,781)	36,398	142	**217,056**
Net reinsurance contracts held at beginning of year	**603,987**	**(344,542)**	**(213,165)**	**20,608**	**66,888**
Changes that relate to current services					
CSM recognized for services received			22,797	(3,721)	**19,076**
Risk adjustment recognized for non-financial risk expired		21,510			**21,510**
Experience adjustments	16,491				**16,491**
Changes that relate to future services					
Contracts initially recognized in the period	11,442	(45,207)	—	25,000	**(8,765)**
Changes in estimates that adjust the CSM	(109,634)	10,346	100,461	(1,173)	**—**
Changes in estimates that adjust recoveries of losses on onerous underlying contracts	4,147	(295)			**3,852**
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM			1,448	2,568	**4,016**
Changes that relate to past services					
Changes in amounts recoverable arising from changes in liability for incurred claims	3,781	—			**3,781**
Reinsurance service result	**(73,773)**	**(13,646)**	**124,706**	**22,674**	**59,961**
Reinsurance finance (income) expenses	96,785	(42,446)	(6,125)	1,760	**49,974**
Total changes in the Consolidated Statement of Operations	**23,012**	**(56,092)**	**118,581**	**24,434**	**109,935**
Cash flows					
Premiums paid	(127,090)				**(127,090)**
Amounts received	90,426				**90,426**
Total cash flows	**(36,664)**				**(36,664)**
Net reinsurance contracts held at end of year	**$ 590,335**	**$ (400,634)**	**$ (94,584)**	**$ 45,042**	**$ 140,159**
Reinsurance contracts held at end of year					
Reinsurance contracts held (assets)	$ 338,565	$ (318,235)	$ (178,218)	$ 44,817	**$ (113,071)**
Reinsurance contracts held liabilities	251,770	(82,399)	83,634	225	**253,230**
Net reinsurance contracts held at end of year	**$ 590,335**	**$ (400,634)**	**$ (94,584)**	**$ 45,042**	**$ 140,159**

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

For the year ended December 31, 2022 restated	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin		Total
			Fair value approach	Post transition	
Reinsurance contracts held (excluding PAA contracts)					
Reinsurance contracts held (assets) at beginning of year	$ 408,519	$ (300,711)	$ (240,144)	$ —	$ (132,336)
Reinsurance contracts held liabilities at beginning of year	388,181	(103,581)	54,322	—	338,922
Net reinsurance contracts held at beginning of year	796,700	(404,292)	(185,822)	—	206,586
Changes that relate to current services					
CSM recognized for services received			22,917	(1,143)	21,774
Risk adjustment recognized for non-financial risk expired		18,368			18,368
Experience adjustments	(2,922)				(2,922)
Changes that relate to future services					
Contracts initially recognized in the period	8,115	(39,626)	—	25,714	(5,797)
Changes in estimates that adjust the CSM	59,510	(8,646)	(44,729)	(6,135)	—
Changes in estimates that adjust recoveries of losses on onerous underlying contracts	486	(36)			450
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM			505	1,676	2,181
Changes that relate to past services					
Changes in amounts recoverable arising from changes in liability for incurred claims	—	—			—
Reinsurance service result	65,189	(29,940)	(21,307)	20,112	34,054
Reinsurance finance (income) expenses	(176,589)	89,690	(6,036)	496	(92,439)
Total changes in the Consolidated Statement of Operations	(111,400)	59,750	(27,343)	20,608	(58,385)
Cash flows					
Premiums paid	(177,060)				(177,060)
Amounts received	95,747				95,747
Total cash flows	(81,313)				(81,313)
Net reinsurance contracts held at end of year	$ 603,987	$ (344,542)	$ (213,165)	$ 20,608	$ 66,888
Reinsurance contracts held (excluding PAA contracts)					
Reinsurance contracts held (assets) at end of year	$ 343,690	$ (264,761)	$ (249,563)	$ 20,466	$ (150,168)
Reinsurance contracts held liabilities at end of year	260,297	(79,781)	36,398	142	217,056
Net reinsurance contracts held at end of year	$ 603,987	$ (344,542)	$ (213,165)	$ 20,608	$ 66,888

Analysis of contractual service margin for reinsurance contracts held by product line

For the year ended	**December 31, 2023**			December 31, 2022 restated		
	Wealth Management	**Individual Insurance**	**Total**	Wealth Management	Individual Insurance	Total
Contractual service margin at beginning of year	**$ 1,232**	**$ (193,789)**	**$ (192,557)**	$ 252	$ (186,074)	$ (185,822)
CSM recognized for services received	**(267)**	**19,343**	**19,076**	(149)	21,923	21,774
Contracts initially recognized in the period	**—**	**25,000**	**25,000**	—	25,714	25,714
Changes in estimates that adjust the CSM	**(59)**	**99,347**	**99,288**	1,113	(51,977)	(50,864)
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM	**—**	**4,016**	**4,016**	—	2,181	2,181
Interest accretion	**39**	**(4,404)**	**(4,365)**	16	(5,556)	(5,540)
Contractual service margin at end of year	**$ 945**	**$ (50,487)**	**$ (49,542)**	$ 1,232	$ (193,789)	$ (192,557)

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

10.8. Analysis by remaining coverage and incurred claims for reinsurance contracts held

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

As at December 31, 2023	**Remaining coverage**		**Incurred claims**			**Total**
			Contracts not using PAA	**Contracts using PAA**		
	Excluding loss recovery component	**Loss recovery component**		**Estimate of PV of future cash flows**	**Risk adjustment**	
Reinsurance contracts held						
Wealth Management	**$ (16,608)**	**$ —**	**$ 4,586**	**$ —**	**$ —**	**$ (12,022)**
Group Solutions	**(4,375)**	**—**	**—**	**(154,192)**	**(14,096)**	**(172,663)**
Individual Insurance	**153,437**	**(2,539)**	**5,658**	**—**	**—**	**156,556**
Total reinsurance contracts held	**$ 132,454**	**$ (2,539)**	**$ 10,244**	**$ (154,192)**	**$ (14,096)**	**$ (28,129)**

As at December 31, 2022 restated	Remaining coverage		Incurred claims			Total
			Contracts not using PAA	Contracts using PAA		
	Excluding loss recovery component	Loss recovery component		Estimate of PV of future cash flows	Risk adjustment	
Reinsurance contracts						
Wealth Management	$ (22,412)	$ —	$ 8,778	$ —	$ —	$ (13,634)
Group Solutions	—	—	—	(145,837)	(14,039)	(159,876)
Individual Insurance	80,109	(2,789)	3,202	—	—	80,522
Total reinsurance contracts	$ 57,697	$ (2,789)	$ 11,980	$ (145,837)	$ (14,039)	$ (92,988)

