



Financial Corporation Limited

FIRST QUARTER REPORT
March 31, 2017

Financial Highlights

(Thousands of dollars, except per share amounts)

Three months ended March 31	2017	2016
Shareholders' Net Income (Loss)	\$ 264,096	\$ (61,373)
Shareholders' Comprehensive Income (Loss)	\$ 234,894	\$ (87,330)
Basic Earnings (Loss) per Common Share	\$ 66.26	\$ (16.62)
Common Shareholders' Equity	\$ 4,880,181	\$ 4,276,586
Common Shares Outstanding	4,019,667	4,019,667
Net Equity Value per Common Share ⁽¹⁾	\$ 1,217.64	\$ 1,065.78
Contribution to Shareholders' Net Income (Loss):		
E-L Corporate	\$ 214,344	\$ (98,306)
Empire Life	49,752	36,933
	\$ 264,096	\$ (61,373)
E-L Corporate		
Shareholders' Net Income (Loss)	\$ 214,344	\$ (98,306)
Investment and Other Income	\$ 24,269	\$ 25,466
Investments - Corporate	\$ 4,551,695	\$ 4,003,852
Empire Life		
Common Shareholders' Net Income	\$ 49,752	\$ 36,933
Net Premiums and Fee Income	\$ 263,670	\$ 284,538
Assets Under Management ⁽¹⁾	\$ 16,399,000	\$ 14,892,000
Minimum Continuing Capital and Surplus Requirements (%)	258	219

⁽¹⁾ See Non-GAAP measures within the Management's Discussion and Analysis

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Company's external auditors have not performed a review of these unaudited interim condensed consolidated financial statements of E-L Financial Corporation Limited.

REPORT ON E-L FINANCIAL CORPORATION LIMITED

The following Management's Discussion and Analysis ("MD&A") of the operating results and financial condition of E-L Financial Corporation Limited ("E-L Financial" or the "Company") for the first quarter of 2017 should be read in conjunction with the MD&A for the year ended December 31, 2016, the Company's annual audited consolidated financial statements and the notes related thereto, the quarterly unaudited interim condensed consolidated financial statements and notes contained in this report, as well as the Company's MD&A and unaudited interim condensed consolidated financial statements for the quarters of 2016. The unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Unless otherwise noted, both the consolidated financial statements and this MD&A are expressed in Canadian dollars.

This MD&A contains 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.

Unless otherwise stated, all per share amounts are based on the average number of Common Shares and Series A Convertible Preference Shares outstanding for the period, adjusted for the Company's proportionate interest in its own common shares held indirectly through investments in associates ("Adjusted Common Shares").

Additional information relating to the Company, including its Annual Information Form, may be found at www.sedar.com.

The Company

E-L Financial operates as an investment and insurance holding company. In managing its operations, the Company distinguishes between two operating segments, E-L Corporate and The Empire Life Insurance Company ("Empire" or "Empire Life").

E-L Corporate's operations includes the oversight of investments in global equities held through direct and indirect holdings of common shares, investment funds, closed-end investment companies and other private companies. E-L Financial holds a 51.8% interest in a closed-end investment corporation, United Corporations Limited ("United") which is listed on the Toronto Stock Exchange. United is an investment vehicle for long-term growth through investments in common equities. The invested assets and operations of United are consolidated and included in the E-L Corporate segment. In addition, E-L Corporate has two significant investments in associates including a 36.3% interest in Algoma Central Corporation ("Algoma") and a 24.0% interest in Economic Investment Trust Limited ("Economic"). Algoma and Economic are accounted for using the equity method.

The Company's investment in Empire Life (99.2% interest) is consolidated by E-L Financial. The Empire Life operating segment underwrites life and health insurance policies and provides segregated funds, mutual funds and annuity products.

The Company's strategy is to accumulate shareholder value through long-term capital appreciation and dividend income from its investments. E-L Financial oversees its investments through representation on the boards of directors of the subsidiaries and the other companies in which the Company has significant shareholdings.

Overview of results attributable to shareholders of E-L Financial

The following tables summarize the results of the Company's business segments:

E-L Financial consolidated <i>(thousands of dollars)</i>	First quarter	
	2017	2016
Contribution to net income (loss)		
E-L Corporate ⁽¹⁾	\$ 214,344	\$ (98,306)
Empire Life ⁽²⁾	49,752	36,933
Net income (loss)	264,096	(61,373)
Other comprehensive loss ⁽²⁾	(29,202)	(25,957)
Comprehensive income (loss)	\$ 234,894	\$ (87,330)

E-L Corporate <i>(thousands of dollars)</i>	First quarter	
	2017	2016
Revenue		
Net gain (loss) on investments ⁽³⁾	\$ 269,702	\$ (153,859)
Investment and other income	24,269	25,466
Share of associates income (loss)	736	(6,328)
	294,707	(134,721)
Expenses		
Operating	6,643	6,108
Income taxes	38,758	(15,228)
Non-controlling interests	34,962	(27,295)
	80,363	(36,415)
Net income (loss)	214,344	(98,306)
Other comprehensive loss, net of taxes ⁽¹⁾	(38,169)	(22,739)
Comprehensive income (loss)	\$ 176,175	\$ (121,045)

Empire Life <i>(thousands of dollars)</i>	First quarter	
	2017	2016
Revenue		
Net premiums	\$ 202,394	\$ 229,775
Net gain on investments ⁽³⁾	81,574	70,663
Investment income	64,557	60,785
Fee income	61,276	54,763
	409,801	415,986
Expenses		
Benefits and expenses	338,841	361,685
Income and other taxes	20,093	16,568
Non-controlling and participating policyholders' interests	1,115	800
	360,049	379,053
Net income	49,752	36,933
Other comprehensive income (loss), net of taxes ⁽²⁾	8,967	(3,218)
Comprehensive income	\$ 58,719	\$ 33,715

⁽¹⁾ Net of non-controlling interests

⁽²⁾ Net of non-controlling interests and participating policyholders' income (loss)

⁽³⁾ Includes fair value change on fair value through profit and loss ("FVTPL") investments and realized gains on available for sale ("AFS") investments

E-L Financial reported consolidated net income of \$264.1 million or \$66.26 per share for the first quarter of 2017 compared with a loss of \$61.4 million or \$16.62 per share in 2016. The increase in net income is due to E-L Corporate's net gain on investments of \$269.7 million compared to a net loss of \$153.9 million in 2016. E-L Corporate's investments for the first quarter of 2017 yielded a pre-tax total return of 6% mainly due to positive investment returns on global equities. At March 31, 2017, 84% (December 31, 2016 - 85%) of E-L Corporate's investments were denominated in foreign currencies with 45% (December 31, 2016 - 48%) and 11% (December 31, 2016 - 14%) exposed to U.S. and European equities respectively.

Empire Life reported net income of \$49.8 million in the first quarter of 2017 compared to \$36.9 million for the comparable period in 2016. The increase in net income was due primarily to higher Wealth Management profits, resulting from strong stock market performance in 2017 and favourable Employee Benefits claims experience. Empire Life continues to improve its matching of assets and liabilities in the Individual Insurance product line by increasing its investment in real estate partnership units and by making changes to its bond and equity investments. The improved matching position resulted in strong performance in that product line for the quarter.

Consolidated comprehensive income for the first quarter of 2017 was \$234.9 million or \$58.82 per share compared with a loss of \$87.3 million or \$23.23 per share in 2016. The movement in comprehensive income for the quarter is mainly due to the reasons noted above.

Net equity value per share

Under IFRS, investments in Algoma and Economic are accounted for using the equity method and are not carried at fair value. Therefore, to provide an indication of the accumulated shareholder value, the following table adjusts shareholders' equity to reflect investments in associates at fair value:

<i>(thousands of dollars, except per share amounts)</i>	Q1 2017	Q4 2016	Q1 2016
E-L Financial shareholders' equity	\$ 5,180,181	\$ 4,954,199	\$ 4,576,586
Less: First preference shares	(300,000)	(300,000)	(300,000)
	4,880,181	4,654,199	4,276,586
Adjustments for investments in associates not carried at fair value:			
Carrying value	(304,956)	(309,644)	(311,777)
Fair value ⁽¹⁾	323,245	316,131	313,514
	18,289	6,487	1,737
Non-controlling interest and deferred tax	(3,944)	(860)	5,739
	14,345	5,627	7,476
Net equity value	\$ 4,894,526	\$ 4,659,826	\$ 4,284,062
Common Shares ⁽²⁾ outstanding at year end	4,019,667	4,019,667	4,019,667
Net equity value per Common Share ⁽²⁾	\$ 1,217.64	\$ 1,159.26	\$ 1,065.78

⁽¹⁾ Based on quoted market prices

⁽²⁾ Common Shares includes Series A Convertible Preference Shares

Growth in net equity value

The Company's objective is to build long-term shareholder value by compounding growth in net equity value per Common Share over the long term. Set out below is a table that shows the net equity value per common share and growth for the respective periods. The growth in net equity value includes dividends paid to common shareholders.

Annual	Net equity value*	Growth*
	\$	%
2007	671.81	12.7
2008	551.59	(17.8)
2009	681.51	23.6
2010	747.28	9.7
2011	642.98	(13.9)
2012	740.49	15.2
2013	872.45	28.0
2014	970.65	11.3
2015	1,089.23	12.3
2016	1,159.26	6.8
Year to date		
March 31, 2017	1,217.64	5.1
Compounded annual growth in net equity value*		
2007 - 2016 - 10 years		7.6
1969 - 2016 - Since inception		12.5

* This chart was drawn from the individual annual reports and has not been restated for any subsequent changes in accounting policies.

Summary of quarterly results

The following table summarizes the quarterly results:

(millions of dollars, except per share amounts)	2017		2016		2015			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue								
Net gain (loss) on investments ⁽¹⁾	\$ 351	\$ (307)	\$ 292	\$ 298	\$ (83)	\$ 332	\$ (118)	\$ (327)
Net premium income	202	221	219	211	230	206	208	203
Investment and other income	150	150	141	159	141	149	142	159
Associates ⁽²⁾	1	(32)	17	9	(6)	7	8	8
Total	\$ 704	\$ 32	\$ 669	\$ 677	\$ 282	\$ 694	\$ 240	\$ 43
Net income (loss) ⁽³⁾	\$ 264	\$ 100	\$ 191	\$ 103	\$ (61)	\$ 208	\$ 28	\$ 37
Earnings (loss) per common share								
- basic	\$ 66.26	\$ 24.49	\$ 47.72	\$ 25.28	\$ (16.62)	\$ 51.90	\$ 6.20	\$ 8.33
- diluted	\$ 60.41	\$ 22.77	\$ 43.52	\$ 23.48	\$ (16.62)	\$ 47.29	\$ 6.20	\$ 8.33

⁽¹⁾ Fair value change on FVTPL investments and realized gain (loss) on AFS investments

⁽²⁾ Share of income (loss) of associates

⁽³⁾ Attributable to shareholders

Quarterly trend analysis

The consolidated revenue and consolidated net income of the Company are expected to fluctuate on a quarterly basis given its two segments. In particular, equity market movements, changes in interest rates, underwriting results, policy liability discount rates and policy reserve adjustments are likely to cause fluctuations.

