

Management's Discussion and Analysis

This MD&A is dated as of November 10, 2015.

The following Management's Discussion and Analysis ("MD&A") of the unaudited operating results and financial condition of The Empire Life Insurance Company ("Empire Life" or the "Company") for the third quarter of 2015 should be read in conjunction with the MD&A for the year ended December 31, 2014, the Company's annual audited financial statements, the notes relating thereto, and the quarterly unaudited financial statements and notes contained in this report, as well as the Company's MD&A and unaudited interim financial statements for the quarters of 2014 and the previous quarters of 2015. The unaudited condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as set out in the Handbook of the Chartered Professional Accountants of Canada. Unless otherwise noted, both the condensed consolidated financial statements and this MD&A are expressed in Canadian dollars.

MD&A contains forward-looking information and involves numerous risks and uncertainties, including but not limited to, those described in the "Risk Factors" section of the long form prospectus which is available at www.sedar.com. No assurance can be given that results, performance or achievement expressed in, or implied by, any of the forward-looking information will occur, or if they do, that any benefits may be derived from them. Actual results may differ materially from those expressed or implied by such forward-looking information. See Forward-Looking Statements and Information section in this report.

The financial statements of the Company is prepared in compliance with IFRS, which is generally accepted accounting principles ("GAAP") as set out in the Handbook of the Chartered Professional Accountants of Canada. This MD&A makes reference to certain non-GAAP measures. These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS. They are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement IFRS measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS. See Non-GAAP Measures section in this report.

Financial Analysis Overview

(millions of dollars except per share amounts)	Third quarter		Year to date	
	2015	2014	2015	2014
Shareholders' net income	\$ 22.2	\$ 24.1	\$ 92.4	\$ 80.5
Earnings per share - basic and diluted	\$ 22.49	\$ 24.49	\$ 93.79	\$ 81.76
Return on shareholders' equity (annualized) (ROE)	8.2%	10.1%	11.7%	11.6%

Empire Life reported third quarter shareholders' net income of \$22.2 million for 2015, compared to \$24.1 million for 2014. Year to date shareholders' net income was \$92.4 million compared to \$80.5 million in 2014.

The following table provides a breakdown of the sources of earnings¹ for the third quarter and year to date.

Sources of Earnings (millions of dollars)	Third quarter		Year to date	
	2015	2014	2015	2014
Expected profit on in-force business	\$ 39.7	\$ 34.0	\$ 116.1	\$ 98.8
Impact of new business	(7.2)	(8.4)	(21.6)	(28.3)
Experience gains (losses)	(20.8)	(2.7)	(17.6)	3.7
Management actions and changes in assumptions	—	—	—	8.0
Earnings on operations before income taxes	11.7	22.9	76.9	82.2
Earnings on surplus	17.4	8.8	43.1	22.9
Income before income tax	\$ 29.1	\$ 31.7	\$ 120.0	\$ 105.1
Income taxes	6.9	7.6	27.6	24.6
Shareholders' net income	\$ 22.2	\$ 24.1	\$ 92.4	\$ 80.5

¹ See Non-GAAP Measures

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Shareholders' net income and ROE were lower relative to 2014 for the third quarter due to lower profit from the Individual Insurance product line. The decreased profit from this product line primarily resulted from experience losses including a \$5.7 million loss from strengthening asset default reserves due to a ratings agency downgrade of Province of Ontario issued debt.

Shareholders' net income and ROE were higher relative to 2014 for the year to date primarily due to growing profit on in-force Wealth Management business and increased earnings on surplus.

The Wealth Management product line's improved result was primarily due to the growth in segregated fund management fees and growth in segregated fund guarantee fees related to guaranteed minimum withdrawal benefit (GMWB) products. Despite the recent drop in stock markets, many of Empire Life's segregated funds have performed well. The improvement in fee income relative to the first nine months of 2014 was primarily due to positive segregated fund net sales in the last 12 months, product price increases and the positive impact of the above mentioned segregated fund performance. Earnings on surplus improved primarily due to increased gains on the sale of bonds.

The impact of new business improved, relative to 2014 primarily due to lower third quarter and year to date segregated fund sales and lower Wealth Management expenses. Experience losses occurred in 2015 primarily related to unfavourable surrender and lapse experience, investment experience and mortality experience, which negatively affected the Individual Insurance product line. In 2014 experience gains and losses netted to low amounts as gains from surrender and lapse experience were offset by losses from downward movement of interest rates which affected the Individual Insurance product line.

The gain from management actions in 2014 resulted from a favourable settlement on a lawsuit which resulted in a gain for Empire Life.

Empire Life has three major product lines (Wealth Management, Employee Benefits and Individual Insurance) and maintains distinct accounts for Capital and Surplus. A discussion of each product line's 2015 net income compared to 2014 is shown in the Product Line Results sections later in this report.

On August 5, 2015 Empire Life filed a final long form non-offering prospectus with the securities regulatory authority in the province of Ontario. The purpose of filing the non-offering prospectus was to qualify Empire Life to raise regulatory capital in the form of preferred shares and subordinated debt, as well as other debt securities. There is no guarantee Empire Life will proceed with an offering.

Management's assessment of industry dynamics, risks and risk management, critical accounting estimates, strategy and outlook remains consistent with the disclosure in the 2014 Annual Management's Discussion and Analysis.

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The following tables provide a summary of Empire Life results by major product line (figures in Management's Discussion and Analysis may differ due to rounding):

For the three months ended September 30 (millions of dollars)	Wealth Management		Employee Benefits		Individual Insurance		Capital and Surplus		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Revenue										
Net premium income	\$ 35	\$ 41	\$ 82	\$ 79	\$ 91	\$ 88	\$ —	\$ —	\$ 208	\$ 208
Fee and other income	52	46	2	2	—	—	—	—	54	48
Investment income	10	11	1	1	43	39	10	10	64	61
Realized gain (loss) on FVTPL investments	1	3	—	—	(8)	6	3	—	(4)	9
Realized gain (loss) on available for sale investments including impairment write downs	1	(1)	—	—	(1)	—	4	3	4	2
Fair value change in FVTPL investments	(26)	(1)	(3)	1	(88)	52	3	—	(114)	52
Total Revenue	73	99	82	83	37	185	20	13	212	380
Expenses										
Benefits and expenses	45	85	78	79	55	179	4	3	182	346
Income and other taxes	9	2	2	3	(4)	3	3	3	10	11
Total Expense	54	87	80	82	51	182	7	6	192	357
Net income (loss) after tax	\$ 19	\$ 12	\$ 2	\$ 1	\$ (14)	\$ 3	\$ 13	\$ 7	\$ 19	\$ 24
Participating policyholders' portion									(3)	—
Shareholders' net income									\$ 22	\$ 24
Assets under management ²										
General fund assets	\$ 969	\$ 1,080							\$ 6,894	\$ 6,513
Segregated fund assets	\$ 7,087	\$ 6,631			\$ 20	\$ 22			\$ 7,107	\$ 6,653
Mutual fund assets	\$ 160	\$ 84							\$ 160	\$ 84
Annualized premium sales ²			\$ 9	\$ 10	\$ 13	\$ 14				