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

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

For the year ended December 31, 2023	Remaining coverage		Incurred claims			Total
			Contracts not using PAA	Contracts using PAA		
	Excluding loss recovery component	Loss recovery component		Estimate of PV of future cash flows	Risk adjustment	
Reinsurance contracts held (assets) liabilities at beginning of year						
Reinsurance contracts held (assets)	$ (147,379)	$ (2,789)	$ —	$ (145,837)	$ (14,039)	**$ (310,044)**
Reinsurance contracts held liabilities	205,076	—	11,980	—	—	**217,056**
Net reinsurance contracts held (assets) liabilities at beginning of year	**57,697**	**(2,789)**	**11,980**	**(145,837)**	**(14,039)**	**(92,988)**
Allocation of premiums paid						
Contracts under fair value approach	141,464					**141,464**
Contacts post transition	157,089					**157,089**
Amounts recoverable from reinsurers						
Amounts recoverable for claims and other expenses incurred in the period		1,408	(95,943)	(136,325)	—	**(230,860)**
Changes in amounts recoverable from changes in liability for incurred claims			3,781	1,177	882	**5,840**
Changes in fulfilment cash flows which relate to onerous underlying contracts		(896)				**(896)**
Net income or expense from reinsurance contracts held	**298,553**	**512**	**(92,162)**	**(135,148)**	**882**	**72,637**
Reinsurance finance (income) expenses	50,236	(262)	—	(9,532)	(939)	**39,503**
Total changes in the Consolidated Statement of Operations	**348,789**	**250**	**(92,162)**	**(144,680)**	**(57)**	**112,140**
Cash flows						
Premiums paid	(274,032)					**(274,032)**
Amounts received			90,426	136,325		**226,751**
Total cash flows	**(274,032)**		**90,426**	**136,325**		**(47,281)**
Net reinsurance contracts held (assets) liabilities at end of year	**$ 132,454**	**$ (2,539)**	**$ 10,244**	**$ (154,192)**	**$ (14,096)**	**$ (28,129)**
Reinsurance contracts held (assets) liabilities at end of year						
Reinsurance contracts held (assets)	$ (114,315)	$ (2,539)	$ 3,783	$ (154,192)	$ (14,096)	**$ (281,359)**
Reinsurance contracts held liabilities	246,769	—	6,461	—	—	**253,230**
Net reinsurance contracts held (assets) liabilities at end of year	**$ 132,454**	**$ (2,539)**	**$ 10,244**	**$ (154,192)**	**$ (14,096)**	**$ (28,129)**

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

For the year ended December 31, 2022 restated	Remaining coverage		Incurred claims			Total
			Contracts not using PAA	Contracts using PAA		
	Excluding loss recovery component	Loss recovery component		Estimate of PV of future cash flows	Risk adjustment	
Reinsurance contracts held (assets) liabilities at beginning of year						
Reinsurance contracts held (assets)	$ (132,335)	$ —	$ —	$ (136,674)	$ (14,290)	$ (283,299)
Reinsurance contracts held liabilities	317,203	—	21,719	—	—	338,922
Net reinsurance contracts held (assets) liabilities at beginning of year	184,868	—	21,719	(136,674)	(14,290)	55,623
Allocation of premiums paid						
Contracts under fair value approach	138,191					138,191
Contracts post transition	153,107					153,107
Amounts recoverable from reinsurers						
Amounts recoverable for claims and other expenses incurred in the period		443	(105,486)	(120,427)	—	(225,470)
Changes in amounts recoverable from changes in liability for incurred claims			—	(17,505)	(729)	(18,234)
Changes in fulfilment cash flows which relate to onerous underlying contracts		(3,166)				(3,166)
Net income or expense from reinsurance contracts held	291,298	(2,723)	(105,486)	(137,932)	(729)	44,428
Reinsurance finance (income) expenses	(92,261)	(66)	—	8,342	980	(83,005)
Total changes in the Consolidated Statement of Operations	199,037	(2,789)	(105,486)	(129,590)	251	(38,577)
Cash flows						
Premiums paid	(326,208)					(326,208)
Amounts received			95,747	120,427		216,174
Total cash flows	(326,208)		95,747	120,427		(110,034)
Net reinsurance contracts held (assets) liabilities at end of year	$ 57,697	$ (2,789)	$ 11,980	$ (145,837)	$ (14,039)	$ (92,988)
Reinsurance contracts held (assets) liabilities at end of year						
Reinsurance contracts held (assets)	$ (147,379)	$ (2,789)	$ —	$ (145,837)	$ (14,039)	$ (310,044)
Reinsurance contracts held liabilities	205,076	—	11,980	—	—	217,056
Net reinsurance contracts held (assets) liabilities at end of year	$ 57,697	$ (2,789)	$ 11,980	$ (145,837)	$ (14,039)	$ (92,988)

10.9. Expected remaining CSM recognition for reinsurance contracts held

	Less than 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	5 - 10 years	More than 10 years	Total
December 31, 2023	**$ (9,277)**	**$ (8,223)**	**$ (7,244)**	**$ (6,311)**	**$ (5,424)**	**$ (15,374)**	**$ 2,311**	**$ (49,542)**
December 31, 2022	$ (22,658)	$ (20,648)	$ (18,658)	$ (16,802)	$ (14,986)	$ (51,078)	$ (47,727)	$ (192,557)

11. 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 enrollments 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

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

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, 2023**	December 31, 2022	**December 31, 2023**	December 31, 2022
Present value of obligations	**$ (212,182)**	$ (197,258)	**$ (7,006)**	$ (6,785)
Fair value of plan assets	**236,215**	218,165	**—**	—
Post-employment benefit asset (liability)	**24,033**	20,907	**(7,006)**	(6,785)
Effect of asset limit	**(2,554)**	(2,736)	**—**	—
Net post-employment benefit asset (liability)	**$ 21,479**	$ 18,171	**$ (7,006)**	$ (6,785)

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 Other assets (Note 4).

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, 2023**	December 31, 2022	**December 31, 2023**	December 31, 2022
Present value of defined benefit obligation - beginning of year	**$ 197,258**	$ 245,593	**$ 6,785**	$ 8,706
Current service cost	**3,215**	5,512	**—**	—
Interest expense	**10,011**	7,476	**341**	253
Decrease (increase) in net income before tax	**13,226**	12,988	**341**	253
Remeasurements				
(Gain) loss from changes in financial assumptions	**9,994**	(53,121)	**454**	(1,581)
Actuarial (gain) loss from member experience	**59**	3,715	**(222)**	(162)
Decrease (increase) in OCI before tax	**10,053**	(49,406)	**232**	(1,743)
Employee contributions	**1,192**	1,213	**—**	—
Benefits paid	**(9,547)**	(13,130)	**(352)**	(431)
Present value of defined benefit obligation - end of year	**$ 212,182**	$ 197,258	**$ 7,006**	$ 6,785

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

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, 2023**	December 31, 2022
Fair value of defined benefit assets - at beginning of year	**$ 218,165**	$ 232,426
Interest income	**11,292**	7,181
Administrative expense	**(385)**	(337)
Increase (decrease) in net income before tax	**10,907**	6,844
Remeasurements		
Return on plan assets, excluding amounts included in interest income	**9,181**	(16,758)
Increase (decrease) in OCI before tax	**9,181**	(16,758)
Employer contributions	**6,317**	7,570
Employee contributions	**1,192**	1,213
Benefits paid	**(9,547)**	(13,130)
Fair value of defined benefit assets - end of year	**$ 236,215**	$ 218,165

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

	Pension benefits	
As at	**December 31, 2023**	December 31, 2022
Asset ceiling/onerous liability beginning year	**$ 2,736**	$ 1,630
Interest income	**144**	51
Change in asset ceiling/onerous liability (excluding interest income)	**(326)**	1,055
Asset ceiling/onerous liability end of year	**$ 2,554**	$ 2,736

The actual return on defined benefit assets net of administrative expense, for the year ended December 31, 2023 was a gain of $20,088 (2022 loss of $9,914).