Revenue for the first quarter of 2017 increased significantly from both the prior quarter and the first quarter of 2016 partially due to the impact of higher net investment gains for E-L Corporate. The increase in E-L Corporate's net investment gains is primarily due to higher global equity returns in local currencies. Also during the fourth quarter of 2016 Empire Life reported a net investment loss which resulted primarily from decreases in bond prices.

Net premium income decreased during the first quarter of 2017 compared to both the prior quarter and the first quarter of 2016. The decrease is primarily attributed to lower fixed interest annuity premiums offset partially by an increase in fee income.

Liquidity and capital resources

Consolidated cash flows

The condensed cash flow of United and Empire Life, as well as E-L Financial non-consolidated and consolidated are presented below:

Three months ended March 31 (thousands of dollars)	E-L Financial (non- consolidated)	United	Empire Life	Consolidation adjustments	E-L Financial	
					2017	2016
Cash flows from:						
Operating activities	\$ 8,794	\$ 8,585	\$ 79,531	\$ (1,263)	\$ 95,647	\$ 85,473
Financing activities	(8,912)	(6,287)	(2,149)	1,263	(16,085)	140,137
Investing activities	19,254	(3,516)	(89,566)	—	(73,828)	(248,488)
Increase (decrease) in cash and cash equivalents	19,136	(1,218)	(12,184)	—	5,734	(22,878)
Cash and cash equivalents, at the beginning of the period	31,877	19,156	368,873	—	419,906	306,546
Cash and cash equivalents, at the end of the period	\$ 51,013	\$ 17,938	\$ 356,689	\$ —	\$ 425,640	\$ 283,668

The increase in cash provided from operating activities in 2017 relative to 2016 reflects the increase in cash earnings during the first three months of 2017 compared to the prior year along with changes in working capital levels.

The change in financing activity cash flows during 2017 relative to 2016 was primarily due to Empire Life's issuance of \$149.5 million of preferred shares during the first quarter of 2016.

The decrease in cash from investing activities during 2017 relative to 2016 was primarily driven by the timing of portfolio investment transactions which in the first quarter of 2016 included the investment of the proceeds from Empire Life's issuance of preferred shares.

Non-consolidated cash flows of E-L Financial

E-L Financial's corporate cash flows from operating activities, before payment of dividends, are primarily comprised of dividends and interest received, less operating expenses and income taxes.

The following table details the non-consolidated cash flows of the Company on a direct basis, excluding the cash flows of the subsidiaries. This table has been prepared to assist the reader in isolating the cash flows of E-L Financial (non-consolidated).

Three months ended March 31

<i>(thousands of dollars)</i>	2017	2016
Cash flows from:		
Operating activities		
Dividends from subsidiaries and associates	\$ 4,211	\$ 3,341
Dividends and interest	11,612	14,692
Expenses and taxes, net of other income	(7,029)	(14,919)
	8,794	3,114
Financing activities		
Cash dividends	(8,912)	(4,390)
Investing activities		
Purchases of investments	(769,589)	(192,552)
Proceeds from sales of investments	724,785	163,768
Net sales of short-term investments	64,058	875
	19,254	(27,909)
Increase (decrease) in cash and cash equivalents	19,136	(29,185)
Cash and cash equivalents, at the beginning of the period	31,877	86,906
Cash and cash equivalents, at the end of the period	\$ 51,013	\$ 57,721

Operating cash flows for 2017 increased relative to the prior period reflecting changes in working capital.

On March 2, 2016, the Board approved a change to the Company's dividend policy, increasing its quarterly dividend to \$1.25 per Common Share from \$0.125 per share.

During the first quarter of 2017, for diversification reasons, E-L Financial reallocated the assets managed by one of the global investment managers. This resulted in higher investment portfolio turnover during the quarter and net realized investment gains of \$166.5 million.

E-L Financial maintains sufficient liquidity through holding short-term investments, cash equivalents and high quality marketable investments that may be sold, if necessary, to fund new investment opportunities and to meet any operating cash flow requirements.

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 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, market risks including equity risks, hedging risks, interest rate risks, foreign exchange rate risks; liquidity risks; credit risks including counterparty risks; insurance risks including mortality risks, policyholder behaviour risks, expense risks, morbidity risks, product design and pricing risks, underwriting and claims risks, reinsurance risks; operational risks, including legal and regulatory risks, model risks, human resources risks, third party risks, technology, information security and business continuity risks; and business risks, including risks with respect to competition, risks with respect to financial strength, capital adequacy risks, risks with respect to distribution channels, risks with respect to changes to applicable income tax legislation, risks with respect to litigation, risks with respect to reputation, risks with respect to risk management policies, risks with respect to intellectual property, risks with respect to significant ownership of common shares. Please see the section titled "Description of the Business" in E-L Financial's Annual Information Form 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 MD&A contains information using non-GAAP measures. Current Canadian GAAP is IFRS for the Company's consolidated financial statements. The Company believes that these measures provide information that is useful to its shareholders in evaluating the Company's financial results. Where non-GAAP measures are used, descriptions have been provided as to the nature of the adjustments made.

The MD&A contains reference to net equity value, net equity value per common share and growth in net equity value per common share. Net equity value per common share is described and reconciled to shareholders' equity on page 4. These terms do not have any standardized meaning according to IFRS and therefore may not be comparable to similar measures presented by other companies.

The MD&A also contains non-consolidated cash flow information of E-L Financial which is a non-GAAP presentation. The information is useful as it separates the Company's cash flows from the cash flows of its subsidiaries. This information is reconciled to the consolidated cash flows on page 6.

Other non-GAAP measures are also used in the Empire Life section of the MD&A. These include references to annualized premium sales, assets under management, mutual fund gross and net sales, segregated fund

gross and net sales and sources of earnings. These terms do not have any standardized meaning according to IFRS 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. Mutual fund gross and net sales and segregated fund gross and net sales are also used as measures of sales volume. The Company believes that these measures provide useful information to its shareholders 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 in the Glossary of Terms found at the end of this report. The sources of earnings components are reconciled to net income on page 13.

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. The Company believes that these measures provide useful information to its shareholders 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:

(in millions of dollars)	March 31 2017	December 31 2016	March 31 2016
General fund assets	\$ 7,947	\$ 7,780	\$ 7,316
Segregated fund assets	8,261	8,082	7,399
Total Empire Life assets	16,208	15,862	14,715
Mutual fund assets	191	189	177
Total assets under management	\$ 16,399	\$ 16,051	\$ 14,892

Analysis of business segments

The remainder of this MD&A discusses the individual results of operations and financial condition of the Company's business segments: E-L Corporate and Empire Life.

E-L CORPORATE

E-L Corporate's operations includes the oversight of investments in global equities held through direct and indirect holdings of common shares, investment funds, closed-end investment companies and other private companies.

Investments in Economic and Algoma are reported as investments in associates and are discussed below. Investments in equities and fixed income securities held directly by E-L Financial and through United are combined to form "Investments – corporate".

The following table provides a summary of E-L Corporate's results:

<i>(thousands of dollars)</i>	First quarter	
	2017	2016
Revenue		
Net gain (loss) on investments	\$ 269,702	\$ (153,859)
Investment and other income	24,269	25,466
Share of associates income (loss)	736	(6,328)
	294,707	(134,721)
Expenses		
Operating	6,643	6,108
Income taxes	38,758	(15,228)
Non-controlling interests	34,962	(27,295)
	80,363	(36,415)
Net income (loss)	214,344	(98,306)
Other comprehensive loss, net of taxes	(38,169)	(22,739)
Comprehensive income (loss)	\$ 176,175	\$ (121,045)

Investments - corporate

Investments - corporate includes investments in equities and short-term fixed-income investments. At March 31, 2017, investments - corporate had aggregate investments of \$4.6 billion, comprised primarily of common shares and units of investment funds, compared to aggregate investments at December 31, 2016 of \$4.3 billion. The fair value of investments - corporate is summarized in the table below:

<i>(thousands of dollars)</i>	March 31 2017	December 31 2016
Short-term investments	\$ 1,500	\$ 65,558
Preferred shares	1,058	1,058
Common shares and units		
Canadian and U.S.	2,767,530	2,776,772
Europe	999,558	928,978
Other *	782,049	569,230
Total	4,549,137	4,274,980
Total invested assets	\$ 4,551,695	\$ 4,341,596

* Other investments includes \$408,164 (December 31, 2016 - \$364,666) of equities and investment funds with exposure to Japan.

The increase in E-L Corporate's net income for the first quarter is attributable to net investment gains on the global investment portfolio. For the first quarter of 2017, E-L Corporate had a net gain on investments of \$269.7 million compared to a loss of \$153.9 million for the same period in 2016, resulting in a positive pre-tax return on investments of approximately 6% in 2017 compared to a negative return of 3% in the prior year. The investment returns for the first quarter of 2017 were attributed to the strong performance of global equities. The investment loss for the comparable period in 2016 was due to negative investment returns combined with the impact of a stronger Canadian dollar.

During the first quarter of 2017 E-L Financial reduced the assets managed by one of the global investment managers. This resulted in changes in investment portfolio allocations, including a reduction to assets allocated to short-term investments and higher positions in geographic regions outside of Canada, U.S. and Europe.

The following table details the three month return on investment by geographic region:

	Investment return
	%
Canada and U.S.	5
Europe	7
Other	9

Key contributors to the Other geographic region's investment return included investments in Asia and emerging markets.

Share of associates income

The details of E-L Corporate's share of income of associates are as follows:

<i>(thousands of dollars)</i>	First quarter	
	2017	2016
Algoma	\$ (5,877)	\$ (2,783)
Economic	6,613	(3,545)
	\$ 736	\$ (6,328)

Algoma's earnings for 2016 include a gain from the cancellation of shipbuilding contracts. Excluding this gain, there was a 16% reduction in the loss for the first quarter of 2017 compared to the prior year. Results for the first quarter typically reflect a loss due to the reduced level of shipping activity during the winter and the timing of maintenance spending. During 2017, better winter conditions and an earlier opening of the St. Lawrence Seaway canal system contributed to higher volumes within the Domestic Dry-Bulk segment and a lower net loss for the first quarter compared to 2016.

The Company's share of Economic's net income for the first quarter of 2017 increased over the prior year due to higher net investment gains for the global investment portfolio. Economic's global investment portfolio had a quarterly pre-tax return, gross of fees, of 5% in the first quarter of 2017 compared to a negative 4% for the same period in 2016.

<i>(thousands of dollars)</i>	March 31, 2017			December 31, 2016	
	Ownership	Carrying value	Fair value	Carrying value	Fair value
Algoma	36.3%	\$ 164,136	\$ 178,317	\$ 173,226	\$ 173,226
Economic	24.0%	140,820	144,928	136,418	142,905
Total		\$ 304,956	\$ 323,245	\$ 309,644	\$ 316,131

Additional information relating to Algoma and Economic may be found on their respective profiles at www.sedar.com.