For the nine months ended September 30 (millions of dollars)	Wealth Management		Employee Benefits		Individual Insurance		Capital and Surplus		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Revenue										
Net premium income	\$ 112	\$ 141	\$ 243	\$ 239	\$ 274	\$ 271	\$ —	\$ —	\$ 629	\$ 652
Fee and other income	153	131	7	6	1	1	—	—	161	138
Investment income	32	37	3	3	127	111	30	32	192	183
Realized gain on FVTPL investments	1	6	1	—	30	55	2	—	34	61
Realized gain on available for sale investments including impairment write downs	1	—	—	—	—	—	19	12	20	12
Fair value change in FVTPL investments	(35)	13	(2)	4	(105)	322	2	—	(140)	339
Total Revenue	264	328	252	252	327	760	53	44	896	1,385
Expenses										
Benefits and expenses	198	290	236	237	329	728	9	14	772	1,269
Income and other taxes	17	8	8	8	1	12	11	8	37	36
Total Expense	215	298	244	245	330	740	20	22	809	1,305
Net income (loss) after tax	\$ 49	\$ 30	\$ 8	\$ 7	\$ (3)	\$ 20	\$ 33	\$ 22	\$ 87	\$ 80
Participating policyholders' portion									(5)	—
Shareholders' net income									\$ 92	\$ 80
Assets under management ³										
General fund assets	\$ 969	\$ 1,080							\$ 6,894	\$ 6,513
Segregated fund assets	\$ 7,087	\$ 6,631			\$ 20	\$ 22			\$ 7,107	\$ 6,653
Mutual fund assets	\$ 160	\$ 84							\$ 160	\$ 84
Annualized premium sales ³			\$ 32	\$ 33	\$ 39	\$ 45				

^{2,3} See Non-GAAP Measures

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Total Revenue

(millions of dollars)	Third quarter		Year to date	
	2015	2014	2015	2014
Revenue				
Net premium income	\$ 208	\$ 208	\$ 629	652
Investment income	65	61	192	183
Fair value change in FVTPL investments including realized amounts	(118)	61	(106)	400
Realized gain (loss) on AFS investments including impairment write downs	3	2	20	12
Fee and other income	54	48	161	138
Total Revenue	\$ 212	\$ 380	\$ 896	1,385

For the quarter, total revenue at Empire Life decreased by 44% to \$212 million compared to \$380 million in 2014. On a year to date basis, total revenue decreased by 35% to \$896 million compared to \$1.385 billion in 2014. Revenue volatility was primarily driven by the impact of market interest rate and stock market movements on Fair value change in FVTPL investments. Major revenue items are discussed below.

Net premium revenue for the quarter was flat and for year to date decreased in 2015 relative to 2014. The decrease related primarily to the fixed interest deferred annuities portion of the Wealth Management product line, which experienced weak demand due to the low interest rate environment.

Fair value change in FVTPL investments including realized amounts often causes large revenue volatility. These assets experienced a net loss for the third quarter and year to date of 2015 compared to a net gain for the same periods in 2014. In 2015 the loss was from a decrease in stock prices and bond prices (due to an increase in market interest rates). In 2014 the gain was primarily from an increase in bond prices (due to a decrease in market interest rates). For the third quarter and year to date, the impact of this on net income is largely reduced due to a corresponding change in insurance contract liabilities (discussed in the Total Benefits and Expenses section below).

Realized gain (loss) on available for sale investments including impairment write downs was a gain in both 2015 and 2014. In the third quarter and year to date 2015 the gain was primarily due to the sale of AFS bonds, while the gain in comparable periods in 2014 was due to both the sale of AFS equities and bonds. These gains and losses impact net income and are considered in the net income investment experience comments for each of the impacted product lines (see Product Line Results sections later in this report). The assets sold primarily backed capital and surplus.

Fee and other income increased in 2015 relative to 2014 primarily due to growth in segregated fund management fees and growth in segregated fund guarantee fees related to GMWB products (see the Product Line Results - Wealth Management section later in this report).

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Total Benefits and Expenses

(millions of dollars)	Third quarter		Year to date	
	2015	2014	2015	2014
Benefits and expenses				
Net benefits and claims	\$ 151	\$ 150	\$ 480	\$ 477
Net change in insurance contract liabilities	(58)	104	16	512
Change in investment contracts provision	—	1	1	2
Policy dividends	6	6	19	17
Operating expenses	37	35	108	107
Net commissions	45	48	141	142
Interest expense	2	2	7	12
Total benefits and expenses	\$ 183	\$ 346	\$ 772	\$ 1,269

Total benefits and expenses at Empire Life for the quarter decreased to \$183 million compared to \$346 million in 2014. On a year to date basis, total benefits and expenses decreased to \$772 million compared to \$1.269 billion in 2014. Expense volatility was primarily driven by the impact of market interest rate and stock market movements on net change in insurance contract liabilities. Major benefit and expense items are discussed below.

Net benefits and claims variability is dependent on the claims incurred. Generally, claims rise year over year due to growth of the insurance blocks, which was the case for the quarter and year to date for all lines of business except Wealth Management, which declined due to lower fixed interest deferred annuity withdrawals and Individual Insurance, which had a small decline for the quarter. Variability in claims amounts does not, in isolation, impact net income as insurance contract liabilities are released when claims occur. The insurance contract liabilities released can be larger or smaller than the claims incurred depending on whether claims experience has been favourable or unfavourable. Claims experience is the combination of claims incurred compared to claims expected in product pricing and in insurance contract liabilities. Year over year claims experience is discussed in each of the impacted product lines (see Product Line Results sections later in this report).