Defined benefit plan expense is recognized and allocated between insurance service expenses and non-insurance expenses. Remeasurements in the defined benefit plan are included in OCI. Allocated between insurance service expenses and non-insurance expenses is $4,014 (2022 $2,964) 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, 2024 are approximately $7,136.

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

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

As at	December 31, 2023		December 31, 2022	
Equity				
Canadian	**$ 35,385**	**15%**	$ 38,626	18%
Foreign	**82,623**	**35%**	90,731	41%
Equity ETFs				
Canadian	**3,010**	**1%**	—	0%
Foreign	**6,758**	**3%**	—	0%
Total equity	**127,776**	**54 %**	129,357	59 %
Debt				
Canadian	**94,923**	**40%**	67,801	31%
Foreign	**2,134**	**1%**	—	0%
Total debt	**97,057**	**41%**	67,801	31%
Cash, cash equivalent, accruals	**3,313**	**1%**	3,864	2%
Mutual funds	**—**	**0%**	8,970	4%
Other	**8,069**	**4%**	8,173	4 %
Total fair value of assets	**$ 236,215**	**100%**	$ 218,165	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, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Defined benefit obligation as at December 31:				
Discount rate - defined benefit obligation	**4.65%**	5.25%	**4.65%**	5.25%
Discount rate - net interest	**5.25%**	3.15%	**5.25%**	3.00%
Rate of compensation increase (3% after 2023)	**4.00%**	5.00%	**n/a**	n/a
Assumed health care cost trend rates at December 31:				
Initial health care cost trend rate	**n/a**	n/a	**5.3%**	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, 2023	December 31, 2022
Males aged 65 at measurement date	**22.29**	22.21
Females aged 65 at measurement date	**24.95**	24.88
Males aged 40 at measurement date	**23.40**	24.04
Females aged 40 at measurement date	**25.96**	26.54

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

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, 2023	**Change in assumption**	**Increase**	**Decrease**	**Increase**	**Decrease**
Discount rate	**1%**	**$ (17,754)**	**$ 22,025**	**$ (651)**	**$ 574**
Rate of compensation increase	**1%**	**$ 7,398**	**$ (6,493)**	**n/a**	**n/a**
Health care cost increase	**1%**	**n/a**	**n/a**	**$ 577**	**$ (658)**
Life expectancy	**1 year**	**$ 3,589**	**$ (3,732)**	**$ 591**	**$ (761)**

		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)

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

As at	**December 31, 2023**	December 31, 2022
Staff pension plan	**10**	9
Supplemental employee retirement plan	**7**	7
Other post-employment benefits	**9**	9

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:

Deterioration of asset values

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.

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

Longevity risk

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.

Interest rate risk

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.

In February 2023, the Plan withdrew 100% of its investment in Empire Life Aggressive Growth Mutual Fund. The proceeds were reinvested in ETFs 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

12. Subordinated Debt

The table below presents the obligations included in Subordinated debt.

As at				**December 31, 2023**	December 31, 2022
	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
Series 2021-1 [(2)]	2.024 %	September 24, 2026	2031	**199,435**	199,165
Series 2023-1 [(3)]	5.503 %	January 13, 2028	2033	**199,462**	—
Total Subordinated Debt				**$ 398,897**	$ 399,129
Fair Value				**$ 385,674**	$ 374,616

[(1)] All of the outstanding Series 2017-1 Subordinated 3.664% Unsecured Debentures were redeemed on March 15, 2023
[(2)] Series 2021-1 Subordinated 2.024% Unsecured Debentures due 2031. From September 24, 2026, interest is payable at 0.67% over CDOR
[(3)] Series 2023-1 Subordinated 5.503% Unsecured Debentures due 2033. From January 13, 2028, interest is payable at 2.26% over CORRA

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

13. Claims, Operating Expenses, Commissions and Interest Expense

Claims, operating expenses, commissions and interest expense include the following:

For the year ended		December 31, 2023		December 31, 2022 restated
Insurance contracts claims and benefits	**$**	**733,534**	$	707,504
Salary and benefit expenses		**134,883**		116,533
Professional services		**33,951**		21,420
Rent, maintenance and amortization of right-of-use assets		**26,833**		27,238
Amortization of property and equipment and intangibles		**16,028**		9,924
Miscellaneous operating expenses		**31,679**		26,949
Insurance contracts commissions		**304,142**		280,751
Premium and other taxes		**27,063**		25,809
Interest expense		**16,615**		11,648
Subtotal		**1,324,728**		1,227,776
Amounts attributed to insurance contracts acquisition cash flows		**(176,563)**		(160,894)
Amortization of insurance contracts acquisition cash flows		**35,524**		24,992
Total	**$**	**1,183,689**	$	1,091,874
Represented by:				
Insurance service expenses	**$**	**1,071,549**	$	1,018,110
Non-insurance expenses		**95,525**		62,116
Interest expenses		**16,615**		11,648
Total	**$**	**1,183,689**	$	1,091,874

14. Income Taxes

14.1. Income tax expense

The tax provision for December 31, 2023 has been prepared in accordance with the Canadian federal tax legislation effective January 1, 2023 which includes the adoption of IFRS 17.

January 1, 2022 opening Statement of Financial Position differences between the IFRS 4 and IFRS 17 actuarial liabilities reflected in Retained earnings on adoption have been treated as temporary differences and reflected in the net Deferred tax asset balance. The tax transition adjustment for the impact of converting actuarial liabilities and the non-deductible portion of the CSM was calculated at January 1, 2023 and taken over 5 years.

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

For the year ended		December 31, 2023		December 31, 2022 restated
Current income tax expense	**$**	**44,774**	$	3,566
Deferred income tax expense (benefit)		**876**		(5,288)
Income tax expense (benefit)	**$**	**45,650**	$	(1,722)

During 2023, the Company's net income tax paid (recovered) totaled ($19,310) (2022 $40,277).

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

14.2. Variance from statutory provision

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

For the year ended		December 31, 2023		December 31, 2022 restated
Net income before income taxes	$	235,606	$	57,533
Income tax provision at statutory rates		62,153		15,177
Increase (decrease) resulting from:				
Tax paid on dividends		(13,562)		(10,074)
Miscellaneous		(2,941)		(6,825)
Income tax expense	**$**	**45,650**	$	(1,722)

The current enacted corporate tax rates as they impact the Company in 2023 stand at 26.38% (2022 26.38%). Expected future tax rates are as follows:

2024	26.38 %
2025	26.38 %
2026	26.38 %
2027	26.38 %
2028	26.38 %

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

14.3. 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, 2023		December 31, 2022 restated
Insurance contracts	$	91,150	$	94,051
Portfolio investments		973		(1,545)
Post-employment benefit plans		(3,798)		(2,981)
Other, net		1,119		98
Deferred income tax asset (liability)	**$**	**89,444**	$	89,623

Of the above total, $89,444 is expected to be paid (2022 $37,050 paid) 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, 2023		December 31, 2022 restated
Deferred income tax asset (liability) - beginning of year	$	89,623	$	93,123
Deferred income tax benefit (expense)				
Consolidated Statement of operations		(876)		5,288
Other comprehensive income		206		(8,794)
Other adjustments		491		6
Deferred income tax asset (liability) - end of year	**$**	**89,444**	$	89,623

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

14.4. Income taxes included in other comprehensive income

Other comprehensive income (loss) is presented net of income taxes and includes the following income tax amounts.