Risk management

The objective of the Company's risk management process is to ensure that the operations of the Company encompassing risk are consistent with the Company's objectives and risk tolerance, while maintaining an appropriate risk/reward balance.

Market risk

Market risk is the most significant risk impacting E-L Corporate as its investing activities are influenced by market price, foreign currency and interest rate risk. As the Company's investment portfolio is represented by Canadian and global equities, the value of its investments will vary from day to day depending on a number of market factors including economic conditions, global events, market news, and on the performance of the issuers of the securities in which the Company invests. Changes in foreign currency exchange rates will also affect the value of investments of non-Canadian dollar securities. As of March 31, 2017, 45% (December 31, 2016 - 49%) of the investment - corporate including cash and cash equivalents was denominated in U.S. dollars, 11% (December 31, 2016 - 12%) in Euro and 9% (December 31, 2016 - 8%) in Japanese Yen representing the largest foreign currency exposures.

Credit risk

E-L Corporate participates in securities lending which could expose the Company to the risk of counterparty failure. RBC Investor Services Trust (RBC IS), the Company's custodian, acts as lending agent. RBC IS is responsible to return the borrowed securities to the Company when required, and RBC IS indemnifies the Company in the event of borrower default. The Company has recourse to the Royal Bank of Canada in the event of a failure by RBC IS to discharge its obligations to the Company.

In addition to the discussion of risks included in this MD&A, a comprehensive discussion of the material risks that impact the Company is included in the Annual Information Form which is available at www.sedar.com. Disclosures regarding E-L Corporate's financial instruments, including financial risk management, are included in Notes 3, 5 and 9 to the interim consolidated financial statements.

Outlook

The Company's future earning prospects are dependent on the successful management of its E-L Corporate portfolio and on the continued profitability of its insurance company subsidiary. The performance of the E-L Corporate portfolio is impacted by global securities markets and the selection of equity and fixed income investments. The Company continues to maintain its strategy of accumulating shareholder value through long-term capital appreciation and dividend income.

REPORT ON EMPIRE LIFE

Empire Life provides a broad range of life insurance and wealth management products, employee benefit plans and financial services to meet the needs of individuals, professionals and businesses through a network of Independent Financial Advisors (“IFA”), Managing General Agents (“MGA”), National Account firms, Mutual Fund Dealers and Employee Benefits brokers and representatives.

Empire Life reported first quarter common shareholders’ net income of \$50.2 million for 2017, compared to \$37.2 million for first quarter 2016. The increase in earnings for the first quarter of 2017 compared to 2016 is as a result of improved operating performance and capital market gains. Empire Life’s net income attributable to the owners of E-L Financial, after adjustment for non-controlling interests, is shown in the following table:

<i>(millions of dollars)</i>	First quarter	
	2017	2016
Empire Life common shareholders’ net income	\$ 50.2	\$ 37.2
Non-controlling interests	0.4	0.3
Net income, contribution to E-L Financial	\$ 49.8	\$ 36.9
Empire Life return on common shareholders’ equity (annualized) (“ROE”)	15.7%	13.4%

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

Sources of Earnings <i>(millions of dollars)</i>	First quarter	
	2017	2016
Expected profit on in-force business	\$ 43.3	\$ 38.7
Impact of new business	(4.8)	(3.7)
Experience (losses) gains	(0.4)	3.7
Management actions and changes in assumptions	29.6	11.2
Earnings on operations before income taxes	67.7	49.9
Earnings on surplus	1.8	2.3
Income before income tax	69.5	52.2
Income taxes	17.2	13.6
Empire Life’s shareholders’ net income	52.3	38.6
Dividends on preferred shares	2.1	1.4
Empire Life common shareholders’ net income	\$ 50.2	\$ 37.2

For the first quarter of 2017 common shareholders’ net income and ROE were higher relative to 2016 due to higher profit from the Wealth Management and Employee Benefits product line primarily from continued robust stock market performance in 2017 and favourable claims experience respectively.

The expected profit on in-force business increased by 12% primarily from growth in management and guarantee fees in the Wealth Management product lines. This was partly offset by the impact of higher new business expenses incurred in the Individual insurance product line relative to 2016. Experience gains were lower relative to 2016 in the Individual Insurance line, but this was partly offset by improved investment experience gains in the Wealth Management fixed interest annuity line. Empire Life realized significant management action gains in the Individual Insurance line as a result of improved matching of assets and liabilities. Earnings on surplus decreased primarily due to losses from the sale of available for sale bonds (“AFS”) bonds in 2017 compared to gains in 2016.

During the first quarter of 2016, Empire Life issued \$149.5 million of preferred shares. The holders are entitled to receive fixed non-cumulative quarterly dividends yielding 5.75% annually. In the fourth quarter 2016 Empire Life issued \$200 million principal amount of unsecured subordinated debentures with a maturity date of

December 16, 2026. The interest rate on the debentures until December 16, 2021 is 3.383%, and the rate from December 16, 2021 until December 16, 2026 is equal to the 3-month Canadian Bankers' Acceptance Rate plus 1.95%. The issuance of preferred shares and the debenture in 2016 have increased the preferred share dividend and the interest paid relative to the first quarter of 2016.

The following table provides a summary of Empire Life results by major product line:

Three months ended March 31

<i>(millions of dollars)</i>	Wealth Management		Employee Benefits		Individual Insurance		Capital & Surplus		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Revenue										
Net premium income	\$ 27	\$ 56	\$ 84	\$ 84	\$ 91	\$ 90	\$ —	\$ —	\$ 202	\$ 230
Fee income	58	53	3	2	—	—	—	—	61	55
Investment income	10	10	1	1	42	39	12	11	65	61
Net gains (losses) on investments ⁽¹⁾	17	(14)	—	2	69	87	(4)	(5)	82	70
	112	105	88	89	202	216	8	6	410	416
Expenses										
Benefits and expenses	75	81	81	86	178	191	4	3	338	361
Income and other taxes	9	6	3	2	8	8	1	1	21	17
	84	87	84	88	186	199	5	4	359	378
Net income after tax	\$ 28	\$ 18	\$ 4	\$ 1	\$ 16	\$ 17	\$ 3	\$ 2	\$ 51	\$ 38
Participating policyholders' portion									(1)	(1)
Dividends on preferred shares									2	1
Empire Life's common shareholders' net income									50	38
Non-controlling interests in net income									—	1
Net income attributable to owners of E-L Financial									\$ 50	\$ 37

⁽¹⁾ Includes fair value change on FVTPL investments and realized gains on AFS investments

Product Line Results - Wealth Management

<i>(millions of dollars)</i>	March 31 2017	March 31 2016
Assets under management		
General fund annuities	\$ 956	\$ 958
Segregated fund	8,240	7,379
Mutual fund	191	177

<i>(millions of dollars)</i>	First quarter	
	2017	2016
Selected financial information		
Net fixed interest annuity premiums	\$ 27	\$ 56
Segregated fund gross sales	300	284
Segregated fund net sales	27	50
Segregated fund fee income	57	51
Mutual fund gross sales	9	11
Mutual fund net sales	(2)	5
Mutual fund fee income	1	1
Net income after tax	\$ 28	\$ 18

Assets in Empire Life general fund annuities decreased by less than 1%, while segregated fund assets increased by 12% during the last 12 months. While the demand for fixed interest immediate annuities increased in 2016, demand in the first quarter of 2017 has tempered significantly. The growth in segregated funds over the last 12 months was attributable to increased stock markets and positive net sales from new products introduced in 2014. The increase in mutual funds over the last 12 months is primarily attributable to an increase in the stock markets.

Premium revenue for the Wealth Management product line is composed solely of new deposits on fixed interest annuities and excludes deposits on the segregated fund and mutual fund products. For the first quarter new fixed interest annuity deposits decreased compared to the first quarter of 2016. Management believes that customers have started choosing equity products rather than more conservative fixed interest products due to the recent rise in the equity markets.

For the first quarter of 2017 segregated fund gross sales were up 6 % compared to 2016, primarily due to 75% maturity guarantee product sales which increased by \$21 million from the first quarter in 2016. The products with the Guaranteed Minimum Withdrawal Benefit ("GMWB") decreased by \$14 million from the first quarter of 2016 while other segregated fund sales increased modestly. Empire Life closed its segregated fund products that existed on October 31, 2014 to new policies and on November 3, 2014 launched a new suite of investment products including a new segregated funds family and a new version of its GMWB product. Fees charged to the customer on the new product line are higher than those for 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 the industry sales for the first quarter of 2017 were relatively unchanged from 2016, Empire Life's sales have increased over the same period.

Mutual fund gross sales for the quarter were weak and 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 segregated fund fee income increased by 12% relative to the same quarter in 2016. The increase was primarily due to growth in segregated fund management fees and guarantee fees. Improved stock markets since the first quarter of 2016 have also resulted in higher average assets under management and management fees earned relative to 2016.

During the first quarter of 2017 earnings from Wealth Management increased by \$10 million. The following table provides a breakdown of the components of this year over year change in net income:

<i>(millions of dollars)</i>	First quarter
Components of increase	
Improved investment experience	7
Increase in in-force profit margins	3
Total	\$ 10

The improved investment experience relative to 2016 is primarily as a result of the appreciation in the value of interest and credit sensitive assets in the Investment product line relative to 2016.

Higher net income on in-force business in 2017 was primarily due to higher fee income as a result of growth in the business and higher stock markets relative to 2016.

Product Line Results - Employee Benefits

<i>(millions of dollars)</i>	First quarter	
	2017	2016
Selected financial information		
Annualized premium sales	\$ 8	\$ 13
Net premium revenue	84	84
Net income after tax	\$ 4	\$ 1

For the first quarter 2017, annualized premium sales in Employee Benefits decreased by 40% in comparison to the first quarter of 2016. In-force premium revenue decreased by less than 1% for the quarter relative to the same periods in 2016. Empire Life continues to focus on profitable sales in the employee benefits market where price competition has intensified as a result of weak economic conditions in certain parts of Canada. The increase in net income in 2017 was primarily due to improved long-term disability and health claims. As Empire Life balances claims management with customer experience it cannot predict whether claims improvement will continue.

Product Line Results - Individual Insurance

<i>(millions of dollars)</i>	First quarter	
	2017	2016
Selected financial information		
Annualized premium sales	\$ 7	\$ 8
Net premium revenue	91	90
Net income after tax		
Net income after tax shareholders' portion	\$ 19	\$ 19
Net loss after tax policyholders' portion	(3)	(2)
Net income after tax	\$ 16	\$ 17

First quarter new sales decreased slightly from 2016 first quarter sales primarily due to the change in product mix from Universal Life to term insurance and tax changes effective January 1, 2017. The net premium revenue increased slightly as a result of higher in-force business since the first quarter of 2016. Empire Life's recently launched EstateMax® participating policy sales are lower than in the first quarter of 2016 as a result of product modifications launched late in the first quarter. EstateMax® is distributed through professional financial advisors aimed at providing simple estate planning solutions to Canadian baby boomers. In recent years 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 fourth quarter of 2016 Empire Life decided to stop selling universal life insurance products but will continue to administer its in-force block of universal life insurance products.

