

Management's Discussion and Analysis

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 first 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. 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 may contain certain forward-looking statements that are subject to risks and uncertainties that may cause the results or events mentioned in this discussion to differ materially from actual results or events. No assurance can be given that results, performance or achievement expressed in, or implied by, any forward-looking statements within this discussion will occur, or if they do, that any benefits may be derived from them.

Financial Analysis

Overview

(millions of dollars)		First quarter	
		2015	2014
Shareholders' net income	\$	25.6	\$ 17.8
Return on shareholders' equity (annualized) (ROE)		10.0%	7.9%

Empire Life reported first quarter shareholders' net income of \$25.6 million for 2015, compared to \$17.8 million for 2014.

The following table provides a breakdown of the sources of earnings for the first quarter.

Sources of Earnings (millions of dollars)		First quarter	
		2015	2014
Expected profit on in-force business	\$	37.4	\$ 30.7
Impact of new business		(7.4)	(10.5)
Experience gains (losses)		(8.5)	(5.1)
Management actions and changes in assumptions		—	—
Earnings on operations before income taxes		21.5	15.1
Earnings on surplus		12.0	7.2
Income before income tax	\$	33.5	\$ 22.3
Income taxes		7.9	4.6
Shareholders' net income	\$	25.6	\$ 17.8

Shareholders' net income and ROE were higher relative to 2014 primarily due to growing profit on in-force Wealth Management business. This 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. This improvement in fee income was primarily due to the positive impact of favourable stock market conditions, strong segregated fund product sales in the last 12 months and product price increases.

Management's Discussion and Analysis

The impact of new business improved, relative to 2014 primarily due to lower first quarter segregated fund sales and lower expenses. Experience losses occurred in both years and primarily relate to the unfavourable downward movement of interest rates, which negatively impacted the Individual Insurance product line. Earnings on surplus improved primarily due to increased gains on the sale of bonds.

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.

This report contains references to annualized premium sales, assets under management, mutual fund assets and sales, segregated fund assets and sales, and sources of earnings. These terms do not have any standardized meaning according to GAAP and therefore may not be comparable to similar measures presented by other companies. 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. Empire Life believes that this measure provides information useful to its shareholders and policyholders in evaluating Empire Life's underlying financial results.

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. These terms are defined within the glossary of terms of this interim report. The sources of earnings components are reconciled to net income in the table above.

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.

Management's Discussion and Analysis

The following table provides 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 March 31 (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	\$ 47	\$ 61	\$ 80	\$ 80	\$ 91	\$ 88	\$ —	\$ —	\$ 218	\$ 229
Fee and other income	50	41	2	2	—	—	—	—	52	43
Investment income	11	14	1	1	39	35	10	11	61	61
Realized gain on FVTPL investments	—	—	1	—	22	15	(1)	—	22	15
Realized gain (loss) on available for sale investments including impairment write downs	—	—	—	—	1	—	9	3	10	3
Fair value change in FVTPL investments	12	10	3	2	267	161	(2)	—	280	173
	120	126	87	85	420	299	16	14	643	524
Expenses										
Benefits and expenses	102	116	82	79	424	298	2	6	610	499
Income and other taxes	3	3	3	3	—	1	4	2	10	8
	105	119	85	82	424	299	6	8	620	507
Net income after tax	\$ 15	\$ 7	\$ 2	\$ 3	\$ (4)	\$ —	\$ 10	\$ 6	\$ 23	\$ 17
Policyholders' portion									(3)	(1)
Shareholders' net income									\$ 26	\$ 18
Assets under management										
General fund assets	\$ 1,040	\$ 1,095							\$ 7,185	\$ 6,326
Segregated fund assets	\$ 7,277	\$ 6,265			\$ 23	\$ 22			\$ 7,300	\$ 6,287
Mutual fund assets	\$ 138	\$ 53							\$ 138	\$ 53
Annualized premium sales			\$ 12	\$ 11	\$ 13	\$ 12				

Total Revenue

(millions of dollars)	First quarter	
	2015	2014
Revenue		
Net premium income	\$ 218	\$ 229
Investment income	61	61
Fair value change in FVTPL investments including realized amounts	302	188
Realized gain (loss) on AFS investments including impairment write downs	10	3
Fee and other income	52	43
Total	\$ 643	\$ 524

For the first quarter, total revenue at Empire Life increased by 23% to \$643 million compared to \$524 million in 2014. Revenue volatility was primarily driven by the impact of market interest rate movements on Fair value change in FVTPL investments. Major revenue items are discussed below.

Net premium income for the first quarter decreased in 2015 relative to 2014. The decrease related primarily to the fixed interest deferred annuity portion of the Wealth Management product line.