For the year ended		December 31, 2023				December 31, 2022 restated					
		Before tax		**Tax (provision) recovery**		**After tax**		Before tax		Tax (provision) recovery		After tax
Remeasurements of post-employment benefit liabilities	$	(778)	$	206	$	(572)	$	33,336	$	(8,794)	$	24,542
Total other comprehensive income (loss)	**$**	**(778)**	**$**	**206**	**$**	**(572)**	$	33,336	$	(8,794)	$	24,542

15. Earnings Per Share

Earnings per share (EPS) is calculated by dividing common shareholders' net income by the weighted average number of common shares outstanding. The preferred shares issued (refer to Note 16) 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, 2023		December 31, 2022 restated
Basic and diluted EPS				
Shareholders' net income (loss)	**$**	**167,854**	$	65,129
Less: preferred share dividends declared and distributions on other equity instruments		**(11,525)**		(10,237)
Common shareholders' net income		**156,329**		54,892
Weighted average number of common shares outstanding		**985,076**		985,076
Basic and diluted EPS	**$**	**158.70**	$	55.72

16. Capital Stock

As at	December 31, 2023				December 31, 2022			
	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 were entitled to receive fixed non-cumulative quarterly dividends yielding 4.90% annually, as and when declared by the Board 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 Empire Life, at a rate equal to the 3-month Government of Canada Treasury Bill yield plus 3.24%.

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 Empire Life, for the renewal period ending on and including January 17, 2028.

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 Consolidated 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 or principal at the discretion of the Company, or in the event of bankruptcy, insolvency or liquidation of the Company, the sole remedy of note holders shall be the delivery of the holders' proportionate share of the trust assets. In such an event, the delivery of the trust assets will represent the full and complete extinguishment of the Company's obligations under the LRCN Series 1.

The trust assets consist of $200 million of Empire Life Non-Cumulative 5-year Fixed Rate Reset Preferred Shares, Series 5 which were issued concurrently with the LRCN Series 1 at a rate of $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%.

Interest paid on LRCNs have been reclassified in 2023 and 2022 from interest expense on the Consolidated Statement of Operations to Preferred share dividends and distributions on other equity instruments in the Consolidated Statement of Changes in Equity.

17. 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 26, 2023	985,076	$	19.290000	$	19,002	December 5, 2023
	August 4, 2023	985,076	$	19.290000	$	19,002	September 13, 2023
	May 9, 2023	985,076	$	19.290000	$	19,002	June 14, 2023
	February 23, 2023	985,076	$	18.450000	$	18,175	April 4, 2023
	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
Preferred shareholder dividends							
Series 3	October 26, 2023	4,000,000	$	0.3866875	$	1,547	January 17, 2024
	August 4, 2023	4,000,000	$	0.3866875	$	1,547	October 17, 2023
	May 9, 2023	4,000,000	$	0.3866875	$	1,547	July 17, 2023
	February 23, 2023	4,000,000	$	0.3866875	$	1,547	April 17, 2023
	October 27, 2022	4,000,000	$	0.3062500	$	1,225	January 17, 2023
	July 28, 2022	4,000,000	$	0.3062500	$	1,225	October 17, 2022
	April 28, 2022	4,000,000	$	0.3062500	$	1,225	July 17, 2022
	February 23, 2022	4,000,000	$	0.3062500	$	1,225	April 17, 2022

On February 28, 2024, the Board approved the following cash dividends:
- $20,007 ($20.31 per share) on the issued and outstanding Common Shares, payable on April 9, 2024.
- $1,547 ($0.3866875 per share) on the issued and outstanding Series 3 Preferred Shares, payable on April 17, 2024.

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

18. Participating Account

The participating account surplus balance is considered to be equity of the Company; however, its distribution is restricted by the Insurance Companies Act. Transfers from the participating account to the shareholders account is contingent upon future payment of dividends to participating policyholders.

Participating policyholders share in the returns of the underlying items. The entire participating fund is considered as the underlying. The fair value of the underlying items as at December 31, 2023 is $1,040,923 (December 31, 2022 $892,093).

The following table sets out the composition and fair value of the underlying assets supporting the Company's participating account at the reporting date.

As at	December 31, 2023	December 31, 2022 restated
Underlying assets supporting participating account		
Cash and cash equivalents	**$ 53,337**	$ 13,220
Bonds	**660,889**	579,144
Preferred shares	**107,777**	91,801
Common shares	**170,313**	154,814
Derivative assets	**1,676**	—
Mortgages	**14,997**	15,321
Other	**31,934**	37,793
Total underlying assets supporting participating account	**$ 1,040,923**	$ 892,093
Components of participating account		
Insurance contracts and reinsurance contracts held net assets (liabilities)	**$ 994,766**	$ 868,038
Participating account surplus	**46,157**	24,055
Total	**$ 1,040,923**	$ 892,093

19. Segmented Information by Product Line

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, 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' equity, the participating account surplus, and other corporate items not allocated to other segments.

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

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

For the year ended December 31, 2023	Wealth Management	Group Solutions	Individual Insurance	Capital & Surplus	Total
Insurance service result					
Insurance revenue	$ 234,762	$ 638,675	$ 452,071	$ —	**$ 1,325,508**
Insurance service expenses	(147,080)	(598,019)	(326,450)	—	**(1,071,549)**
Insurance service result	87,682	40,656	125,621	—	**253,959**
Net recovery (expense) from reinsurance contracts held	340	(17,234)	(55,743)	—	**(72,637)**
Net insurance service result	**88,022**	**23,422**	**69,878**	**—**	**181,322**
Investment and insurance finance result					
Investment income (loss), excluding segregated funds					
Investment income	72,285	16,001	597,946	130,557	**816,789**
Change in investment contracts	(28,171)	—	—	—	**(28,171)**
Net investment result, excluding segregated funds	**44,114**	**16,001**	**597,946**	**130,557**	**788,618**
Insurance finance income (expense), excluding segregated fund account balances					
Insurance contracts	(34,335)	(21,879)	(557,178)	—	**(613,392)**
Reinsurance contracts held	964	10,473	(50,940)	—	**(39,503)**
Net insurance finance income (expense), excluding segregated funds	**(33,371)**	**(11,406)**	**(608,118)**	**—**	**(652,895)**
Segregated funds net investment and insurance finance result					
Investment income (loss) on investments for segregated fund account balances	734,263	—	1,571	—	**735,834**
Insurance finance income (expenses) segregated fund account balances	(734,263)	—	(1,571)	—	**(735,834)**
Segregated funds net investment and insurance finance result	**—**	**—**	**—**	**—**	**—**
Net investment and insurance finance result	**10,743**	**4,595**	**(10,172)**	**130,557**	**135,723**
Other income and expenses					
Fee and other income	1,076	7,549	317	21,759	**30,701**
Non-insurance expenses	(29,685)	(15,739)	(21,154)	(28,947)	**(95,525)**
Interest expenses	—	—	—	(16,615)	**(16,615)**
Total other income and expenses	**(28,609)**	**(8,190)**	**(20,837)**	**(23,803)**	**(81,439)**
Net income (loss) before taxes	**$ 70,156**	**$ 19,827**	**$ 38,869**	**$ 106,754**	**$ 235,606**
Income taxes					(45,650)
Net income (loss) after taxes					**$ 189,956**