During the first quarter 2017 earnings from this product line decreased by \$1 million relative to 2016. The following table provides a breakdown of the components of this year over year change in net income:

<i>(millions of dollars)</i>	First quarter
Components of increase	
Worsened investment experience	(11)
Worsened mortality experience	(2)
Worsened new business strain	(1)
Management actions to improve asset/liability matching	13
Total	\$ (1)

The reduced investment experience arose from a loss of \$6 million after tax in the first quarter of 2017 in comparison to an after tax gain of \$5 million in 2016. Mortality experience in the first quarter of 2017 was worse than 2016. Mortality experience will fluctuate from quarter to quarter, however management does not view mortality worsening overall. Expenses were slightly higher than expected in the quarter causing a strain on new business. Management actions to improve asset/liability matching resulted in increased profit of \$13 million after tax. The improved matching position resulted in a gain from updating insurance contract liabilities. Empire Life increased its investment in real estate limited partnership units during the quarter. This investment is used to match long-term insurance contract liabilities. Management continued to make changes to the bond and equity portfolios in this quarter to reduce the mismatch between the liability and asset portfolio.

Long-term interest rate movements are demonstrated in the following table:

	First quarter	
	2017	2016
Interest rate movement		
30 year Canada federal government bond yield		
End of period	2.31 %	2.00 %
Beginning of period	2.31 %	2.16 %
Change during period	— %	(0.16)%
30 year Province of Ontario spread		
End of period	0.85 %	1.10 %
Beginning of period	0.90 %	1.05 %
Change during period	(0.05)%	0.05 %
30 year A rated corporate spread (including financials)		
End of period	1.49 %	1.80 %
Beginning of period	1.60 %	1.92 %
Change during period	(0.11)%	(0.12)%
30 year A rated financials spread		
End of period	1.87 %	2.30 %
Beginning of period	2.01 %	2.19 %
Change during period	(0.14)%	0.11 %

Interest rate movements impact both bond asset fair values and insurance contract liabilities. In the first quarter of 2017 and 2016, the decrease in interest rates (including spreads described above) caused higher bond prices, which resulted in a bond asset fair value gain.

Stock market movements are demonstrated in the following table:

	First quarter	
	2017	2016
Stock market movement		
S&P/TSX Composite Index		
End of period	15,548	13,494
Beginning of period	15,288	13,010
Percentage change during period	1.7%	3.7%
S&P 500 Index		
End of period	2,363	2,060
Beginning of period	2,239	2,044
Percentage change during period	5.5%	0.8%

In the first quarter of 2017 the increase in stock markets caused common share asset fair value gains. However, these gains are significantly reduced by increased insurance contract liabilities.

Results - Capital and Surplus

During the first quarter, capital and surplus net income increased by \$1 million, primarily due to hedging program results. During the first quarter of 2017, Empire Life experienced a loss of \$3 million after tax on its hedging program primarily due to rising Canadian stock prices compared to a loss of \$7 million for the comparable period in 2016 (discussed in the Risk Management section later in this report).

Capital Resources

	March 31 2017	December 31 2016	September 30 2016	June 30 2016	March 31 2016
MCCSR Ratio	258%	248%	213%	213%	219%

Empire Life continues to maintain a strong balance sheet and capital position. Empire Life's debentures and preferred shares are rated by DBRS Limited ("DBRS") and A.M. Best Company, Inc. ("A.M. Best"). On May 27, 2016, 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), its financial strength rating of "A" (sixth highest of 22 categories) and its Preferred Share rating of Pfd-2 (fifth highest of 18 categories). All ratings have a stable trend. On December 16, 2016, Empire issued \$200 million principal amount of unsecured subordinated debentures due December 16, 2026 by way of private placement in Canada. On December 15, 2016 DBRS assigned a subordinated debt rating of "A (low)" with a stable trend to these debentures.

On May 27, 2016, A.M. Best confirmed its ratings of Empire Life including its issuer rating of "a" (sixth highest of 21 categories), its subordinated debt rating of "bbb+" (eighth highest of 21 categories), its financial strength rating of "A (Excellent)" (third highest of 16 categories) and its Preferred Share rating of "bbb" (ninth highest of 21 categories). All ratings have a stable trend. On December 16, 2016 A.M. Best assigned a subordinated debt rating of "bbb+" with a stable trend to Empire's December 16, 2016 subordinated debenture issue.

Empire Life's risk-based regulatory capital ratio, as measured by MCCSR, of 258% as at March 31, 2017 continues to be significantly above the requirements set by the Office of the Superintendent of Financial Institutions Canada ("OSFI") as well as Empire Life's minimum internal targets.

The MCCR ratio increased 10 percentage points in the first quarter of 2017. The increase for the first quarter was primarily due to increases in available regulatory capital and a reduction of required capital. The increase in capital since the first quarter 2016 was primarily due to Empire Life's issuance of \$200 million principal amount of unsecured subordinated debentures on December 16, 2016. The MCCR ratio increase from the first quarter 2016 was also due to strong earnings for the four quarters ending March 31, 2017.

<i>(millions of dollars)</i>	March 31 2017	December 31 2016	September 30 2016	June 30 2016	March 31 2016
Available regulatory capital					
Tier 1	\$ 1,248	\$ 1,206	\$ 1,123	\$ 1,089	\$ 1,078
Tier 2	713	707	541	535	528
Total	\$ 1,961	\$ 1,913	\$ 1,664	\$ 1,624	\$ 1,606
Required regulatory capital	\$ 760	\$ 771	\$ 781	\$ 762	\$ 734

The increase in Tier 1 available regulatory capital in the first quarter of 2017 was primarily due to net income.

The Tier 2 available regulatory capital increase for the first quarter of 2017 is primarily related to statutory adjustments such as unrealized gains on available for sale assets.

Regulatory capital requirements increased from market risk and insurance company risk such as lapse risk, mortality risk and segregated fund guarantees as a result of normal business growth. The increase in capital requirements from business growth was more than offset by a reduction of asset default and foreign currency risk from the partial sale of Empire Life's \$US equity portfolio.

Risk Management

Caution Related to Sensitivities

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

Market Risk

Empire Life has equity market risk related to its segregated fund products and from equity assets backing life insurance liabilities. Empire Life has a semi-static hedging program. 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 currently employs put options and short positions on key equity indices. The extent of options used is monitored and managed on an ongoing basis, giving consideration to equity risk and the level of available capital.

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 quarter of 2017 and 2016 Empire Life experienced a loss of \$3 million and \$7 million after tax respectively on its hedging program primarily due to rising Canadian stock prices.

Empire Life's MCCR ratio is also sensitive to stock market volatility, due primarily to liability and capital requirements related to segregated fund guarantees. As of March 31, 2017, Empire Life had \$8.3 billion of segregated fund assets and liabilities. Of this amount, approximately \$8.0 billion have guarantees. The following table provides a percentage breakdown by type of guarantee:

	March 31 2017	December 31 2016
Percentage of segregated fund liabilities with:		
75% maturity guarantee and a 75% death benefit guarantee	1.4%	1.2%
75% maturity guarantee and a 100% death benefit guarantee	49.5%	49.7%
100% maturity and death benefit guarantees (with a minimum of 15 years between deposit and maturity date)	6.3%	6.1%
100% maturity and death benefit guarantees ("GMWB")	42.8%	43.0%

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. Generally as stock markets and interest rates rise the magnitude of the negative liabilities will also rise. 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 30% decrease at March 31, 2017 and a net loss resulting from a 20% and a 30% decrease at December 31 for 2016, 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 March 31, 2017 and December 31 for 2016, the sensitivity of Empire Life shareholders' net income to changes in segregated fund guarantee insurance contract liabilities resulting from stock market increases and decreases is as follows:

<i>(millions of dollars)</i>	Increase		Decrease		
	20%	10%	10%	20%	30%
Sensitivity to segregated fund guarantees:					
March 31, 2017 Shareholders' net income	\$ nil	\$ nil	\$ nil	\$ nil	\$(101)
December 31, 2016 Shareholders' net income	\$ nil	\$ nil	\$ nil	\$(10)	\$(117)

As per the sensitivity table, the impact of stock market changes on the segregated fund guarantee liabilities is not linear. As noted earlier, Empire Life also has equity market risk related to its equity assets backing life insurance liabilities. Based on stock market levels as at March 31, 2017 and December 31, 2016, the sensitivity of Empire Life shareholders' net income (including 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):

<i>(millions of dollars)</i>	Increase		Decrease		
	20%	10%	10%	20%	30%
Sensitivity excluding equity risk hedge					
March 31, 2017 Shareholders' net income	\$41	\$20	\$(20)	\$(41)	\$(167)
December 31, 2016 Shareholders' net income	\$51	\$25	\$(25)	\$(60)	\$(196)

The equity risk hedging program provides relief in adverse scenarios, but incurs losses in positive scenarios.

The March 31, 2017 and December 31, 2016 amounts in the following table include the effect of Empire Life's equity risk hedging program (described above):

<i>(millions of dollars)</i>	Increase		Decrease		
	20%	10%	10%	20%	30%
Sensitivity including equity risk hedge					
March 31, 2017 Shareholders' net income	\$28	\$14	\$(12)	\$(21)	\$(128)
December 31, 2016 Shareholders' net income	\$36	\$18	\$(16)	\$(36)	\$(148)

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.

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 MCCR	Increase		Decrease		
	20%	10%	10%	20%	30%
Sensitivity to stock markets (percentage points)					
March 31, 2017 MCCR ratio	—	0.2	(12.4)	(38.5)	(43.0)
December 31, 2016 MCCR ratio	0.7	(0.2)	(12.1)	(35.3)	(40.1)

The March 31, 2017 and December 31, 2016 amounts in the following table include the effect of Empire Life's equity risk hedging program (described below):

Including equity risk hedge MCCR	Increase		Decrease		
	20%	10%	10%	20%	30%
Sensitivity to stock markets (percentage points)					
March 31, 2017 MCCR ratio	(4.2)	(2.0)	(10.4)	(34.5)	(35.1)
December 31, 2016 MCCR ratio	(5.4)	(2.6)	(9.7)	(30.4)	(30.2)

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 <i>(millions of dollars)</i>	Withdrawal Benefit > Fund Value		Maturity Guarantee > Fund Value		Death Benefit > Fund Value		Actuarial	MCCR
	Fund Value	Amount at Risk	Fund Value	Amount at Risk	Fund Value	Amount at Risk	Liabilities	Required Capital
March 31, 2017	\$ 2,547	\$ 611	\$ 23	\$ 1	\$ 222	\$ 3	\$ nil	\$ 156
December 31, 2016	\$ 2,530	\$ 627	\$ 37	\$ 1	\$ 324	\$ 4	\$ nil	\$ 150

The first six columns of the above table show all segregated fund policies where the future withdrawal benefit, future maturity guarantee, or future death benefit guarantee is greater than the fund value. The amount at risk represents the excess of the future withdrawal benefit, future maturity guarantee or future death benefit guarantee amount over the fund value for these policies. The withdrawal benefit amounts in the above table relate to GMWB products. The GMWB withdrawal benefit 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 March 31, 2017 the aggregate amount at risk for all three categories of risk is \$615 million. At December 31, 2016, the aggregate amount at risk for these three categories of risk was \$632 million. The amount at risk decreased from \$632 million at December 31, 2016 to \$615 at March 31, 2017.