Net change in insurance contract liabilities varies with many factors including new business sold, claims incurred, surrender and lapse experience, assumptions about the future, and changes in the market value of assets matching insurance contract liabilities. For the quarter and year to date, the main reason for the large change from 2014 for this item was the change in insurance contract liabilities resulting from the fair value change in matching assets (described above in the Total Revenue section). Variability in the net change in insurance contract liabilities amounts does not, in isolation, impact net income as it must be looked at in concert with other lines of the statement of operations.

For the quarter and year to date net commissions decreased year over year primarily due to the decrease in Individual Insurance and Wealth Management product sales.

Interest expense decreased in for the year to date in 2015 relative to 2014 due to the redemption of \$200 million 6.73% subordinated debentures on May 20, 2014.

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Product Line Results - Wealth Management

(millions of dollars)	As at September 30			
	2015		2014	
Assets under management⁴				
General fund annuities	\$	969	\$	1,080
Segregated funds		7,087		6,631
Mutual funds		160		84

(millions of dollars)	Third quarter		Year to date					
	2015	2014	2015	2014				
Selected financial information								
Net fixed interest annuity premiums	\$	35	\$	41	\$	112	\$	141
Segregated fund gross sales ⁴		242		283		841		908
Segregated fund net sales ⁴		61		100		208		295
Segregated fund fee income		51		45		150		129
Mutual fund gross sales ⁴		17		19		66		46
Mutual fund net sales ⁴		11		18		54		43
Mutual fund fee income		1		—		2		1
Net income after tax	\$	19	\$	12	\$	49	\$	30

Assets in Empire Life general fund annuities decreased by 10%, while segregated fund assets increased by 7% during the last 12 months. The decrease in the last 12 months for general fund annuities is related primarily to weak demand for fixed interest deferred annuities due to the low interest rate environment. The increase over the last 12 months for segregated funds was attributable primarily to strong net sales (gross sales net of withdrawals) described below.

Premium revenue for the Wealth Management product line is comprised solely of new deposits on fixed interest annuities and excludes deposits on the segregated fund and mutual fund products. For the third quarter and year to date, fixed interest annuity premiums were down 13% and 21% respectively compared to 2014. For the quarter and year to date the decrease was primarily due to decreased sales of fixed interest deferred annuities.

For the third quarter and year to date, segregated fund gross sales were down 15% and 7% respectively compared to 2014. For the third quarter, this decrease was primarily due to lower 75% maturity guarantee product sales and lower GMWB sales which decreased by \$26 million and \$25 million respectively. For the year to date this decrease was primarily due to lower GMWB sales which decreased by \$112 million compared to 2014. These decreases were partly offset by increased sales of 100% maturity guarantee products, which increased by \$11 million and \$42 million in the third quarter and year to date respectively compared to 2014. In the fourth quarter of 2014, Empire Life made significant changes to its segregated funds product line. Empire Life closed its existing segregated funds products to new policies effective October 31, 2014. In addition, on November 3, 2014 Empire Life launched a new suite of investment products including a new segregated funds family called Empire Life Guaranteed Investment Funds (GIF), as well as a stand-alone Guaranteed Interest Contract (GIC) and a new version of its GMWB product. Fees charged to the customer on the new product line are higher than the former product line. The new product line's pricing and features are Empire Life's response to the economic, regulatory and competitive landscape in the segregated fund product marketplace. On April 20, 2015, Empire Life added to this new family of products by launching a new series of Empire Life GIFs and a new segregated fund, Empire Life Monthly Income GIF. While sales are down slightly from last year (as described above), the launch of these new segregated fund products has gone well so far this year, achieving gross sales of \$196 million for the third quarter and \$617 million for the year to date which represented 81% and 73% of segregated fund gross sales respectively.

⁴ See Non-GAAP Measures

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Segregated fund net sales for the quarter and year to date were down 39% and 30% respectively compared to 2014 primarily due to the above mentioned gross sales result.

Mutual fund sales improved on a year to date basis, but are still a small component of our Wealth Management assets under management. Empire Life continues to explore various strategic alternatives with respect to its mutual fund business.

For the quarter and year to date, segregated fund fee income increased by 13% and 16% respectively in 2015 relative to 2014. The increase was due to growth in segregated fund management fees and growth in segregated fund guarantee fees related to GMWB products. Despite the recent drop in stock markets, many of Empire Life's segregated funds have performed well. The improvement in fee income relative to the first nine months of 2014 was primarily due to positive segregated fund net sales in the last 12 months, product price increases and the positive impact of the above mentioned segregated fund performance. The strong net sales and performance had a positive impact on average assets under management and management fees earned.

During the third quarter and year to date earnings from this product line increased relative to 2014. The following table provides a breakdown of the components of this year over year change in net income.

(millions of dollars)	Third quarter	Year to date
Components of increase		
Increase in inforce profit margins	\$ 5	\$ 16
Lower new business strain	1	1
Improved annuitant mortality experience	1	1
Improved investment experience	—	1
Total	\$ 7	\$ 19

Higher net income on inforce business in 2015 was primarily due to the growth in segregated fund management fees and growth in segregated fund guarantee fees related GMWB products (as described above).

Higher net income from lower new business strain was primarily due to the decrease in segregated fund gross sales.

Improved annuitant mortality experience relates to the fixed interest immediate annuity business.

Improved investment experience resulted from market interest rate movements and the availability of assets at attractive yields for matching fixed interest annuity contract liabilities.

Product Line Results - Employee Benefits

(millions of dollars)	Third quarter		Year to date	
	2015	2014	2015	2014
Selected financial information				
Annualized premium sales ⁵	\$ 10	\$ 10	\$ 32	\$ 33
Net premium revenue	82	79	243	239
Net income after tax	\$ 2	\$ 1	\$ 8	\$ 7

For the quarter and year to date, sales in this product line decreased by 6% and 3% respectively in 2015 relative to 2014. The 2015 level of sales is a strong achievement particularly given the weak economic conditions in Canada. The economic weakness also contributed to this product line's slow inforce premium revenue growth.

⁵ See Non-GAAP Measures

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During the third quarter and year to date earnings from this product line increased relative to 2014. The following table provides a breakdown of the components of this year over year change in net income.