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

For the year ended December 31, 2022 restated	Wealth Management	Group Solutions	Individual Insurance	Capital & Surplus	Total
Insurance service result					
Insurance revenue	$ 233,864	$ 603,929	$ 417,556	$ —	$ 1,255,349
Insurance service expenses	(126,344)	(584,679)	(307,087)	—	(1,018,110)
Insurance service result	107,520	19,250	110,469	—	237,239
Net recovery (expense) from reinsurance contracts held	2,823	(13,053)	(34,198)	—	(44,428)
Net insurance service result	110,343	6,197	76,271	—	192,811
Investment and insurance finance result					
Investment income (loss), excluding segregated funds					
Investment income	(77,040)	(15,037)	(1,336,007)	(235,868)	(1,663,952)
Change in investment contracts	10,331	—	—	—	10,331
Net investment result, excluding segregated funds	(66,709)	(15,037)	(1,336,007)	(235,868)	(1,653,621)
Insurance finance income (expense), excluding segregated fund account balances					
Insurance contracts	51,711	24,011	1,409,196	—	1,484,918
Reinsurance contracts held	(1,368)	(9,435)	93,808	—	83,005
Net insurance finance income (expense), excluding segregated funds	50,343	14,576	1,503,004	—	1,567,923
Segregated funds net investment and insurance finance result					
Investment income (loss) on investments for segregated fund account balances	(353,104)	—	(564)	—	(353,668)
Insurance finance income (expenses) segregated fund account balances	353,104	—	564	—	353,668
Segregated funds net investment and insurance finance result	—	—	—	—	—
Net investment and insurance finance result	(16,366)	(461)	166,997	(235,868)	(85,698)
Other income and expenses					
Fee and other income	749	6,134	115	17,186	24,184
Non-insurance expenses	(21,743)	(12,785)	(12,416)	(15,172)	(62,116)
Interest expenses	—	—	—	(11,648)	(11,648)
Total other income and expenses	(20,994)	(6,651)	(12,301)	(9,634)	(49,580)
Net income (loss) before taxes	$ 72,983	$ (915)	$ 230,967	$ (245,502)	$ 57,533
Income taxes					1,722
Net income (loss) after taxes					$ 59,255

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

As at	**December 31, 2023**				
	Wealth Management	**Group Solutions**	**Individual Insurance**	**Capital & Surplus**	**Total**
Assets excluding segregated funds	**$ 996,530**	**$ 388,145**	**$ 5,976,494**	**$ 2,490,650**	**$ 9,851,819**
Segregated funds	**8,794,810**	**—**	**17,914**	**—**	**8,812,724**
Total assets	**$ 9,791,340**	**$ 388,145**	**$ 5,994,408**	**$ 2,490,650**	**$ 18,664,543**

As at	December 31, 2022 restated				
	Wealth Management	Group Solutions	Individual Insurance	Capital & Surplus	Total
Assets excluding segregated funds	$ 840,646	$ 369,204	$ 5,436,326	$ 2,345,821	$ 8,991,997
Segregated funds	8,547,561	—	18,114	—	8,565,675
Total assets	$ 9,388,207	$ 369,204	$ 5,454,440	$ 2,345,821	$ 17,557,672

While specific general fund assets are nominally matched against specific types of general fund liabilities or held in the shareholders' equity and participating account surplus, 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.

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

20. Commitments and Contingencies

20.1. Investment commitments

In the normal course of business, outstanding investment commitments are not reflected in the Consolidated Financial Statements. There were $4,141 (December 31, 2022, $5,543) of outstanding commitments as at December 31, 2023. The outstanding commitments are payable at any time up to and including December 31, 2033.

20.2. 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.

21. Related Party Transactions

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.

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, 2023**	December 31, 2022
Salaries and other short-term and long-term employee benefits	**$ 8,033**	$ 7,861
Post-employment benefits	**392**	508
Total	**$ 8,425**	$ 8,369

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

22. Capital Management

The Company manages its capital in order to meet the requirements of the Life Insurance Capital Adequacy Test ("LICAT") guideline, the capital framework issued by the OSFI. 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. OSFI has established a Supervisory Target Total Ratio of 100% and a Supervisory Target Core Ratio of 70%. As at January 1, 2022, December 31, 2022 and December 31, 2023, the Company was in compliance with the applicable regulatory capital ratios.

23. Risk Management

The Company is exposed to risks arising from its investing activities and its insurance operations. The following sections describe some of the principal risks and associated risk management strategies for the risks related to market, liquidity, credit and product.

23.1. 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 variable, assuming that all other risk variables remain constant. The sensitivities do not take into account indirect effects such as potential impacts on goodwill impairments or valuation allowances on deferred tax assets. Actual results can differ materially from these estimates for a variety of reasons, including differences in the pattern or distribution of market shocks, the interaction among these factors when more than one factor changes; changes in actuarial and investment return and future investment activity assumptions; actual experience differing from the assumptions; changes in business mix, effective tax rates and other market factors; and the general limitations of the Company's internal models used for purposes of these calculations. Changes due to new sales or maturities, asset purchases/sales, or other management actions could also result in material changes to these reported sensitivities. For these reasons, the sensitivities should only be viewed as directional estimates of the underlying sensitivities for the respective factors based on the assumptions outlined and should not be viewed as predictors for the Company's future Net income, CSM, Equity and capital sensitivities. Given the nature of these calculations, the Company cannot provide assurance that the actual impact will be consistent with the estimates provided. Changes in risk variables in excess of the ranges illustrated may result in other than proportionate impacts.

23.2. Market risk

Market risk is the risk of loss arising from adverse changes in market rates and prices such as interest rates, 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 adequacy 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 net income may be adversely affected.

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

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 market risk by defining investment objectives, eligible investments, diversification criteria, exposure, concentration and asset quality limits for eligible investments by product line. 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 the position of Empire Life's investments in relation to its liabilities within the Company's various product lines. The process is designed so that assets supporting insurance contract liabilities align with 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 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 ratio on a regular basis and reports at least quarterly to the Board on the Company's LICAT ratio.

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

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 and on index funds within universal life contracts and insurance contract 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 ratio 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 employs put options and futures on key equity indices.

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

Improper use of these instruments could have an adverse impact on net income. 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 liabilities in accordance with IFRS 17 and the CIA Standards of Practice. 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. CSM sensitivity included in the following table relates to insurance contracts measured applying the VFA.