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 on future payments to GMWB policyholders, or upon future maturity of the segregated fund policies, or upon future death of the segregated fund policyholders. The amounts at risk at March 31, 2017 decreased from the December 2016 levels for GMWB withdrawal benefit exposure primarily due strong equity market performance in 2017 and reduced net sales of GMWB product in the first quarter of 2017. 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 non-participating insurance business and segregated fund guarantees for March 31, 2017 and December 31, 2016, 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 AFS bonds. The AFS bonds provide a natural economic offset to the interest rate risk attributable to Empire Life's 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.

	Before the sale of AFS assets	After the sale of AFS assets
	50bps decrease	50bps decrease
Sensitivity to market interest rates:		
March 31, 2017 MCCR ratio	-19.1%	-13.4%
December 31, 2016 MCCR ratio	-19.5%	-14.5%

Duncan N.R. Jackman

Chairman, President and Chief Executive Officer

May 10, 2017

E-L Financial Corporation Limited and subsidiary companies
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
UNAUDITED
(in thousands of Canadian dollars)

	March 31 2017	December 31 2016
Assets		
Cash and cash equivalents	\$ 425,640	\$ 419,906
Investments - corporate (Note 3)	4,551,695	4,341,596
Investments - insurance (Note 4)	7,437,038	7,235,918
Investments in associates (Note 5)	304,956	309,644
Premiums receivable	38,188	26,636
Other assets	133,973	167,783
Segregated fund assets (Note 7)	8,260,706	8,082,033
Total assets	\$ 21,152,196	\$ 20,583,516
Liabilities		
Reinsurance liabilities	541,524	533,357
Insurance contract liabilities	5,151,116	5,065,962
Investment contract liabilities	14,298	13,903
Deferred tax liabilities	245,447	244,219
Other liabilities	268,516	227,982
Subordinated debt	498,734	498,603
Segregated fund liabilities (Note 7)	8,260,706	8,082,033
Total liabilities	\$ 14,980,341	\$ 14,666,059
Equity		
Capital stock	\$ 372,388	\$ 372,388
Retained earnings	4,793,724	4,538,540
Accumulated other comprehensive income ("AOCI")	14,069	43,271
Total E-L Financial shareholders' equity	5,180,181	4,954,199
Non-controlling interests in subsidiaries ("NCI")	942,302	912,131
Participating policyholders' interests ("PAR")	49,372	51,127
Total equity	6,171,855	5,917,457
Total liabilities and equity	\$ 21,152,196	\$ 20,583,516

Approved by the Board

Duncan N.R. Jackman, Director

James F. Billett, Director

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

E-L Financial Corporation Limited and subsidiary companies**CONSOLIDATED STATEMENTS OF INCOME (LOSS)****UNAUDITED****(in thousands of Canadian dollars, except per share amounts)**

	Three months ended	
	March 31	
	2017	2016
Revenue		
Gross premiums	\$ 232,033	\$ 257,266
Premiums ceded to reinsurers	(29,639)	(27,491)
Net premiums	202,394	229,775
Investment and other income (Note 6)	150,102	141,014
Share of income (loss) of associates (Note 5)	736	(6,328)
Fair value change in fair value through profit or loss investments	313,647	(97,323)
Realized gain on available for sale investments (Notes 3 and 4)	37,629	14,127
	704,508	281,265
Expenses		
Gross claims and benefits	258,854	276,808
Claims and benefits recovered from reinsurers	(7,659)	417
Net claims and benefits	251,195	277,225
Change in investment contracts provision	79	360
Commissions	45,284	47,589
Operating	44,962	40,384
Interest expense	3,964	2,235
Premium taxes	4,243	3,521
	349,727	371,314
Income (loss) before income taxes	354,781	(90,049)
Income tax expense (recovery)	54,608	(2,181)
Net income (loss)	300,173	(87,868)
Less: Participating policyholders' loss	(1,435)	(949)
Non-controlling interests in net income (loss)	37,512	(25,546)
	36,077	(26,495)
E-L Financial shareholders' net income (loss)	\$ 264,096	\$ (61,373)
Earnings (loss) per share attributable to E-L Financial common shareholders		
Basic	\$ 66.26	\$ (16.62)
Diluted	\$ 60.41	\$ (16.62)

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

E-L Financial Corporation Limited and subsidiary companies
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
UNAUDITED
(in thousands of Canadian dollars)

	Three months ended	
	March 31	
	2017	2016
Net income (loss)	\$ 300,173	\$ (87,868)
Other comprehensive income (“OCI”) (loss) (“OCL”), net of taxes (Note 9)		
Items that may be reclassified subsequently to net income:		
Net unrealized fair value change on available for sale investments (“AFS”)	(24,541)	(11,567)
Share of OCL of associates	(1,927)	(5,097)
	(26,468)	(16,664)
Items that will not be reclassified to net income:		
Net remeasurement of defined benefit plans	(3,222)	(7,404)
Share of employee future benefits of associates	—	(1,796)
	(3,222)	(9,200)
Total OCL	(29,690)	(25,864)
Comprehensive income (loss)	270,483	(113,732)
Less: Participating policyholders’ comprehensive (loss) income	(1,755)	29
Non-controlling interests in comprehensive income (loss)	37,344	(26,431)
	35,589	(26,402)
E-L Financial shareholders’ comprehensive income (loss)	\$ 234,894	\$ (87,330)

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

E-L Financial Corporation Limited and subsidiary companies
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
UNAUDITED
(in thousands of Canadian dollars)

	E-L Financial shareholders' equity				NCI	PAR	Total equity
	Capital stock	Retained earnings	AOCI	Total			
At January 1, 2017	\$ 372,388	\$4,538,540	\$ 43,271	\$4,954,199	\$ 912,131	\$ 51,127	\$5,917,457
Net income (loss)	—	264,096	—	264,096	37,512	(1,435)	300,173
OCL	—	—	(29,202)	(29,202)	(168)	(320)	(29,690)
Comprehensive income (loss)	—	264,096	(29,202)	234,894	37,344	(1,755)	270,483
Dividends	—	(8,912)	—	(8,912)	(7,173)	—	(16,085)
At March 31, 2017	\$ 372,388	\$4,793,724	\$ 14,069	\$5,180,181	\$ 942,302	\$ 49,372	\$6,171,855

	E-L Financial shareholders' equity				NCI	PAR	Total equity
	Capital stock	Retained earnings	AOCI	Total			
At January 1, 2016	\$ 372,388	\$4,243,683	\$ 60,453	\$4,676,524	\$ 766,367	\$ 52,837	\$5,495,728
Net loss	—	(61,373)	—	(61,373)	(25,546)	(949)	(87,868)
(OCL) OCI	—	—	(25,957)	(25,957)	(885)	978	(25,864)
Comprehensive (loss) income	—	(61,373)	(25,957)	(87,330)	(26,431)	29	(113,732)
Dividends	—	(8,912)	—	(8,912)	(2,713)	—	(11,625)
Subsidiary preferred share issuance	—	(3,696)	—	(3,696)	149,500	—	145,804
Acquisition of subsidiary shares	—	—	—	—	(1,534)	—	(1,534)
At March 31, 2016	\$ 372,388	\$4,169,702	\$ 34,496	\$4,576,586	\$ 885,189	\$ 52,866	\$5,514,641

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

E-L Financial Corporation Limited and subsidiary companies
CONSOLIDATED STATEMENTS OF CASH FLOWS
UNAUDITED
(in thousands of Canadian dollars)

	Three months ended March 31	
	2017	2016
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net income (loss)	\$ 300,173	\$ (87,868)
Items not affecting cash resources:		
Change in insurance and investment contract liabilities	92,851	115,815
Realized gain on available for sale of investments	(37,629)	(14,127)
Fair value change in fair value through profit or loss investments	(313,647)	97,323
Deferred taxes	8,221	(28,508)
Share of income of associates, net of dividends received	2,465	8,666
Amortization related to investments	(18,232)	(18,943)
Other items	36,147	17,303
	70,349	89,661
Net change in other assets and liabilities	25,298	(4,188)
	95,647	85,473
Financing		
Cash dividends to shareholders	(8,912)	(4,390)
Cash dividends by subsidiaries to non-controlling interests	(7,173)	(1,277)
Issue of preferred shares by Empire Life, net of costs	—	145,804
	(16,085)	140,137
Investing		
Purchases of investments	(1,684,291)	(851,133)
Proceeds from sale or maturity of investments	1,605,962	705,567
Net sale (purchases) of short-term investments	8,278	(102,487)
Net purchases of other assets	(3,777)	(435)
	(73,828)	(248,488)
Increase (decrease) in cash and cash equivalents	5,734	(22,878)
Cash and cash equivalents, beginning of the period	419,906	306,546
Cash and cash equivalents, end of the period	\$ 425,640	\$ 283,668
Fair value hierarchy for cash and cash equivalents:		
Level 1	\$ 35,184	\$ 72,789
Level 2	390,456	210,879
	\$ 425,640	\$ 283,668

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

1. Business operations

E-L Financial Corporation Limited (the “Company”) is an investment and insurance holding company, publicly traded on the Toronto Stock Exchange and incorporated under the laws of Ontario.

The head office, principal address and registered office of the Company is located at 165 University Avenue, Toronto, Ontario, M5H 3B8.

The consolidated financial statements were approved by the Company’s Board of Directors on May 10, 2017.

2. Significant accounting policies

(a) Basis of preparation

These unaudited interim condensed consolidated financial statements are prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”) and follow the same accounting policies and methods as the most recent annual financial statements. These unaudited interim condensed consolidated financial statements do not include all of the disclosures required under International Financial Reporting Standards (“IFRS”) for annual financial statements and should be read in conjunction with the notes to the Company’s audited consolidated financial statements for the year ended December 31, 2016.

(b) Accounting changes

New accounting pronouncements adopted in 2017

Amendments to IAS 12 Income Taxes (“IAS 12”)

In January 2016, the IASB issued amendments to clarify the requirements for recognizing deferred tax assets on unrealized losses. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset’s tax base. They also clarify certain other aspects of accounting for deferred tax assets. Adoption of the amendment on January 1, 2017 did not have a significant impact on the consolidated financial statements.