(millions of dollars)	Third quarter	Year to date
Components of increase		
Improved (worsened) claims experience	\$ 1	\$ —
Lower new business strain	—	1
Total	\$ 1	\$ 1

In the third quarter of 2015 improved claims experience related to life and long-term disability results.

Higher net income from lower new business strain in 2015 was due to lower sales and expenses.

Product Line Results - Individual Insurance

(millions of dollars)	Third quarter		Year to date	
	2015	2014	2015	2014
Selected financial information				
Annualized premium sales ⁶	\$ 13	\$ 14	\$ 39	\$ 45
Net premium revenue	91	88	274	271
Net income (loss) after tax				
Net income (loss) after tax shareholders' portion	\$ (11)	\$ 4	\$ 4	\$ 26
Net loss after tax policyholders' portion	(3)	(1)	(7)	(6)
Net income (loss) after tax	\$ (14)	\$ 3	\$ (3)	\$ 20

For the third quarter and year to date, annualized premium sales in this product line decreased by 3% and 12% respectively compared to 2014. This product line's third quarter sales result is attributable primarily to decreased sales of term products. The year to date sales result is attributable primarily to decreased sales of universal life and term products. The decrease in universal life sales primarily related to the investment fund component within these products as opposed to insurance annualized premium sales. This decline in sales was partly offset by increased sales of participating products. Our recently launched EstateMax participating product contributed to this increase in participating product sales. EstateMax is distributed through professional financial advisors aimed at providing simple estate planning solutions to Canadian baby boomers. Empire Life believes that the market response has been favourable based on sales achieved and applications received in 2015. In recent years (beginning in 2011), Empire Life has been shifting its product mix toward shorter term products such as term life, while increasing prices on long-term products, due to the low long-term interest rate environment.

During the third quarter and year to date earnings from this product line decreased relative to 2014. The following table provides a breakdown of the components of this year over year change in net income.

(millions of dollars)	Third quarter	Year to date
Components of decrease		
2014 favourable legal settlement	\$ —	\$ (6)
Worsened mortality, surrender, lapse and other experience	(13)	(28)
Improved (worsened) investment experience	(4)	11
Total	\$ (17)	\$ (23)

⁶ See Non-GAAP Measures

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During the second quarter of 2014 a favourable settlement on a lawsuit resulted in a \$6 million gain after tax for Empire Life.

For the third quarter and year to date, mortality experience and surrender and lapse experience were unfavourable compared to favourable results in the comparable periods in 2014.

There was a loss from investment experience in the third quarter of both 2015 and 2014, but the loss worsened in 2015 compared to 2014. In the third quarter of 2015 the loss was primarily due to weak stock markets and a ratings agency downgrade of Province of Ontario issued debt. The loss from the downgrade, which caused a \$5.7 million decrease to net income in 2015, was due to an increase in asset default reserves. In the third quarter of 2014 the investment experience loss was primarily due to unfavourable interest rate movements in 2014.

There was a loss from investment experience for the year to date for both 2015 and 2014, but the loss was lower in 2015 compared to 2014. For year to date 2015 the loss was primarily from weak stock markets and a ratings agency downgrade of Province of Ontario bonds as described above. While 30 year Canadian federal bond yields decreased in 2015 (as shown in the following table), there was an increase in interest rate spreads on provincial and corporate bonds during 2015 which had a favourable impact on 2015 net income offsetting the rate decline shown in the table below. For year to date 2014 the loss was primarily from unfavourable interest rate movements in 2014 (as demonstrated using 30 year bond yields in the following table).

	Third quarter		Year to date	
	2015	2014	2015	2014
Interest rate movement				
30 year Canadian federal government bond yield				
End of period	2.20 %	2.67 %	2.20 %	2.67 %
Beginning of period	2.30 %	2.78 %	2.36 %	3.24 %
Change during period	(0.10)%	(0.11)%	(0.16)%	(0.57)%

Interest rate movements impact both bond asset fair value and insurance contract liabilities. In 2014 the decrease in interest rates caused higher bond prices which results in a bond asset fair value gain. However these gains were more than offset by increased insurance contract liabilities resulting from these decreases in market interest rates. While the impact of bond asset market value changes on net income is largely reduced due to a corresponding change in insurance contract liabilities, net income is impacted as it is not possible to perfectly match future liability cash flows with future asset cash flows.

Results - Capital and Surplus

(millions of dollars)	Third quarter		Year to date	
	2015	2014	2015	2014
Net income after tax				
Net income after tax shareholders' portion	\$ 13	\$ 6	\$ 31	\$ 17
Net income after tax policyholders' portion	—	1	2	5
Net income after tax	\$ 13	\$ 7	\$ 33	\$ 22

In addition to the three major lines of business, Empire Life maintains distinct accounts for the investment income attributable to Shareholders' Capital and Surplus and to Policyholders' Surplus.

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During the third quarter and year to date earnings from this product line increased relative to 2014. The following table provides a breakdown of the components of this year over year change in net income.

(millions of dollars)	Third quarter	Year to date
Components of increase		
Increased net income from sale of investments	\$ 1	\$ 5
Lower interest expense	—	4
Lower investment income	—	(1)
Gain on hedging instruments	5	3
Total	\$ 6	\$ 11

Increased net income from sale of investments was primarily due to gains from the sale of AFS bonds in 2015.

Lower interest expense was due to the redemption of \$200 million 6.73% subordinated debentures on May 20, 2014.

Lower investment income was primarily due to a decrease in invested assets resulting from the investments sold to fund the above mentioned redemption of subordinated debentures.

During the year to date of 2015 Empire Life experienced a gain of \$3 million after tax on its hedging program (discussed in the Risk Management section later in this report).

Total Cash Flow

(millions of dollars)	Year to date	
	2015	2014
Cash Flow provided from (used for)		
Operating Activities	\$ 100	\$ 83
Investing Activities	(214)	104
Financing Activities	(4)	(245)
Net change in cash and cash equivalents	\$ (118)	\$ (58)

The increase in cash provided from operating activities in 2015 relative to 2014 was primarily due to changes in working capital levels.

The decrease in cash provided from investing activities during 2015 relative to 2014 was primarily driven by financing activities and the timing of portfolio investment transactions. In 2014 cash provided from investing activities included the sale of investments to fund Empire Life's May 20, 2014 redemption of \$200 million of subordinated debentures (described below).