The impacts of one-time changes in equity markets are found below:

As at December 31, 2023	**CSM**				**Profit or loss before tax**				**Total equity**			
	10% Increase	**10% Decrease**	**20% Increase**	**20% Decrease**	**10% Increase**	**10% Decrease**	**20% Increase**	**20% Decrease**	**10% Increase**	**10% Decrease**	**20% Increase**	**20% Decrease**
Insurance and reinsurance contracts held	**$ 99,702**	**$(116,002)**	**$ 186,603**	**$(254,170)**	**$ (37,983)**	**$ 34,751**	**$ (76,011)**	**$ 67,366**	**$ (27,963)**	**$ 25,583**	**$ (55,959)**	**$ 49,595**
Financial assets (equities)	**—**	**—**	**—**	**—**	**66,274**	**(61,315)**	**134,072**	**(109,796)**	**48,791**	**(45,140)**	**98,704**	**(80,832)**
Total	**$ 99,702**	**$(116,002)**	**$ 186,603**	**$(254,170)**	**$ 28,291**	**$ (26,564)**	**$ 58,061**	**$ (42,430)**	**$ 20,828**	**$ (19,557)**	**$ 42,745**	**$ (31,237)**

As at December 31, 2022	CSM				Profit or loss before tax				Equity			
	10% Increase	10% Decrease	20% Increase	20% Decrease	10% Increase	10% Decrease	20% Increase	20% Decrease	10% Increase	10% Decrease	20% Increase	20% Decrease
Insurance and reinsurance contracts held	$ 110,588	$(125,176)	$ 208,342	$(270,626)	$ (30,046)	$ 36,260	$ (64,790)	$ 68,039	$ (22,120)	$ 26,695	$ (47,699)	$ 50,090
Financial assets (equities)	—	—	—	—	69,407	(65,319)	141,915	(121,527)	51,098	(48,088)	104,478	(89,468)
Total	$ 110,588	$(125,176)	$ 208,342	$(270,626)	$ 39,361	$ (29,059)	$ 77,125	$ (53,488)	$ 28,978	$ (21,393)	$ 56,779	$ (39,378)

The following table identifies the concentration of the Company's common equity holdings in Empire Life's investment portfolios (excluding segregated funds):

As at	**December 31, 2023**	December 31, 2022
Holdings of common equities in the 10 issuers to which the Company had the greatest exposure	**$ 439,222**	$ 574,892
Percentage of total cash and investments	**4.7%**	6.9%
Exposure to the largest single issuer of common equities	**$ 244,095**	$ 348,714
Percentage of total cash and investments	**2.6%**	4.2%

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

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.

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. 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 net income.

The products offered within the Company's Individual Insurance product line and Segregated Funds included in the Wealth Management product line are more exposed to interest rate risk due to the longer term nature of the products. Products offered in the Group product line are less sensitive to interest rates due to their short term nature.

The following table outlines the impact on the Company's CSM, Profit and Equity resulting from specific changes in interest rates as at December 31, 2023 and December 31, 2022 assuming all other variables remain constant.

As at December 31, 2023	**CSM**				**Profit or loss before tax**				**Equity**			
	50 bps Increase	**50 bps Decrease**	**100 bps Increase**	**100 bps Decrease**	**50 bps Increase**	**50 bps Decrease**	**100 bps Increase**	**100 bps Decrease**	**50 bps Increase**	**50 bps Decrease**	**100 bps Increase**	**100 bps Decrease**
Insurance and reinsurance contracts held	**$ 64,397**	**$ (77,504)**	**$ 116,996**	**$(167,980)**	**$ 411,218**	**$(463,998)**	**$ 772,718**	**$(989,627)**	**$ 302,739**	**$(341,596)**	**$ 568,875**	**$(728,563)**
Financial assets	**—**	**—**	**—**	**—**	**(438,553)**	**488,904**	**(831,057)**	**1,032,770**	**(322,863)**	**359,931**	**(611,824)**	**760,325**
Total	**$ 64,397**	**$ (77,504)**	**$ 116,996**	**$(167,980)**	**$ (27,335)**	**$ 24,906**	**$ (58,339)**	**$ 43,143**	**$ (20,124)**	**$ 18,335**	**$ (42,949)**	**$ 31,762**

As at December 31, 2022	CSM				Profit or loss before tax				Equity			
	50 bps Increase	50 bps Decrease	100 bps Increase	100 bps Decrease	50 bps Increase	50 bps Decrease	100 bps Increase	100 bps Decrease	50 bps Increase	50 bps Decrease	100 bps Increase	100 bps Decrease
Insurance and reinsurance contracts held	$ 64,245	$ (77,459)	$ 116,935	$(167,137)	$ 353,297	$(402,866)	$ 668,025	$(859,807)	$ 260,097	$(296,590)	$ 491,800	$(632,990)
Financial assets	—	—	—	—	(380,665)	423,340	(722,195)	893,067	(280,246)	311,663	(531,680)	657,476
Total	$ 64,245	$ (77,459)	$ 116,935	$(167,137)	$ (27,368)	$ 20,474	$ (54,170)	$ 33,260	$ (20,149)	$ 15,073	$ (39,880)	$ 24,486

For insurance contracts with a fund component, the computation of insurance contract liabilities takes into account projected investment income net of investment expenses from the assets supporting insurance contract liabilities, and investment income expected to be earned on reinvestments.

In order to match the savings component of insurance contract 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.

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.

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

Foreign exchange 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. As at December 31, 2023 and December 31, 2022, the Company has minimal exposure to currency risk.

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.

23.3. 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 insurance contract liabilities, the duration of which varies by product line 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 12 Subordinated Debt) and the Limited Recourse Capital Notes (refer to Note 16 Capital Stock), and to ongoing operating expenses as they fall due, which are expected to settle in a very short period of time.

The Company maintains a liquidity policy requiring an assessment of the Company’s liquidity risk and specific procedures so that liquidity needs are met in order to support all financial commitments and obligations as they become due. 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 positions as at December 31 is noted below. 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 policyholder commitments, debt service obligations and to pay other expenses.

The following tables show details of the expected maturity profile of the Company's undiscounted obligations with respect to its financial liabilities and estimated cash flows of insurance contract 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. Insurance contract 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. These estimated cash flows are based on the probability weighted current estimate assumptions, with a risk adjustment for non-financial risk, used in the determination of insurance contract liabilities. Due to the use of assumptions, actual cash flows will differ from these estimates. Liability for remaining coverage for groups measured under the PAA has been excluded from this analysis.

As at	**December 31, 2023**						
	Less than 1 year	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**Over 5 years**	**Total**
Insurance contract liabilities	$ **(39,635)**	$ **(31,230)**	$ **8,515**	$ **51,043**	$ **85,836**	$ **30,082,705**	$ **30,157,234**
Reinsurance contract liabilities	**2,704**	**7,764**	**9,442**	**9,767**	**10,792**	**60,324**	**100,793**
Segregated fund liabilities	**(166,380)**	**(142,845)**	**(124,112)**	**(108,005)**	**(95,112)**	**630,674**	**(5,780)**
Total	$ **(203,311)**	$ **(166,311)**	$ **(106,155)**	$ **(47,195)**	$ **1,516**	$ **30,773,703**	$ **30,252,247**

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

As at	December 31, 2022 restated						
	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Insurance contract liabilities	$ (40,413)	$ (15,973)	$ (11,593)	$ 28,336	$ 67,964	$ 28,041,558	$ 28,069,879
Reinsurance contract liabilities	2,427	(2,394)	12,219	13,353	13,687	451,124	490,416
Segregated fund liabilities	(167,801)	(146,559)	(128,837)	(114,308)	(101,536)	662,776	3,735
Total	$ (205,787)	$ (164,926)	$ (128,211)	$ (72,619)	$ (19,885)	$ 29,155,458	$ 28,564,030