Amendments to IAS 7 Statement of cash flows (“IAS 7”)

In January 2016, the IASB issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB’s Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. Adoption of the amendment on January 1, 2017 did not have a significant impact on the consolidated financial statements.

IFRS Annual Improvements 2014-2016

In December 2016, the IASB issued a limited number of amendments to clarify the requirements of three IFRS standards. The improvements on IFRS 12, Disclosure of interests in other entities is effective for the years beginning on or after January 1, 2017. Adoption of this improvement on January 1, 2017 in accordance with the transition provisions did not have a significant impact on the consolidated financial statements.

New accounting pronouncements issued but not yet effective

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB published IFRS 15 which introduces a single model for recognizing revenue from contracts with customers. IFRS 15 excludes insurance contracts from its scope and is primarily applicable to the Company’s non-insurance revenue. In April 2016, IASB issued amendments to IFRS 15 clarifying the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment, and to provide additional practical expedients on transition. The standard and the amendments are effective for annual periods beginning on or after January 1, 2018, with retrospective application. The Company is evaluating the impact of IFRS 15 on its consolidated financial statements.

IFRS 9 Financial Instruments

In July 2014, the IASB published the complete version of IFRS 9 which is effective for annual periods beginning on or after January 1, 2018, with retrospective application. The new standard includes requirements on the classification and measurement of financial assets and liabilities, an expected credit loss model that replaces the existing incurred loss impairment model and new hedge accounting guidance. The Company is currently evaluating the impact of IFRS 9 on its Consolidated Financial Statements as well as the implementation options for insurers set out in the September 2016 amendment to IFRS 4 Insurance Contracts which allows eligible insurers to defer the adoption of IFRS 9 until the new insurance contracts standard is adopted, or 2021 at the latest.

IFRS 16 Leases

In January 2016, the IASB published IFRS 16 which is effective January 1, 2019. The new standard requires the capitalization of all leases by recognizing the present value of the lease payments and showing them as lease assets, and recognizing a financial liability representing an obligation to make future lease payments. The Company is evaluating the impact of IFRS 16 on its consolidated financial statements.

3. Investments – corporate

Invested assets

Investments – corporate includes the investments held at the corporate level of E-L Financial and the investment holdings of its subsidiary, United Corporations Limited ("United").

The following table provides a comparison of carrying values by class of asset:

Carrying value	As at March 31, 2017			As at December 31, 2016		
	Fair value through profit or loss	Available for sale	Total carrying value	Fair value through profit or loss	Available for sale	Total carrying value
Short-term investments						
Canadian federal government	\$ —	\$ —	\$ —	\$ 41,693	\$ —	\$ 41,693
Canadian corporate	1,500	—	1,500	23,865	—	23,865
Total short-term investments	1,500	—	1,500	65,558	—	65,558
Preferred shares - Canadian	1,058	—	1,058	1,058	—	1,058
Common shares and units						
Canadian	724,887	—	724,887	684,820	—	684,820
U.S.	2,042,643	—	2,042,643	2,063,530	28,422	2,091,952
Europe	999,558	—	999,558	880,620	48,358	928,978
Other	782,049	—	782,049	562,900	6,330	569,230
Total common shares and units	4,549,137	—	4,549,137	4,191,870	83,110	4,274,980
Total	\$ 4,551,695	\$ —	\$ 4,551,695	\$ 4,258,486	\$ 83,110	\$ 4,341,596

The Company's investment in common shares and units includes shares of public and private companies and units in pooled funds.

Investments – measured at fair value

The table below provides a comparison of the fair values by class of asset:

Fair value		As at March 31, 2017			
Asset category	Quoted Prices (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value	
Short-term investments					
Canadian corporate	\$ —	\$ 1,500	\$ —	\$ 1,500	
Preferred shares - Canadian	—	—	1,058	1,058	
Common shares and units					
Canadian	23,463	90,865	610,559	724,887	
U.S.	1,801,694	104,738	136,211	2,042,643	
Europe	877,762	49,196	72,600	999,558	
Other	500,249	253,156	28,644	782,049	
Total common shares and units	3,203,168	497,955	848,014	4,549,137	
Total	\$ 3,203,168	\$ 499,455	\$ 849,072	\$ 4,551,695	

Fair value		As at December 31, 2016			
Asset category	Quoted Prices (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value	
Short-term investments					
Canadian federal government	\$ —	\$ 41,693	\$ —	\$ 41,693	
Canadian corporate	—	23,865	—	23,865	
Total short-term investments	—	65,558	—	65,558	
Preferred shares - Canadian	—	—	1,058	1,058	
Common shares and units					
Canadian	18,400	91,154	575,266	684,820	
U.S.	1,859,111	96,755	136,086	2,091,952	
Europe	817,388	46,622	64,968	928,978	
Other	309,030	232,995	27,205	569,230	
Total common shares and units	3,003,929	467,526	803,525	4,274,980	
Total	\$ 3,003,929	\$ 533,084	\$ 804,583	\$ 4,341,596	

The classification of a financial instrument into a level is based on the lowest level of input that is significant to the determination of the fair value. Transfers between fair value hierarchy levels are considered effective from the beginning of the reporting period in which the transfer is identified. There were no transfers of financial instruments between Level 1, Level 2 or Level 3 for the period ended March 31, 2017 or during the year ended December 31, 2016. Included in Level 2 are the Company's investments in pooled funds of \$497,955 (December 31, 2016 - \$467,526).

Included in Level 3 are investments in common and preferred shares in private companies. The fair value change in FVTPL investments for Level 3 investments for year ended March 31, 2017 was a fair value gain of \$44,489 (March 31, 2016 - \$14,870). There were no purchases, sales, issues or settlements of Level 3 investments for the period ended March 31, 2017 or during the year ended December 31, 2016.

Impairment

Based on the impairment review as at March 31, 2017, a year to date impairment loss on AFS investments of \$nil before tax (March 31, 2016 - \$540) has been recorded in net income.

For analysis of the Company's risks arising from financial instruments, refer to Note 9 – Risk management.

4. Investments – insurance

Empire Life Insurance Company (“Empire Life”) invested assets

The following table provides a comparison of carrying values by class of asset:

Carrying Value Asset category	March 31, 2017			December 31, 2016		
	Fair value through profit or loss	Available for sale	Total carrying value	Fair value through profit or loss	Available for sale	Total carrying value
Short-term investments						
Canadian federal government	\$ 43,943	\$ 79,606	\$ 123,549	\$ 4,983	\$ 69,883	\$ 74,866
Canadian municipal governments	3,925	—	3,925	3,963	—	3,963
Corporate	31,180	—	31,180	24,045	—	24,045
Total short-term investments	79,048	79,606	158,654	32,991	69,883	102,874
Bonds						
Federal government	85,902	276,020	361,922	81,516	288,200	369,716
Provincial governments	2,649,413	357,235	3,006,648	2,614,635	310,369	2,925,004
Municipal governments	82,247	68,686	150,933	78,743	72,819	151,562
Total Canadian government bonds	2,817,562	701,941	3,519,503	2,774,894	671,388	3,446,282
Energy	51,191	54,473	105,664	50,679	43,649	94,328
Materials	10,610	—	10,610	10,716	—	10,716
Industrials	58,575	31,006	89,581	54,162	33,343	87,505
Consumer discretionary	23,254	38,794	62,048	17,037	27,028	44,065
Consumer staples	82,964	71,609	154,573	78,747	65,110	143,857
Health care	76,639	23,257	99,896	69,543	22,084	91,627
Financial services	540,440	381,047	921,487	504,027	343,255	847,282
Communications	63,330	45,535	108,865	45,101	28,148	73,249
Utilities	323,517	42,821	366,338	317,114	42,408	359,522
Real estate	6,420	—	6,420	6,726	—	6,726
Infrastructure	283,122	32,273	315,395	278,675	37,338	316,013
Total Canadian corporate bonds	1,520,062	720,815	2,240,877	1,432,527	642,363	2,074,890
Total bonds	4,337,624	1,422,756	5,760,380	4,207,421	1,313,751	5,521,172
Preferred shares - Canadian	331,448	10,975	342,423	274,871	10,313	285,184
Common shares						
Canadian						
Common	581,581	67,708	649,289	582,582	66,969	649,551
Real estate limited partnership units	84,254	—	84,254	75,594	—	75,594
U.S.	38,380	—	38,380	181,600	—	181,600
Other	17,690	—	17,690	22,866	—	22,866
Total common shares	721,905	67,708	789,613	862,642	66,969	929,611
Derivative assets	1,755	—	1,755	3,855	—	3,855
Loans and receivables:						
Mortgages	—	—	255,019	—	—	264,309
Loans on policies	—	—	49,026	—	—	47,969
Policy contract loans	—	—	80,168	—	—	80,944
Total	\$ 5,471,780	\$ 1,581,045	\$ 7,437,038	\$ 5,381,780	\$ 1,460,916	\$ 7,235,918

Empire Life investments – measured at fair value

The table below provides a comparison of the fair values by class of asset:

Fair value Asset category	As at March 31, 2017			As at December 31, 2016		
	Quoted Prices (Level 1)	Significant other observable inputs (Level 2)	Total fair value	Quoted Prices (Level 1)	Significant other observable inputs (Level 2)	Total fair value
Short-term investments	\$ —	\$ 158,654	\$ 158,654	\$ —	\$ 102,874	\$ 102,874
Bonds	—	5,760,380	5,760,380	—	5,521,172	5,521,172
Preferred shares	342,423	—	342,423	285,184	—	285,184
Common shares	705,359	84,254	789,613	854,017	75,594	929,611
Derivative assets	1,732	23	1,755	3,265	590	3,855
Loans and receivables:						
Mortgages	—	261,415	261,415	—	269,171	269,171
Loans on policies	—	49,026	49,026	—	47,969	47,969
Policy contract loans	—	80,168	80,168	—	80,944	80,944
Total	\$ 1,049,514	\$ 6,393,920	\$ 7,443,434	\$ 1,142,466	\$ 6,098,314	\$ 7,240,780

The fair value of mortgages has been calculated by discounting cash flows of each mortgage at a discount rate appropriate to its remaining term to maturity. The discount rates are determined based on regular competitive rate surveys.

The fair values of loans on policies and policy contract loans approximates their carrying values, due to the life insurance contracts that secure them.

The classification of a financial instrument into a level is based on the lowest level of input that is significant to the determination of the fair value. There were no transfers of financial instruments between Level 1, Level 2 or Level 3 for the period ended March 31, 2017 or during the year ended December 31, 2016.

Impairment

AFS investments

Based on the impairment review as at March 31, 2017, a year to date impairment loss on AFS investments of \$nil before tax (March 31, 2016 - \$754) has been recorded in net income. Impairment was assessed on these investments due to a number of factors, including the severity of the unrealized loss compared to the cost and the amount of time the investment had an unrealized loss.