The decrease in cash used for financing activities during 2015 relative to 2014 was primarily due to Empire Life's 2014 redemption of its \$200 million 6.73% subordinated debentures at par on May 20, 2014. In addition there was payment of \$34 million of dividends to common shareholders by Empire Life in 2014 which did not recur in 2015. The Board of Directors takes a number of factors into consideration in determining the amount of the dividends, if any, including the financial performance of Empire Life, regulatory solvency requirements, capital ratios and growth opportunities. Based on the assessment of these factors, Empire Life has not paid a dividend to common shareholders so far in 2015.

For an analysis of liquidity for Empire Life, see note 10e) and note 27(a)(2)ii) to the 2014 consolidated financial statements.

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Financial Instruments

Empire Life buys investment quality bonds to support, to a very large extent, the liabilities under the insurance and annuity policies of Empire Life. Empire Life's investment strategy also includes the use of publicly-listed "large cap" common stocks to support the liabilities under its insurance policies. Cash flows arising from these financial instruments are intended to match the liquidity requirements of Empire Life's policies, within the limits prescribed by Empire Life. Empire Life is subject to market risk on these financial instruments.

Empire Life is also subject to credit risk on these financial instruments which could result in a financial loss should the other party fail to discharge an obligation. This credit risk is derived primarily from investments in bonds, debentures, preferred shares, short-term investments and mortgages. Empire Life manages market risk exposure mainly through investment limits and oversight of its in-house investment managers and external investment firms by the Investment Committee of the Board. The Investment Committee actively monitors the portfolio size and asset mix. Empire Life has a semi-static hedging program as part of its approach to managing this risk. Empire Life manages credit risk by applying its investment guidelines established by the Investment Committee of the Board of Directors. 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 Empire Life's Board on the credit risk to which the portfolio is exposed.

Empire Life manages credit risk with respect to derivatives 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, with total credit exposure limited to \$100 million. Additional information regarding financial instruments is included in Notes 2(d), 3, 10(c), and 27 to the audited consolidated financial statements for the year ended December 31, 2014 and Notes 3, and 13 to the consolidated financial statements for the six-months ended September 30, 2015.

Capital Resources

	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
	2015	2015	2015	2014	2014
MCCSR Ratio	202%	202%	190%	197%	231%

Empire Life continues to maintain a strong balance sheet and capital position. The 2013 Debentures are rated by DBRS Limited ("DBRS") and A.M. Best Company, Inc. ("A.M. Best"). On May 21, 2015, DBRS confirmed its ratings of Empire Life including its issuer rating of "A" (sixth highest of 20 categories), its subordinated debt rating of "A (low)" (seventh highest of 20 categories) and its claims paying rating of "IC-2" (second highest of five categories). All ratings have a stable trend. According to DBRS, the assigned ratings reflect Empire Life's smaller scale, full suite of products, participation in niche markets that reward company strengths and improving levels of profitability and fixed charge coverage.

On May 19, 2015, A.M. Best confirmed its ratings of Empire Life including its issuer rating of "a" (sixth highest of 22 categories), its subordinated debt rating of "bbb+" (eighth highest of 22 categories) and its financial strength rating of "A (Excellent)" (third highest of 16 categories). All ratings have a stable trend. According to A.M. Best, the ratings reflect Empire Life's favourable risk-adjusted capital position, continued earnings growth and sustainable market presence in Canada with multiple lines of business.

Empire Life's risk-based regulatory capital ratio, as measured by MCCSR, of 202% as at September 30, 2015 continued to be above requirements, and above minimum internal targets.

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The MCCR ratio was unchanged from the previous quarter and increased by 5 points for the year to date. The change was due to increases in available regulatory capital offset by increases in required regulatory capital for the quarter and increases in available regulatory capital partly offset by increases in required regulatory capital for the year to date, as shown in the table below.

(millions of dollars)	Sep 30 2015	Jun 30 2015	Mar 31 2015	Dec 31 2014	Sep 30 2014
Available regulatory capital					
Tier 1	\$ 935	\$ 929	\$ 883	\$ 872	\$ 856
Tier 2	476	464	466	452	436
Total	\$ 1,411	\$ 1,393	\$ 1,349	\$ 1,324	\$ 1,292
Required regulatory capital	\$ 699	\$ 691	\$ 709	\$ 671	\$ 560

The increase in Tier 1 available regulatory capital from the previous quarter and for the year to date was primarily due to net income. This was partly offset by an increase in negative reserves which decrease Tier 1 (but increase Tier 2 as described below).

Tier 2 available regulatory capital increased from the previous quarter and for the year to date primarily due to an increase in negative reserves which increase Tier 2 (but decrease Tier 1 as described above).

Regulatory capital requirements increased from the previous quarter and for the year to date primarily due to increased requirements related to segregated fund guarantees.

Other Comprehensive Income

(millions of dollars)	Third quarter 2015	2014	Year to date 2015	2014
Other comprehensive income (loss)	\$ (12.8)	\$ (2.6)	\$ (16.0)	\$ 12.1
Less: Participating Policyholders	0.8	0.5	1.6	0.9
Other comprehensive income (loss), attributable to shareholders	\$ (12.0)	\$ (2.1)	\$ (14.4)	\$ 13.0

Other comprehensive income (OCI) decreased in the third quarter and year to date of 2015 relative to the comparable periods of 2014. For the third quarter this was primarily due to unrealized fair value decreases relating to AFS bonds in 2015. For the year to date this was primarily due to the realized gains reclassified to net income in 2015. OCI includes the remeasurement of post-employment defined benefit ("DB") plans which had a loss for the third quarter and year to date in both 2015 and 2014. The 2015 result for DB plans was primarily due to losses on both DB plan assets and liabilities. The 2014 result for DB plans was primarily due to losses on DB plan liabilities partly offset by gains on DB plan assets.

Unrealized fair value increases and decreases on AFS bonds in OCI do not impact MCCR. Remeasurement of DB plans does not immediately impact MCCR as each quarter's remeasurement gain or loss is amortized over 12 quarters for MCCR purposes.