As at	**December 31, 2023**				
	Less than 1 year	**1 - 5 years**	**5 - 10 years**	**Over 10 years**	**Total**
Investment contract liabilities	**$ 181,283**	**$ 335,277**	**$ 31,557**	**$ 8,932**	**$ 557,049**
Subordinated debt	**17,188**	**274,937**	**231,405**	**—**	**523,530**
Preferred shares	**6,187**	**120,108**	**—**	**—**	**126,295**
Limited recourse capital notes	**7,250**	**43,449**	**234,386**	**—**	**285,085**
Accounts payable and other liabilities	**133,661**	**—**	**—**	**—**	**133,661**
Total	**$ 345,569**	**$ 773,771**	**$ 497,348**	**$ 8,932**	**$ 1,625,620**

As at	December 31, 2022 restated				
	Less than 1 year	1 - 5 years	5 - 10 years	Over 10 years	Total
Investment contract liabilities (restated)	$ 139,281	$ 200,875	$ 25,732	$ 6,673	$ 372,561
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	$ 497,630	$ 364,436	$ 815,255	$ 6,673	$ 1,683,994

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, 2023, 3.7% (2022 2.2%) of cash and investments were held in these shorter duration investments.

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

23.4. Liquidity position

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, 2023	December 31, 2022 restated
Assets		
Cash and cash equivalents & Short-term investments	**$ 352,664**	$ 184,554
Canadian federal and provincial bonds	**3,345,471**	2,916,849
Other readily marketable bonds and stocks	**5,406,848**	5,060,706
Total liquid assets	**9,104,983**	8,162,109
Liabilities		
Demand liabilities [(1)] with fixed values	**1,038,114**	915,899
Demand liabilities with market value adjustments	**1,376,074**	1,178,857
Total liquidity needs	**$ 2,414,188**	$ 2,094,756

[(1)] Demand liabilities consist of CSVs plus funds on deposit less policy loans.

23.5. 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 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.

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.

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

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

As at	December 31, 2023	December 31, 2022 restated
Cash and cash equivalents	**$ 347,707**	$ 175,523
Short-term investments	**4,957**	9,031
Bonds	**7,456,183**	6,744,757
Preferred shares	**519,359**	402,165
Derivative assets	**13,825**	9,776
Mortgages	**98,679**	113,901
Loans	**47,165**	50,036
Accrued investment income	**49,068**	48,645
Trade accounts receivable	**4,423**	8,506
Total	**$ 8,541,366**	$ 7,562,340

In addition to the assets disclosed above, the Company is exposed to credit risk for loans on policies and insurance receivables which are presented within insurance contract liabilities in the amount of $63,770 (2022 $59,979) and $35,305 (2022 $32,471 restated) respectively. Mortgages, loans on policies and loans are fully or partially secured.

Concentration of credit risk for financial instruments

Concentration of credit risk arises from exposures to a single debtor, a group of related debtors or groups of debtors that have similar credit risk characteristics, such as groups of debtors in the same economic or geographic regions or in similar industries. The following tables provide the carrying values of bonds and debentures by industry sector.

Bonds and debentures

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

As at	December 31, 2023		December 31, 2022	
	Fair value	% of Fair value	Fair value	% of Fair value
AAA	**$ 303,418**	**4 %**	$ 351,680	5 %
AA	**1,967,382**	**26 %**	1,537,528	23 %
A	**3,048,351**	**41 %**	3,078,452	45 %
BBB	**2,081,353**	**28 %**	1,731,033	26 %
BB (and lower ratings)	**55,679**	**1 %**	46,064	1 %
Total	**$ 7,456,183**	**100%**	$ 6,744,757	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, 2023	December 31, 2022
Provincial bond holdings	**$ 3,148,856**	$ 2,730,730
Percentage of total bond holdings	**42.2 %**	40.5 %

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

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

As at	December 31, 2023		December 31, 2022	
	Fair value	**% of Fair value**	Fair value	% of Fair value
1 year or less	**$ 54,742**	**1%**	$ 393,179	6%
1 - 5 years	**334,167**	**4%**	816,633	12%
5 - 10 years	**248,349**	**3%**	504,238	7%
Over 10 years	**6,818,925**	**92%**	5,030,707	75%
Total	**$ 7,456,183**	**100 %**	$ 6,744,757	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 has the greatest exposure, as well as exposure to the largest single issuer of corporate bonds.

As at	December 31, 2023	December 31, 2022
Holdings of fixed income securities* in the 10 issuers (excluding federal governments) to which the Company had the greatest exposure	**$ 3,992,543**	$ 3,384,587
Percentage of total cash and investments	**43.1%**	40.6%
Exposure to the largest single issuer of corporate bonds	**$ 367,246**	$ 167,572
Percentage of total cash and investments	**4.0%**	2.0%

*Fixed income securities include bonds, debentures, preferred shares and short-term investments.

Derivative financial instruments by counterparty credit rating

Credit risk from derivative transactions is generated by the potential for the counterparty to default on its contractual obligations when one or more transactions have a positive market value to the Company. Therefore, derivative-related credit risk is represented by the positive fair value of the instrument and is normally a small fraction of the contract's notional amount.

The following table summarizes derivative financial instruments with a positive fair value by counterparty rating.

As at	December 31, 2023	December 31, 2022
Credit rating		
AA	**$ 6,151**	$ 1,385
BBB+	**4,228**	—
Total	**10,379**	1,385
Derivatives without counterparty credit risk	**3,446**	8,391
Total derivative assets	**$ 13,825**	$ 9,776

Credit risk for reinsurance

The Company reinsures excess risks with Canadian registered reinsurance companies. The Company enters into reinsurance agreements only with reinsurance companies that have an independent credit rating of "A-" or better. The following table summarizes the potential maximum exposure to loss of reinsurance assets, by the rating assigned to the reinsurers by external rating agencies.

As at	December 31, 2023			December 31, 2022 restated		
Credit rating	**Reinsurance assets**	**Collateral from reinsurers**	**Net exposure**	Reinsurance assets	Collateral from reinsurers	Net exposure
A	**$ 28,129**	**$ —**	**$ 28,129**	$ 92,988	$ —	$ 92,988
Total	**$ 28,129**	**$ —**	**$ 28,129**	$ 92,988	$ —	$ 92,988

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

Preferred shares

The Company's preferred share investments are all issued by Canadian companies, with 1% (2022 1%) rated as P1, 99% rated as P2 (2022 99%) and 0% (2022 0%) rated as P3.

Mortgages

Mortgages in the Province of Ontario represent the largest concentration with $98,679 or 100% (2022 $119,556 or 100%) of the total mortgage portfolio.