Investment commitments

In the normal course of business, outstanding investment commitments are not reflected in the consolidated financial statements. In January 2016, Empire Life made a \$20,000 commitment to purchase additional units in a real estate limited partnership. Draws on this commitment are payable on demand up to and including July 31, 2018.

In February and March 2017, there were capital calls of \$1,094 and \$6,288 respectively in this real estate limited partnership. At March 31, 2017, there remained \$2,285 (December 31, 2016 - \$9,667) of outstanding capital calls to purchase units in a real estate limited partnership.

Empire Life derivative financial instruments

The values of derivative instruments are set out in the following table. The use of derivatives is measured in terms of notional principal amounts, which serve as the basis for calculating payments and are generally not actual amounts that are exchanged.

	March 31, 2017			December 31, 2016		
	Notional Principal	Fair Value Assets	Fair Value Liabilities	Notional Principal	Fair Value Assets	Fair Value Liabilities
Exchange-traded						
Equity index futures	\$ 120,906	\$ 687	\$ 62	\$ 128,708	\$ 1,471	\$ 213
Equity options	266,539	1,045	—	325,348	1,794	—
Over-the-counter						
Foreign currency forwards	28,610	23	196	28,247	590	25
Total	\$ 416,055	\$ 1,755	\$ 258	\$ 482,303	\$ 3,855	\$ 238

All contracts mature in less than one year.

For analysis of the risks arising from financial instruments, refer to Note 9 – Risk management.

5. Investments in associates

The Company has two investments in associates, all of which are held within the E-L Corporate segment.

Algoma Central Corporation (“Algoma”) is incorporated in Canada and is listed on the Toronto Stock Exchange under the symbol “ALC”. Algoma owns and operates the largest Canadian flag fleet of dry and liquid bulk carriers operating on the Great Lakes - St. Lawrence Waterway.

Economic Investment Trust Limited (“Economic”) is a closed-end investment corporation incorporated in Canada and is listed on the Toronto Stock Exchange under the symbol “EVT”. Economic is an investment vehicle for long-term growth through investments in common equities.

	Ownership	March 31, 2017		December 31, 2016	
		Carrying value	Fair value	Carrying value	Fair value
Algoma	36.3%	\$ 164,136	\$ 178,317	\$ 173,226	\$ 173,226
Economic	24.0%	140,820	144,928	136,418	142,905
Total		\$ 304,956	\$ 323,245	\$ 309,644	\$ 316,131

The following table details the movement during the period:

	3 months	12 months
	March 31, 2017	December 31, 2016
Balance, beginning of the period	\$ 309,644	\$ 328,389
Income recorded in the statements of income and comprehensive income:		
Share of income	736	19,687
Net impairment	—	(31,771)
	736	(12,084)
Share of other comprehensive loss	(2,222)	(747)
	(1,486)	(12,831)
Dividends received during the period	(3,202)	(5,914)
Balance, end of the period	\$ 304,956	\$ 309,644

The Company's associates are measured using the equity method. As at March 31, 2017, the fair value of the investments in associates was \$323,245 (December 31, 2016 - \$316,131). Fair value is based on the close price for each investment multiplied by the corresponding number of common shares held.

Impairment

The Company is required to test the values of its associates for impairment by comparing their carrying values to their recoverable amount which is the higher of their fair value less costs of disposal and their values in use. Economic and Algoma have historically traded at discounts to their net asset values. In performing its impairment assessments, the Company regards the fair value less costs of disposal as the most objective evidence of the net recoverable amounts of Economic and Algoma, since the Company cannot unilaterally control the timing of realization of any benefit related to the difference between the traded price and their net asset values.

Based on an impairment review of the investments in associates, there was no impairment at March 31, 2017 (March 31, 2016 - \$nil). Impairment was assessed on these investments due to a number of factors, including the severity of the unrealized loss compared to the cost and the amount of time the investment had an unrealized loss.

Financial information

Summarized below are the assets, liabilities, revenue, net income and comprehensive income of the Company's associates.

	Algoma		Economic	
	March 31 2017	December 31 2016	March 31 2017	December 31 2016
Cash and cash equivalents	\$ 54,474	\$ 130,039	\$ 9,490	\$ 12,941
Other current assets	114,952	126,966	891,593	833,983
Non-current assets	820,920	779,008	—	—
	990,346	1,036,013	901,083	846,924
Current liabilities	143,178	94,058	666	2,225
Non-current liabilities	234,567	300,405	76,198	68,299
	377,745	394,463	76,864	70,524
Net assets	\$ 612,601	\$ 641,550	\$ 824,219	\$ 776,400

	Algoma		Economic	
	March 31 2017	March 31 2016	March 31 2017	March 31 2016
Revenue	\$ 48,739	\$ 40,477	\$ 66,682	\$ (29,487)
Net (loss) income	\$ (19,105)	\$ (6,695)	\$ 57,028	\$ (26,475)
Other comprehensive loss	(7,120)	(22,775)	—	—
Total comprehensive (loss) income	\$ (26,225)	\$ (29,470)	\$ 57,028	\$ (26,475)

At March 31, 2017 Algoma has commitments of \$216,948 (December 31, 2016 - \$233,695) mainly relating to the purchase of new vessels.

The Company received the following dividends during the period from the associates:

	Algoma		Economic		Total	
	March 31 2017	March 31 2016	March 31 2017	March 31 2016	March 31 2017	March 31 2016
Three months ended						
Dividends received	\$ 991	\$ 991	\$ 2,211	\$ 1,348	\$ 3,202	\$ 2,339

6. Investment and other income

Investment and other income is comprised of the following:

	Three months ended March 31	
	2017	2016
Interest income on:		
Available for sale	\$ 11,733	\$ 10,408
Fair value through profit or loss investments	40,120	39,096
Loans and receivables	4,918	5,393
Fee income	61,276	54,763
Dividend income	30,736	30,104
Other	1,319	1,250
Total	\$ 150,102	\$ 141,014

	Three months ended March 31	
	2017	2016
Interest income received	\$ 36,233	\$ 22,929
Dividend income received	28,174	29,174
Total	\$ 64,407	\$ 52,103

7. Segregated funds

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

	March 31 2017	December 31 2016
Cash and cash equivalents	\$ 388,644	\$ 262,838
Short-term investments	137,903	142,710
Bonds	1,682,346	1,668,044
Common and preferred shares	6,069,610	5,990,431
Net other assets	19,821	54,212
	8,298,324	8,118,235
Less segregated funds held within general fund investments	(37,618)	(36,202)
Total	\$ 8,260,706	\$ 8,082,033

b) The following table presents the investments of the segregated funds measured on a recurring basis at fair value classified by the fair value hierarchy:

	March 31, 2017			December 31, 2016		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Cash and cash equivalents	\$ 138,957	\$ 249,687	\$ 388,644	\$ 60,370	\$ 202,468	\$ 262,838
Short-term investments	—	137,903	137,903	—	142,710	142,710
Bonds	—	1,682,346	1,682,346	—	1,668,044	1,668,044
Common and preferred shares	6,069,610	—	6,069,610	5,990,431	—	5,990,431
Total	\$ 6,208,567	\$ 2,069,936	\$ 8,278,503	\$ 6,050,801	\$ 2,013,222	\$ 8,064,023

There were no transfers between Level 1 and Level 2 and there were no Level 3 investments during the period ended March 31, 2017 or during the year ended December 31, 2016.

c) The following table presents the change in segregated funds:

	Three months ended March 31	
	2017	2016
Segregated funds - beginning of the period	\$ 8,082,033	\$ 7,367,823
Additions to segregated funds:		
Amount received from policyholders	400,171	407,263
Interest	14,028	9,578
Dividends	33,148	30,222
Other income	7,254	7,216
Net realized gains on sale of investments	124,010	5,749
Net unrealized increase in fair value of investments	33,392	—
	612,003	460,028
Deductions from segregated funds:		
Amounts withdrawn or transferred by policyholders	373,155	358,668
Net unrealized decrease in fair value of investments	—	16,460
Management fees and other operating costs	58,759	54,219
	431,914	429,347
Net change in segregated funds held within general fund investments	(1,416)	820
Segregated funds - end of the period	\$ 8,260,706	\$ 7,399,324

d) Empire Life's exposure to segregated fund guarantee risk

Segregated fund products issued by Empire Life contain death, maturity and withdrawal benefit guarantees. Changes in global equity markets impact Empire Life's estimated liability for those guarantees.

8. Other comprehensive loss

The following table summarizes the changes in the components of OCL, net of tax:

	Three months ended March 31	
	2017	2016
Items that may be reclassified subsequently to net income:		
Net unrealized fair value change on available for sale investments		
Unrealized fair value increase on AFS investments	\$ 8,346	\$ 375
Less: Realized gain on AFS investments reclassified to net income	(32,887)	(11,942)
	(24,541)	(11,567)
Share of OCL of associates	(1,927)	(5,097)
	(26,468)	(16,664)
Items that will not be reclassified to net income:		
Net remeasurement of defined benefit plans	(3,222)	(7,404)
Share of employee future benefits of associates	—	(1,796)
	(3,222)	(9,200)
OCL, net of tax	\$ (29,690)	\$ (25,864)

OCL is presented net of income taxes.

The following tax amounts are included in each component of OCL:

	Three months ended March 31	
	2017	2016
Items that may be reclassified subsequently to net income:		
Net unrealized fair value change on available for sale investments		
Unrealized fair value increase on AFS investments	\$ 3,425	\$ 1,473
Less: Realized gain on AFS investments reclassified to net income	(4,743)	(2,185)
	(1,318)	(712)
Share of OCL of associates	(295)	(778)
	(1,613)	(1,490)
Items that will not be reclassified to net income:		
Net remeasurement of defined benefit plans	(1,170)	(2,695)
Share of employee future benefits of associates	—	(274)
	(1,170)	(2,969)
Total income taxes recognized in OCL	\$ (2,783)	\$ (4,459)

9. Risk management

The objective of the Company's risk management process is to ensure that the operations of the Company encompassing risk are consistent with the Company's objectives and risk tolerance, while maintaining an appropriate risk/reward balance. The Company is exposed to financial risks arising from its investing activities. For investment risks, the Company is exposed to credit risk, liquidity risk and various market risks including interest rate risk, equity risk and foreign currency risk.

The disclosures in Notes 3, 4 and 5 provide the breakdown of investments by type and by geographic region based on the underlying risk. The fair values of these investments are inherently volatile and frequently change in value as a result of factors beyond the Company's control, including general economic and capital market conditions.

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

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes a financial loss to another party.

The gross credit risk exposure for the Company related to its financial instruments is as follows:

	March 31, 2017	December 31, 2016
Cash and cash equivalents	\$ 425,640	\$ 419,906
Short-term investments	160,154	168,432
Bonds	5,760,380	5,521,172
Preferred shares	343,481	286,242
Derivative assets	1,755	3,855
Mortgages	255,019	264,309
Reinsurance	93,951	95,473
Loans on policies	49,026	47,969
Policy contract loans	80,168	80,944
Accrued investment income	47,397	43,271
Premiums receivables	38,188	26,636
Total	\$ 7,255,159	\$ 6,958,209

Within the E-L Corporate segment, the Company has a securities lending agreement with its custodian. At March 31, 2017 the Company had loaned securities with a fair value of \$773,872 (December 31, 2016 - \$772,540) and received approximately \$812,877 (December 31, 2016 - \$812,104) in collateral.