Management's Discussion and Analysis

Fair value change in FVTPL investments including realized amounts often causes large revenue volatility. These assets experienced a net gain in both 2015 and 2014. In both years the large gain was primarily from an increase in bond prices (due to a decrease in market interest rates). In 2015 the gain was larger as market interest rates decreased by a larger amount than 2014. 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 both years the gain was primarily due to the sale of AFS 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).

Total Benefits and Expenses

(millions of dollars)	First quarter	
	2015	2014
Benefits and expenses		
Net benefits and claims	\$ 180	\$ 182
Net change in insurance contract liabilities	337	223
Change in investment contracts provision	1	1
Policy dividends	6	5
Operating expenses	35	36
Net commissions	49	46
Interest expense	2	6
Total	\$ 610	\$ 499

Total benefits and expenses at Empire Life for the year increased by 22% to \$610 million compared to \$499 million in 2014. Expense volatility was primarily driven by the impact of market interest rate 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 for all lines of business except Wealth Management, which declined due to lower fixed interest deferred annuity withdrawals. 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).

Management's Discussion and Analysis

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. 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.

Net commissions increased year over year due to the increase in Individual Insurance and Employee Benefit product sales. In addition, Wealth Management net commissions increased due to higher trailer commissions resulting primarily from the growth of assets under management.

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

Product Line Results - Wealth Management

(millions of dollars)	As at March 31	
	2015	2014
Assets under management		
General fund annuities	\$ 1,040	\$ 1,095
Segregated funds	7,277	6,265
Mutual funds	138	53
<hr/>		
(millions of dollars)	First quarter	
	2015	2014
Selected financial information		
Fixed interest annuity premiums	\$ 46	\$ 62
Segregated fund gross sales	329	339
Segregated fund net sales	78	107
Segregated fund fee income	49	40
Mutual fund gross sales	27	14
Mutual fund net sales	22	13
Mutual fund fee income	—	—
Net income (loss) after tax	\$ 15	\$ 7

Assets in Empire Life general fund annuities decreased by 5%, while segregated fund assets increased by 16% during the last 12 months. The increase over the last 12 months for segregated funds was attributable to positive investment returns, due to the stock market increase since March 31, 2014, and strong net sales (gross sales net of withdrawals) described below.

Premium income 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 year, fixed interest annuity premiums were down 25% compared to 2014. The decrease was primarily due to decreased sales of fixed interest deferred annuities.

Management's Discussion and Analysis

For the first quarter, segregated fund gross sales were down \$10 million, a 3% decrease from 2014. This decrease was due to lower GMWB sales which decreased by \$35 million. This was partly offset by increased sales of both 75% maturity guarantee products and 100% maturity guarantee products, which increased by \$11 million and \$14 million respectively. 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, 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. While sales are down slightly from last year (as described above), the launch of these new products has gone well so far this year.

Segregated fund net sales for the quarter were down 27% compared to 2014 due to the above mentioned gross sales result and an increase in withdrawals.

Mutual fund sales continue to improve, but are still a small component of our Wealth Management assets under management.

For the first quarter, segregated fund fee income increased by 23% 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. This improvement in fee income was primarily due to the positive impact of favourable stock market conditions, strong segregated fund product sales in the last 12 months and product price increases. The favourable stock market conditions had a positive impact on average assets under management and management fees earned, as stock markets were higher on average during the first quarter of 2015 than they were during first quarter of 2014.

During the first quarter 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)	First quarter	
Components of increase		
Increase in inforce profit margins	\$	6
Improved annuitant mortality experience		1
Improved investment experience		1
Total	\$	8

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).

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.

Management's Discussion and Analysis

Product Line Results - Employee Benefits

(millions of dollars)	First quarter	
	2015	2014
Selected financial information		
Annualized premium sales	\$ 12	\$ 11
Premium income	80	80
Net income after tax	\$ 2	\$ 3

For the first quarter, sales in this product line increased by 12% in 2015 relative to 2014. The 2015 level of sales is a strong achievement particularly given the weak economic conditions in Alberta. The economic weakness also contributed to this product line's flat inforce premium income growth.

During the first quarter 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)	First quarter	
Components of decrease		
Worsened claims experience	\$ (2)	
Lower new business strain		1
Total	\$ (1)	

In 2015 worsened claims experience relates to life and health claims partly offset by improved long-term disability results.