23.6. Product risk

The Company provides a broad range of life insurance, health insurance and wealth management products, group insurance and 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	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Insurance service revenue	**$ 234.8**	$ 233.9	**$ 638.7**	$ 603.9	**$ 452.0**	$ 417.5	**$ —**	$ —	**$ 1,325.5**	$ 1,255.3
Net expense from reinsurance	**0.3**	2.8	**(17.2)**	(13.1)	**(55.7)**	(34.1)	**—**	—	**(72.6)**	(44.4)
Total	**$ 235.1**	$ 236.7	**$ 621.5**	$ 590.8	**$ 396.3**	$ 383.4	**$ —**	$ —	**$ 1,252.9**	$ 1,210.9

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

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 future claims, policy lapses and expenses will not emerge as expected. To the extent that emerging experience is more favourable than assumed in the valuation, income will emerge in addition to increases in the CSM. If emerging experience is less favourable, losses will result in addition to decreases in the CSM. Therefore, the objective of the Company is to establish sufficient insurance contract liabilities to cover these obligations with reasonable certainty.

The tables below provide sensitivities to changes in insurance variables impacting profit before tax, equity and CSM both gross and net of reinsurance. The products offered within the Company's Individual Insurance product lines are most exposed to insurance risk.

	December 31, 2023						
	Change in assumptions	**Impact on profit before tax gross of reinsurance**	**Impact on profit before tax net of reinsurance**	**Impact on equity gross of reinsurance**	**Impact on equity net of reinsurance**	**Impact on CSM before tax gross of reinsurance**	**Impact on ceded CSM before tax**
Mortality	**+2%**	**$ 6,123**	**$ 265**	**$ 4,508**	**$ 195**	**$ (78,805)**	**$ 50,402**
Morbidity	**+5%**	**$ (4,339)**	**$ (2,631)**	**$ (3,194)**	**$ (1,937)**	**$ (15,483)**	**$ 6,587**
Longevity	**-2%**	**$ —**	**$ —**	**$ —**	**$ —**	**$ (6,268)**	**$ 187**
Expenses	**+5%**	**$ 799**	**$ 889**	**$ 588**	**$ 655**	**$ (12,425)**	**$ (299)**
Lapse and surrenders rate	**+/-10%**	**$ 7,095**	**$ 2,794**	**$ 5,224**	**$ 2,057**	**$ (193,608)**	**$ 38,936**

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

	December 31, 2022 restated						
	Change in assumptions	Impact on profit before tax gross of reinsurance	Impact on profit before tax net of reinsurance	Impact on equity gross of reinsurance	Impact on equity net of reinsurance	Impact on CSM before tax gross of reinsurance	Impact on ceded CSM before tax
Mortality	+2%	$ 11,122	$ 793	$ 8,188	$ 584	$ (75,638)	$ 48,868
Morbidity	+5%	$ (2,470)	$ (1,541)	$ (1,818)	$ (1,134)	$ (15,132)	$ 6,428
Longevity	-2%	$ —	$ —	$ —	$ —	$ (6,195)	$ (3,037)
Expenses	+5%	$ 1,534	$ 1,534	$ 1,130	$ 1,129	$ (12,454)	$ (143)
Lapse and surrenders rate	+/-10%	$ 33,661	$ 22,145	$ 24,781	$ 16,303	$ (192,917)	$ 51,341

The computation of insurance contract liabilities and related reinsurance contracts held requires “probability weighted current 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 premium taxes. Due to the long-term risks and measurement uncertainties inherent in the life insurance business, a risk adjustment for non-financial risk is calculated separately for each variable and included in insurance contract liabilities. The effect of the risk adjustment for non-financial risk is to increase insurance contract liabilities over the probability weighted current estimate assumptions.

Insurance contract liability assumptions are reviewed and updated at least annually by the Company’s Appointed Actuary. Details related to the changes in assumptions are discussed with the Audit Committee of the Board. The methods for arriving at the most material of these assumptions are outlined below.

Mortality assumptions

The Company carries out an annual mortality study. The valuation mortality assumptions are based on a combination of Company and 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, an increase in the probability weighted current estimate mortality assumption would increase insurance contract benefits thereby decreasing the CSM. For annuity business, lower mortality (or higher longevity) is financially adverse so a decrease in the current estimate mortality assumption would increase insurance contract benefits thereby decreasing the CSM.

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 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 insurance contract benefits thereby decreasing the CSM. 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.

Expenses

Insurance contract liabilities provide for the future expense of administering policies in-force, renewal commissions, general expenses and premium taxes. 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 reducing the CSM.

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 Company and 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 policyholder benefits thereby reducing the CSM.

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 insurance contract liabilities in accordance with standards set forth by the IASB and CIA Standards of Practice. Experience studies (both Company-specific and industry level) are factored into ongoing valuation, renewal and new business processes so that insurance contract 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.

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.

Reinsurance held 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 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 product categories, 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.

Segregated fund guarantee risk

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

Glossary of Terms (unaudited)

Accumulated Other Comprehensive Income (AOCI)
A separate component of shareholders' equity and policyholders' account which includes remeasurement of post-employment benefit liabilities. These items have been recognized in comprehensive income but excluded from net income.

Active Market
An active market is a market in which the items traded are homogeneous, willing buyers and sellers can normally be found at any time and prices are available to the public.

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

Canadian Institute of Actuaries (CIA)
The CIA is the qualifying and governing body of the actuarial profession in Canada. The CIA develops and upholds rigorous standards, shares its risk management expertise, and advances actuarial science to improve lives in Canada and around the world. Its more than 6,000 members apply their knowledge of math, statistics, data analytics, and business in providing services and advice of the highest quality to help Canadian people and organizations face the future with confidence.

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

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

Contractual Service Margin (CSM)
A component of the carrying amount of the asset or liability for a group of insurance contracts representing the unearned profit the entity will recognize as it provides insurance contract services under the insurance contracts in the group.

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

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

Fair Value Through Profit or Loss (FVTPL)
Invested assets are classified as financial instruments at FVTPL if they are held for trading, or if they are designated by management under the fair value option.

Fulfilment Cash Flows (FCF)
An explicit, unbiased and probability-weighted estimate (ie expected value) of the present value of the future cash outflows minus the present value of the future cash inflows that will arise as the entity fulfils insurance contracts, including a risk adjustment for non-financial risk.

Glossary of Terms (unaudited)

International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) (IFRS Accounting Standards)
Refers to the international accounting standards that were adopted in Canada, effective January 1, 2011; these are now Canadian Generally Accepted Accounting Principles (CGAAP) for publicly accountable enterprises.

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

Other Comprehensive Income (OCI)
Under IAS 39 unrealized gains and losses, primarily on financial assets supporting the Capital and Surplus segment, were recorded as Other Comprehensive Income ("OCI") or Other Comprehensive Loss ("OCL"). When these assets were sold or written down the resulting gain or loss was reclassified from OCI to net income. Upon the Company's adoption of IFRS 9, these assets were designated at FVTPL so unrealized gains and losses are now immediately recognized in net income. Remeasurements of post-employment benefit liabilities are also recorded as OCI or OCL. These remeasurements will not be reclassified to net income and will remain in AOCI.

Office of the Superintendent of Financial Institutions Canada (OSFI)
The mandate of OSFI is to regulate and supervise federally regulated financial institutions and pension plans in Canada to contribute to public confidence in the financial system.

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

Return on Common Shareholders' Equity (ROE)
A profitability measure that presents the net income available to common shareholders as a percentage of the average capital deployed to earn the income.

Risk Adjustment (RA)
The compensation an entity requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as the entity fulfills insurance contracts.

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Empire Life Consolidated Financial Statements

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.

Insurance & Investments - Simple. Fast. Easy®
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