Management's Discussion and Analysis

Risk Management

Empire Life's MCCR ratio, among other things, is sensitive to stock market volatility, due primarily to liability and capital requirements related to segregated fund guarantees. As of September 30, 2015 Empire Life had \$7.1 billion of segregated fund assets and liabilities. Of this amount, approximately \$6.8 billion have guarantees. The following table provides a percentage breakdown by type of guarantee:

	Sep 30 2015	Dec 31 2014
Percentage of segregated fund liabilities with:		
75% maturity guarantee and a 75% death benefit guarantee	0.2%	—%
75% maturity guarantee and a 100% death benefit guarantee	52.0%	53.2%
100% maturity and death benefit guarantees (with a minimum of 15 years between deposit and maturity date)	5.8%	5.4%
100% maturity and death benefit guarantees (guaranteed minimum withdrawal benefit (GMWB))	42.0%	41.4%

All Empire Life segregated fund guarantees are policy based (not deposit-based), thereby generally lowering Empire Life's stock market sensitivity relative to products with deposit-based guarantees. Policy-based guarantees consider all of the deposits in the customer's policy (whether the fund value is below or above the guaranteed amount) to arrive at an overall net guarantee payment, whereas deposit-based guarantees consider only the deposits where the fund value is below the guaranteed amount and ignores all the deposits in the customer's policy where the fund value is above the guaranteed amount. Therefore, generally policy based guarantees pay less than deposit based guarantees. For segregated fund guarantee insurance contract liabilities the level of sensitivity is highly dependent on the level of the stock market at the time of performing the estimate. If period end stock markets are high relative to market levels at the time that segregated fund policies were issued, the sensitivity is reduced. If period end stock markets are low relative to market levels at the time that segregated fund policies were issued, the sensitivity is increased. The segregated fund regulatory capital and liability framework includes the use of "zero floors" (i.e. negative amounts are not permitted so zero is used instead as described below) and other regulatory constraints, and this often makes the sensitivity impacts non-linear. In the first table below, Empire Life discloses the sensitivity of net income to changes in segregated fund guarantee insurance contract liabilities. There is a net loss resulting from a 20% decrease at September 30, 2015, but otherwise the amounts shown in the table are nil. These liabilities (present value of future benefits and expenses minus the present value of future fee revenue) are calculated using stochastic modeling techniques based on a range of future economic scenarios. The liabilities are the greater of: (i) the average of the amounts determined in the worst 20% of the scenarios; and (ii) zero. For the nil amounts shown in this table, the liability for Empire Life was negative. Therefore, the alternative level of zero is applied in these tests (zero floor) resulting in a net income impact of nil. Based on stock market levels at September 30 for 2015 and December 31 for 2014, the sensitivity of shareholders' net income to changes in segregated fund guarantee insurance contract liabilities resulting from stock market increases and decreases is as follows:

\$ millions	10% Increase	10% Decrease	20% Increase	20% Decrease
Sensitivity To Segregated Fund Guarantees:				
September 30, 2015 Shareholders' net income	\$ nil	\$ nil	\$ nil	\$ (46)
December 31, 2014 Shareholders' net income	\$ nil	\$ nil	\$ nil	\$ nil

The impact of stock market changes is not linear. Based on stock market levels at September 30, 2015 the sensitivity of shareholders' net income to changes in segregated fund guarantee insurance contract liabilities resulting from a 20% decrease in stock markets is a net loss of \$46 million as illustrated in the table above. At a 30% decrease in stock markets the net loss at September 30, 2015 would be \$139 million. At September 30, 2015 a 20% and 30% decrease in stock markets would result in an increase in net income by \$34 million to a net loss of \$12 million and by \$56 million to a net loss of \$83 million respectively from gains on equity hedging instruments. Based on stock market levels at December 31, 2014 the sensitivity of shareholders' net income to changes in segregated fund guarantee insurance contract liabilities resulting from a 20% decrease in stock markets is nil as illustrated in the table above. At December 31, 2014, a decrease in stock markets of 20.2% or more would result in a net loss greater than nil. At December 31, 2014 a 30% decrease in stock markets would result in a net loss of \$76 million. At December 31, 2014 a 20.2% and 30% decrease in stock markets would result in an increase in net income by \$9 million to \$9 million and by \$17 million to a net loss of \$59 million respectively from gains on equity hedging instruments.

Management's Discussion and Analysis

Empire Life has equity market risk related to its segregated fund products and from equity assets backing life insurance liabilities. Empire Life had been considering implementing a partial economic hedging program for some time. In the fourth quarter of 2014, Empire Life strengthened its stochastic model, which impacted its base capital position as well as its capital position under sensitivity tests. This encouraged Empire Life to begin implementation of the hedging program in November 2014. Therefore, during the fourth quarter of 2014, Empire initiated a semi-static hedging program, and expanded this program during the first half of 2015. The objective of the hedging program is to partially protect Empire Life from possible future MCCR ratio declines that might result from adverse stock market price changes. The hedging program presently employs put options and short positions on key equity indices. Empire Life intends to protect 10% to 20% of overall income and MCCR equity risk exposure by expanding the hedging program during 2015 and subsequent years.

There is income statement volatility from this hedging program. Based on current equity market levels, Empire Life has required capital for MCCR purposes related to segregated fund guarantees, but does not have policy liabilities related to these guarantees on its balance sheet. Therefore a by-product of hedging MCCR exposure is income statement volatility, as the gains or losses from hedging instruments are not offset by changes in policy liabilities related to segregated fund guarantees on the income statement. During the first nine months of 2015 Empire Life experienced a gain of \$3 million after tax on its hedging program. During 2015 and subsequent years, Empire Life expects to expand its hedging program and expects an increase in income statement volatility as a result.

Based on stock market levels on the dates indicated below the sensitivity of Empire Life's MCCR ratio to stock market increases and decreases for all Empire Life stock market exposures, including segregated fund guarantees, is as follows (excluding the effect of Empire Life's equity risk hedging program):

Excluding Equity Risk Hedge	10% Increase	10% Decrease	20% Increase	20% Decrease
Sensitivity To Stock Markets:				
September 30, 2015 MCCR Ratio	0.4%	(15.3)%	—%	(23.7)%
December 31, 2014 MCCR Ratio	9.0%	(11.6)%	15.3%	(25.5)%

The September 30, 2015 and December 31, 2014 amounts in the following table include the effect of Empire Life's equity risk hedging program (described below):

Including Equity Risk Hedge	10% Increase	10% Decrease	20% Increase	20% Decrease
Sensitivity To Stock Markets:				
September 30, 2015 MCCR Ratio	(2.4)%	(11.7)%	(4.8)%	(16.1)%
December 31, 2014 MCCR Ratio	8.8 %	(11.2)%	14.9 %	(24.4)%

As of December 2014, the equity hedging program was only partially implemented. It provided \$4 million of relief in the 10% stock market decrease scenario and \$9 million of relief in the 20% stock market decrease scenario. As at September 30, 2015, it provided \$14 million of relief in the 10% stock market decrease scenario and \$34 million of relief in the 20% stock market decrease scenario. The full program provides roughly 2.5 times the December 2014 level of protection.