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

Product Line Results - Individual Insurance

(millions of dollars)	First quarter	
	2015	2014
Selected financial information		
Annualized premium sales	\$ 13	\$ 12
Premium income	91	88
Net income (loss) after tax		
Net income (loss) after tax shareholders' portion	\$ —	\$ 2
Net income (loss) after tax policyholders' portion	(4)	(2)
Net income after tax	\$ (4)	\$ —

For the first quarter, annualized premium sales in this product line increased by 6% compared to 2014, and premium income increased by 4% compared to 2014. This product line's first quarter sales result is attributable primarily to increased sales of participating products. Our recently launched EstateMax participating product contributed to this improvement. 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.

Management's Discussion and Analysis

During the first quarter 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)	First quarter	
Components of decrease		
Worsened mortality, surrender and other experience	\$	(6)
Lower investment experience loss		1
Increase in inforce profit margins		1
Total	\$	(4)

For the first quarter, mortality and surrender experience were unfavourable compared to favourable results in the comparable period in 2014.

Investment experience was unfavourable in the first quarter of both 2015 and 2014 primarily due to the unfavourable impact from interest rate movements in both years (as demonstrated using 30 year bond yields in the following table).

	First quarter	
	2015	2014
Interest rate movement		
30 year Canadian federal government bond yield		
End of period	1.98 %	2.96 %
Beginning of period	2.36 %	3.24 %
Change during period	(0.38)%	(0.28)%

During the first quarter of 2015 decreases in market interest rates contributed to higher bond prices, which resulted in bond asset fair value gains. However, these gains were more than offset by increased insurance contract liabilities resulting from these decreases in market interest rates. A similar result occurred during the first quarter of 2014. Therefore during the first quarter of both 2015 and 2014 investment experience losses occurred. This loss was lower in 2015 than it was in 2014 resulting in a lower investment experience loss during the first quarter of 2015. 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)	First quarter	
	2015	2014
Net income after tax		
Net income after tax shareholders' portion	\$ 9	\$ 5
Net income after tax policyholders' portion	1	1
Net income after tax	\$ 10	\$ 6

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.

Management's Discussion and Analysis

During the first quarter 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)	First quarter	
Components of increase		
Increased net income from sale of investments	\$	5
Lower interest expense		2
Lower investment income		(1)
Gain (loss) on hedging instruments		(2)
Total	\$	4

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 first quarter of 2015 Empire Life experienced a loss of \$2.2 million after tax on its hedging program (discussed in the Risk Management section later in this report).

Total Cash Flow

(millions of dollars)	First quarter	
	2015	2014
Cash Flow provided from (used for)		
Operating Activities	\$ 19	\$ (3)
Investing Activities	14	(12)
Financing Activities	—	(34)
Net change in cash and cash equivalents	\$ 33	\$ (49)

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

The increase in cash provided from investing activities during 2015 relative to 2014 was primarily driven by the timing of portfolio investment transactions.

The decrease in cash used for financing activities during 2015 relative to 2014 was due to the payment of \$34 million of dividends to common shareholders by Empire Life in 2014 which did not recur in 2015.

Capital Resources

	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
	2015	2014	2014	2014	2014
MCCSR Ratio	190%	197%	231%	231%	250%

Management's Discussion and Analysis

Empire Life continues to maintain a strong balance sheet and capital position. The A (Excellent) rating given to Empire Life by A.M. Best Company provides third party confirmation of this strength. Empire Life's risk-based regulatory capital ratio, as measured by Minimum Continuing Capital and Surplus Requirements (MCCSR), of 190% as at March 31, 2015 continued to be above requirements, and above minimum internal targets.

The MCCSR ratio decreased by 7 points from the previous quarter. The change was primarily due to increases in required regulatory capital, as shown in the table below.

(millions of dollars)	Mar 31 2015	Dec 31 2014	Sep 30 2014	Jun 30 2014	Mar 31 2014
Available regulatory capital					
Tier 1	\$ 883	\$ 872	\$ 856	\$ 839	\$ 808
Tier 2	466	452	436	430	529
Total	\$ 1,349	\$ 1,324	\$ 1,292	\$ 1,269	\$ 1,337
Required regulatory capital	\$ 709	\$ 671	\$ 560	\$ 549	\$ 535

The increase in Tier 1 available regulatory capital from the previous quarter 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 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 primarily due to the impact of lower interest rates which increased required regulatory capital related to lapse risk. In addition required regulatory capital increased due to the impact of higher investment exposures which were caused by increased investment in bonds and stocks.