Based on stock market levels as at September 30, 2015 and December 31, 2014, the sensitivity of shareholders' net income (excluding changes in segregated fund guarantee insurance contract liabilities) resulting from stock market increases and decreases is as follows (excluding the effect of Empire Life's equity risk hedging program):

(in millions of dollars)	10% Increase	10% Decrease	20% Increase	20% Decrease
Excluding Equity Risk Hedge				
September 30, 2015 Shareholders' net income*	\$ 16	\$ (16)	\$ 33	\$ (33)
December 31, 2014 Shareholders' net income*	\$ 17	\$ (17)	\$ 33	\$ (33)

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

Management's Discussion and Analysis

The September 30, 2015 and December 31, 2014 amounts in the following table include the effect of Empire Life's equity risk hedging program (described above):

(in millions of dollars)	10% Increase	10% Decrease	20% Increase	20% Decrease
Including Equity Risk Hedge				
September 30, 2015 Shareholders' net income*	\$ 7	\$ (2)	\$ 16	\$ 1
December 31, 2014 Shareholders' net income*	\$ 14	\$ (13)	\$ 29	\$ (24)

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

Empire Life also has a reinsurance agreement to cede a portion of Empire Life's segregated fund death benefit exposure. All Empire Life segregated fund policyholders with death benefit guarantees of at least \$2 million are included in this agreement. Empire Life does not reinsure any other insurer's segregated fund products.

The amount at risk related to segregated fund maturity guarantees and segregated fund death benefit guarantees and the resulting actuarial liabilities and MCCR required capital for Empire Life segregated funds is as follows:

Segregated Funds (millions of dollars)	Guarantee > Fund Value		Death Benefit > Fund Value		GMWB Top-up	Actuarial	MCCR
	Fund Value	Amount At Risk	Fund Value	Amount At Risk	Amount At Risk	Liabilities	Required Capital
September 30, 2015	\$ 166	\$ 8	\$ 1,768	\$ 63	\$ 487	nil	125
December 31, 2014	\$ 49	\$ 2	\$ 360	\$ 10	\$ 380	nil	102

The first four columns of the above table show all segregated fund policies where the future maturity guarantee, or future death benefit guarantee, is greater than the fund value. The amount at risk represents the excess of the future maturity guarantee or future death benefit guarantee amount over the fund value for these policies. The fifth column of the above table shows GMWB top-up exposure. The GMWB top-up amount at risk represents the amount that could be paid by Empire Life to GMWB policyholders if the net return on each GMWB policyholder's assets is zero for the remainder of each GMWB policyholder's life, based on life expectancy. As at September 30, 2015, the aggregate amount at risk was \$558 million, an increase from the aggregate amount at risk of \$392 million as at December 31, 2014.

For these three categories of risk, the amount at risk is not currently payable. Payment is contingent on future outcomes including fund performance, deaths, deposits, withdrawals and maturity dates.

The level of actuarial liabilities and required regulatory capital in the above table is calculated based on the probability that Empire Life will ultimately have to make payment to the segregated fund policyholders for any fund value deficiency that may exist upon future maturity of the segregated fund policies, or upon future death of the segregated fund policyholders, or upon the occurrence of future top-up payments to GMWB policyholders. The amounts at risk in September 2015 increased from the December 2014 levels for fund value guarantee exposure, death benefit guarantee exposure, and GMWB top-up exposure due primarily to the recent decrease in many global stock markets. The quarterly update of segregated fund policy data on our stochastic model resulted in an increase in required regulatory capital.

In addition, Empire Life's MCCR ratio is sensitive to changes in market interest rates. The impact of an immediate 50 basis point decrease in interest rates, and a 50 basis point decrease in assumed initial reinvestment rate (IRR) for nonparticipating insurance business and segregated fund guarantees, is shown in the table below. This assumes no change in the ultimate reinvestment rate (URR). The first column below excludes the impact of market value changes in available for sale (AFS) bonds. The AFS bonds provide a natural economic offset to the interest rate risk arising from our product liabilities. The second column below shows the impact if the AFS bonds were sold to realize the gains from a 50 basis point decrease in interest rates.

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	Before The Sale of AFS Assets	After The Sale of AFS Assets
	50 bps Decrease	50 bps Decrease
Sensitivity To Market Interest Rates:		
September 30, 2015 MCCSR Ratio	(20)%	(15)%
December 31, 2014 MCCSR Ratio	(24)%	(21)%

In addition to the discussion of risks included in this MD&A, a comprehensive discussion of the material risks that impact Empire Life is included in Empire Life's final long form non-offering prospectus available at www.sedar.com. Additional disclosures of Empire Life's sensitivity to risks are included in note 27 to the 2014 consolidated financial statements.

Quarterly Results

The following table summarizes various financial results on a quarterly basis for the most recent eight quarters:

	Sep 30 2015	Jun 30 2015	Mar 31 2015	Dec 31 2014	Sep 30 2014	Jun 30 2014	Mar 31 2014	Dec 31 2013
Revenue	\$ 212	\$ 41	\$ 643	\$ 541	\$ 381	\$ 480	\$ 524	\$ 322
Shareholders' Net income	\$ 22	\$ 44	\$ 26	\$ 18	\$ 24	\$ 38	\$ 18	\$ 30
Earnings per share - basic and diluted	\$ 22.49	\$ 45.34	\$ 25.97	\$ 18.44	\$ 24.49	\$ 39.22	\$ 18.05	\$ 30.97

For the third quarter of 2015, total revenue at Empire Life decreased by 44% to \$212 million compared to \$381 million in the third quarter of 2014. The decrease was primarily due to a fair value decrease in FVTPL investments in 2015 compared to an increase for this item in the third quarter of 2014. In the third quarter of 2015 the decrease was primarily due to the decline of major stock markets. In the third quarter of 2014 interest rates decreased resulting in an increase in bond prices (see Total Revenue section earlier in this report). Revenue volatility during the most recent eight quarters was primarily driven by the impact of market interest rate movements on Fair value change in FVTPL investments. The impact of this on net income is largely reduced due to a corresponding change in insurance contract liabilities.