Other Comprehensive Income

(millions of dollars)	First quarter 2015	2014
Other comprehensive income (loss)	\$ 14.0	\$ 12.8
Less: Participating Policyholders	(1.0)	(1.5)
Other comprehensive income (loss), attributable to shareholders	\$ 13.0	\$ 11.3

Other comprehensive income (OCI) increased in the first quarter of 2015 relative to the first quarter of 2014 primarily due to unrealized fair value increases relating to AFS bonds. This was partly offset by a larger loss in the first quarter of 2015 compared to 2014 on the remeasurement of post-employment defined benefit ("DB") plans. In both years the loss on DB plans was primarily due to increases in DB liabilities resulting from lower market interest rates partly offset by the favourable impact of higher stock markets on DB plan assets.

Unrealized fair value increases and decreases on AFS bonds in OCI do not impact MCCSR. Remeasurement of DB plans does not immediately impact MCCSR as each quarter's remeasurement gain or loss is amortized over 12 quarters for MCCSR 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 March 31, 2015 Empire Life had \$7.3 billion of segregated fund assets and liabilities. Of this amount, approximately \$7.0 billion have guarantees. The following table provides a percentage breakdown by type of guarantee:

	Mar 31 2015	Dec 31 2014
Percentage of segregated fund liabilities with:		
75% maturity guarantee and a 100% death benefit guarantee	53.0%	53.2%
100% maturity and death benefit guarantees (with a minimum of 15 years between deposit and maturity date)	5.5%	5.4%
100% maturity and death benefit guarantees (guaranteed minimum withdrawal benefit (GMWB))	41.5%	41.4%

All Empire Life segregated fund guarantees are policy based (not deposit-based), thereby lowering Empire Life's stock market sensitivity relative to products with 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. Based on stock market levels at March 31 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:								
2015 Shareholders' net income	\$	nil	\$	nil	\$	nil	\$	nil
2014 Shareholders' net income	\$	nil	\$	nil	\$	nil	\$	nil

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:

	10% Increase	10% Decrease	20% Increase	20% Decrease
Sensitivity To Stock Markets:				
March 31, 2015 MCCR Ratio	(1.7)%	(3.0)%	(3.5)%	(14.4)%
December 31, 2014 MCCR Ratio	8.8 %	(11.2)%	14.9 %	(24.4)%

The March 31, 2015 and December 31, 2014 amounts in the above tables include the effect of Empire's equity risk hedging program (described below).

Empire has equity market risk related to its segregated fund products and from equity assets backing life insurance liabilities. During the fourth quarter of 2014, Empire initiated a semi-static hedging program, and expanded this program during the first quarter of 2015. The objective of the hedging program is to partially protect Empire 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 intends to protect 10% to 20% of overall income and MCCR equity risk exposure by expanding the hedging program during 2015 and subsequent years.

Management's Discussion and Analysis

There is income statement volatility from this hedging program. Based on current equity market levels, Empire 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 quarter of 2015 Empire Life experienced a loss of \$2.2 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.

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 Liabilities	MCCR Required Capital
	Fund Value	Amount At Risk	Fund Value	Amount At Risk	Amount At Risk		
March 31, 2015	\$ 46	\$ 2	\$ 355	\$ 8	\$ 353	nil	106
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.

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 March 2015 decreased from the December 2014 levels for death benefit guarantee exposure, and GMWB top-up exposure due primarily to the increase 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.

Management's Discussion and Analysis

In addition, Empire Life's MCCR ratio is sensitive to changes in market interest rates. The impact of an immediate 1% decrease in interest rates, and a 1% 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 1% decrease in interest rates.

	Before The Sale of AFS Assets	After The Sale of AFS Assets
	1% Decrease	1% Decrease
Sensitivity To Market Interest Rates:		
March 31, 2015 MCCR Ratio	(31)%	(24)%
December 31, 2014 MCCR Ratio	(32)%	(25)%

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 the Annual Information Form of Empire Life's parent company, E-L Financial Corporation Limited, which is 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:

(millions of dollars)	Mar 31 2015	Dec 31 2014	Sep 30 2014	Jun 30 2014	Mar 31 2014	Dec 31 2013	Sep 30 2013	Jun 30 2013
Revenue	\$ 643	\$ 541	\$ 381	\$ 480	\$ 524	\$ 322	\$ 235	\$ 61
Shareholders' Net income	\$ 26	\$ 18	\$ 24	\$ 38	\$ 18	\$ 30	\$ 32	\$ 40

For the first quarter of 2015, total revenue at Empire Life increased by 23% to \$643 million compared to \$524 million in the first quarter of 2014. The increase was due primarily to a larger fair value increase in FVTPL investments in 2015 compared to the first quarter of 2014. In both quarters interest rates decreased resulting in a large increase in bond prices (see Total Revenue section earlier in this report).

For the first quarter net income was higher relative to last year primarily due to growing profit on in-force Wealth Management business. See Product Line Results sections earlier in this report for further information on quarterly results.