For the third quarter of 2015, net income was lower relative to the third quarter of 2014 primarily due to experience losses on its Individual Insurance business in 2015. See Product Line Results sections earlier in this report for further information on quarterly results.

Net income variability during the most recent eight quarters was primarily driven by long-term interest rate movements. Long-term interest rates decreased resulting in unfavourable net income in the individual insurance product line during the quarter ending March 31, 2015 and all 2014 quarters. Long-term interest rates increased, resulting in favourable net income in the individual insurance product line during the third quarter of 2015 and the two 2013 quarters shown in the above table. During all 2015 quarters and all 2014 quarters, Empire Life achieved strong year over year growth in the Wealth Management product line net income. This product line's strong result was primarily due to the growth in segregated fund management fees and growth in segregated fund guarantee fees related to GMWB products. Strong fee income was primarily due to the positive impact of favourable stock market conditions on management fees earned, strong segregated fund sales and higher GMWB prices.

Forward-looking Statements and Information

Certain statements in this MD&A about the Company's current and future plans, expectations and intentions, results, market share growth and profitability, strategic objectives or any other future events or developments constitute forward-looking statements and information within the meaning of applicable securities laws. The words "may", "will", "would", "should", "could", "expects", "plans", "intends", "trends", "indications", "anticipates", "believes", "estimates", "predicts", "likely" or "potential" or the negative or other variations of these words or other comparable words or phrases, are intended to identify forward-looking statements and information. Although management believes that the expectations and assumptions on which such forward-looking statements and information are based are reasonable, undue reliance should not be placed on the forward-looking statements and information because there can be no assurance that they will prove to be correct. By their

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nature, such forward-looking statements and information are subject to various risks and uncertainties, which could cause the actual results and expectations to differ materially from the anticipated results or expectations expressed. These risks and uncertainties include, but are not limited to, investment risks, market risks, market price fluctuations, interest rate risks, foreign currency risks, liquidity risks, credit risks, hedging risks, counterparty risks, insurance risks, experience risks, product design and pricing risks, underwriting and claims risks, reinsurance risks, risks with respect to competition, risks with respect to financial strength, capital adequacy risks, operational risks, risks with respect to regulatory matters, risks with respect to distribution channels, reliance on key personnel, ability to attract employees, pension risks, risks with respect to changes to applicable income tax legislation, risks with respect to litigation, risks with respect to reputation, risks with respect to modelling, risks with respect to risk management policies, risks with respect to intellectual property, risks with respect to significant ownership of common shares, risks with respect to market value, risks with respect to regulatory constraints and liquidity and price risks. Please see the section titled "Risk Factors" in Empire Life's final non-offering prospectus dated August 5, 2015 available at www.sedar.com for more details on these risks.

Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking statements and information include that the general economy remains stable; assumptions on interest rates, mortality rates and policy liabilities; and capital markets continue to provide access to capital. These factors are not intended to represent a complete list of the factors that could affect the Company; however, these factors should be considered carefully, and readers should not place undue reliance on forward-looking statements made herein or in the documents reproduced herein.

To the extent any forward-looking information in this MD&A constitutes future-oriented financial information or financial outlooks within the meaning of securities laws, such information is being provided to demonstrate potential benefits and readers are cautioned that this information may not be appropriate for any other purpose. Future-oriented financial information and financial outlooks are, without limitation, based on the assumptions and subject to the risks set out above.

The forward-looking information contained herein is expressly qualified in its entirety by this cautionary statement. When relying on the Company's forward-looking statements and information to make decisions, investors and others should carefully consider the foregoing factors, assumptions and other uncertainties and potential events. Readers are cautioned not to place undue reliance on this forward-looking information, which is given as of the date hereof or the date indicated, and to not use such forward-looking information for anything other than its intended purpose. The Company undertakes no obligation to update publicly or revise any forward-looking statements and information, whether as a result of new information, future events or otherwise after the date of this document, except as required by law.

Non-GAAP Measures

The Company uses non-GAAP measures including source of earnings, annualized premium sales, assets under management, mutual fund gross and net sales and segregated fund gross and net sales to provide investors with supplemental measures of its operating performance and to highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. The Company also believes that securities analysts, investors and other interested parties frequently use non-GAAP measures in the evaluation of issuers. The Company's management also uses non-GAAP measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and to determine components of management compensation.

Sources of earnings breaks down Empire Life earnings into several categories which are useful to assess the performance of the business. These categories include expected profit from inforce business, impact of new business, experience gains and losses, management actions and changes in assumptions, and earnings on surplus. The source of earnings components are reconciled to net income, see Overview section earlier in this report.

Annualized premium sales is used as a method of measuring sales volume. It is equal to the premium expected to be received in the first twelve months for all new individual insurance and employee benefit policies sold during the period. Mutual fund gross and net sales and segregated fund gross and net sales are also used as measures of sales volume. Empire Life believes that these measures provide information useful to its shareholders and policyholders in evaluating Empire Life's underlying financial results.

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Assets under management is a non-GAAP measure of the assets managed by Empire Life, which includes general fund assets, mutual fund assets and segregated fund assets. They represent the total assets of Empire Life and the assets its customers invest in. Empire Life believes that these measures provide information useful to its shareholders and policyholders in evaluating Empire Life's underlying financial results.

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

Reconciliation of Assets Under Management

(in millions of dollars)	As at September 30		As at December 31	
	2015	2014	2014	2015
Assets under management				
General fund assets	\$ 6,894	\$ 6,513	\$ 6,779	
Segregated fund assets	7,107	6,653	6,948	
Total assets per financial statements	14,001	13,166	13,727	
Mutual fund assets	160	84	109	
Assets under management	\$ 14,161	\$ 13,250	\$ 13,836	

The above table includes the following amounts held by Empire Life's DB plans.

(in millions of dollars)	As at September 30		As at December 31	
	2015	2014	2014	2015
DB Plan Assets				
Segregated fund assets	\$ 178	\$ 172	\$ 175	
Mutual fund assets	10	10	10	