Concentration of credit risk

The following table discloses the holdings of fixed income securities in the ten issuers, excluding the federal governments, to which the operating segments had the greatest exposure, as well as exposure to the largest single issuer of corporate bonds:

	E-L Corporate		Empire Life	
	March 31 2017	December 31 2016	March 31 2017	December 31 2016
Holdings of fixed income securities* in the 10 issuers (excluding federal governments) to which the operating segments had the greatest exposure	\$ 1,500	\$ 23,865	\$ 3,832,964	\$ 3,534,308
Percentage of the segment's total cash and investments	0.0%	0.5%	49.2%	46.5%
Exposure to the largest single issuer of corporate bonds	nil	nil	\$ 192,776	\$ 154,112
Percentage of the segment's total cash and investments	0.0%	0.0%	2.5%	2.0%

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

a) Investments in bonds and debentures

	March 31, 2017		December 31, 2016	
	Fair value	%	Fair value	%
Empire Life				
AAA	\$ 368,623	6%	\$ 380,423	7%
AA	609,442	11%	591,132	11%
A	3,880,829	67%	3,689,809	66%
BBB (and lower ratings)	901,486	16%	859,808	16%
Total	\$ 5,760,380	100%	\$ 5,521,172	100%

b) Preferred shares

Empire Life's preferred share investments are all issued by Canadian companies with 1% (December 31, 2016 – 1%) of these investments rated as P1 as at March 31, 2017 and the remaining 99% (December 31, 2016 – 99%) rated as P2.

c) Mortgages

Empire Life's mortgages in the province of Ontario represent the largest concentration with \$255,019 or 100% (December 31, 2016 – \$264,309 or 100%) of the total mortgage portfolio.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's liquidity risk management strategy is to ensure that there will be sufficient cash to meet all financial commitments and obligations as they become due.

E-L Corporate:

Composition of E-L Corporate's liquidity:

	March 31, 2017	December 31, 2016
Cash and cash equivalents	\$ 68,951	\$ 51,033
Short-term investments	1,500	65,558
Total	\$ 70,451	\$ 116,591

Empire Life:

The following table provides bonds by contractual maturity (using the earliest contractual maturity date):

	March 31, 2017		December 31, 2016	
	Fair value	%	Fair value	%
1 year or less	\$ 94,581	2%	\$ 59,872	1%
1 - 5 years	627,862	11%	586,444	11%
5 - 10 years	515,679	9%	637,529	12%
Over 10 years	4,522,258	78%	4,237,327	76%
Total	\$ 5,760,380	100%	\$ 5,521,172	100%

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is directly influenced by the volatility and liquidity in the markets in which the related financial instruments are traded, expectations of future price and yield movements and the composition of the Company's investment portfolio. For the Company, the most significant market risks are interest rate risk, equity risk and foreign currency risk.

a) Interest rate risk

Empire Life

The following tables summarize the estimated immediate financial impact on shareholder's net income and OCI of a result of an immediate change in interest rates:

March 31, 2017	50 bps increase	50 bps decrease	100 bps increase	100 bps decrease
Shareholders' net income	\$ 8,632	\$ (9,636)	\$ 16,378	\$ (20,412)
Shareholders' OCI	\$ (35,750)	\$ 41,958	\$ (65,292)	\$ 90,123
March 31, 2016	50 bps increase	50 bps decrease	100 bps increase	100 bps decrease
Shareholders' net income	\$ 9,095	\$ (10,212)	\$ 17,206	\$ (21,698)
Shareholders' OCI	\$ (29,816)	\$ 34,669	\$ (54,776)	\$ 74,193

b) Equity risk

E-L Corporate

The following table summarizes the potential impact on E-L Corporate of a change in global equity markets. E-L Corporate used a 10% increase or decrease in equity markets as such a change is considered to be a reasonably possible change in equity markets based on historic results and is a useful comparator as it is commonly used. E-L Corporate used a 20% increase or decrease in its equity market sensitivity to illustrate that changes in equity markets in excess of 10% may result in both linear and non-linear impacts, and a 20% change in equity markets is a commonly used additional sensitivity factor.

The calculations below assume that all other variables are held constant and that all of E-L Corporate's equities move according to a one-to-one correlation with the equity markets.

	March 31, 2017		March 31, 2016	
	Effect on shareholders' net income	Effect on shareholders' OCI	Effect on shareholders' net income	Effect on shareholders' OCI
Corporate Investments:				
Investments - corporate				
10% fluctuation	\$ 326,498	\$ —	\$ 275,574	\$ 8,204
20% fluctuation	\$ 652,996	\$ —	\$ 551,148	\$ 16,408
Investments in associates				
10% fluctuation	\$ 14,116	nil	\$ 14,841	nil
20% fluctuation	\$ 28,232	nil	\$ 29,682	nil

Empire Life

The following table summarizes the estimated potential impact on Empire Life of a change in global equity markets. Empire Life uses a 10% increase or decrease in equity markets as a reasonably possible change in equity markets. Empire Life has also disclosed the impact of a 20% increase or decrease in its equity market sensitivity. The amounts in the following table include the effect of Empire Life's general fund equity risk economic hedging program. For segregated fund guarantees the level of sensitivity is highly dependent on the level of the stock market at the time of performing the estimate. If period end equity markets are high relative to market levels at the time that segregated fund policies were issued, the sensitivity is reduced. If period end equity markets are low relative to market levels at the time that segregated fund policies were issued, the sensitivity is increased.

The amounts shown below represent the impact on shareholders' net income, including segregated fund guarantees.

	March 31, 2017		March 31, 2016	
	Effect on shareholders' net income	Effect on shareholders' OCI	Effect on shareholders' net income	Effect on shareholders' OCI
Empire Life ⁽¹⁾				
10% increase	\$ 13,850	\$ 2,368	\$ 11,650	\$ 2,148
10% decrease	\$ (12,340)	\$ (2,368)	\$ (4,977)	\$ (2,148)
20% increase	\$ 28,198	\$ 4,736	\$ 26,626	\$ 4,295
20% decrease	\$ (20,567)	\$ (4,736)	\$ (1,588)	\$ (4,295)

⁽¹⁾ Includes the estimated impact on fee income net of trailer commissions after tax for a three month period.

Concentration of common equity holdings

E-L Corporate's largest exposure to common equities relates to its investment in associates of \$304,956 (December 31, 2016 – \$309,644) which represents 6% (December 31, 2016 – 7%) of E-L Corporate's total assets.

The following table identifies the concentration of common equity holdings within investments - insurance:

Empire Life	March 31 2017	December 31 2016
Exposure to the ten largest common share holdings	\$ 334,773	\$ 330,213
As a percentage of the segment's total cash and investments	4%	5%
Exposure to the largest single issuer of common shares	\$ 84,254	\$ 75,594
As a percentage of the segment's total cash and investments	1%	1%

c) Foreign currency risk

Foreign currency risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in exchange rates and create an adverse effect on earnings and equity when measured in the Company's functional currency.

A 10% fluctuation in the U.S. dollar would have the following impact:

E-L Corporate: Approximately \$147,749 (March 31, 2016 – \$136,404) on shareholders' net income and \$3,607 (March 31, 2016 – \$5,611) on other comprehensive income.

Empire Life: Approximately \$nil (March 31, 2016 – \$131) on shareholders' net income and \$nil (March 31, 2016 – \$nil) on other comprehensive income.

10. Operating segments

In managing its investments, the Company distinguishes between E-L Corporate and its investment in Empire Life. The Company's E-L Corporate segment includes United, the Company's closed-end investment subsidiary, investments in associates and investments - corporate. Empire Life underwrites life and health insurance policies and provides segregated funds, mutual funds and annuity products.

The following is an analysis of significant items of profit and loss by operating segment, operating segment assets and operating segment liabilities, reconciled to the Company's consolidated financial statements. The accounting policies applied by the operating segments are the same as those for the Company as a whole.

Three months ended	E-L Corporate	Empire Life	Total
March 31, 2017			
Revenue	\$ 294,707	\$ 409,801	\$ 704,508
Shareholders' net income	\$ 214,344	\$ 49,752	\$ 264,096
March 31, 2016			
Revenue	\$ (134,721)	\$ 415,986	\$ 281,265
Shareholders' net loss	\$ (98,306)	\$ 36,933	\$ (61,373)
	E-L Corporate	Empire Life	Total
March 31, 2017			
Segment assets ⁽¹⁾	\$ 4,944,491	\$ 16,207,705	\$ 21,152,196
Segment liabilities	\$ 280,129	\$ 14,700,212	\$ 14,980,341
December 31, 2016			
Segment assets ⁽¹⁾	\$ 4,721,340	\$ 15,862,176	\$ 20,583,516
Segment liabilities	\$ 253,941	\$ 14,412,118	\$ 14,666,059

⁽¹⁾ Segment assets for E-L Corporate include investments in associates of \$304,956 (December 31, 2016 - \$309,644).

Glossary of Terms (Unaudited)

Accumulated Other Comprehensive Income (“AOCI”)

A separate component of shareholders’ and policyholders’ equity which includes net unrealized gains and losses on available for sale securities, unamortized gains and losses on cash flow hedges, unrealized foreign currency translation gains and losses and the Company’s share of AOCI from its associates. These items have been recognized in comprehensive income, but excluded from net income.

Active Market

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

Available For Sale (“AFS”) Financial Assets

Non-derivative financial assets that are designated as available for sale or that are not classified as loans and receivables, held to maturity investments, or held for trading.

Canadian Asset Liability Method (“CALM”)

The prescribed method for valuation of policy liabilities in Canada. CALM is a prospective basis of valuation that uses the full gross premium for the policy, the estimated expenses and obligations under the policy, current expected experience assumptions plus a margin for adverse deviations, and scenario testing to assess interest rate risk and market risks.

Canadian Institute of Actuaries (“CIA”)

As the national organization of the Canadian actuarial profession, the CIA means to serve the public through the provision by the profession of actuarial services and advice of the highest quality. The CIA ensures that the actuarial services provided by its members meet accepted professional standards; and assists actuaries in Canada in the discharge of their professional responsibilities.

Chartered Professional Accountants of Canada (“CPA Canada”)

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

Canadian Life and Health Insurance Association (“CLHIA”)

The CLHIA is an organization representing life insurance and health insurance providers in Canada. The industry develops guidelines, voluntarily and proactively, to respond to emerging issues and to ensure consumer interests are protected.

Earnings on Surplus

This source of earnings represents the pre-tax earnings on the shareholders’ capital and surplus funds.

Effective Interest Method

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

Expected Profit from In-Force Business

This source of earnings represents the profit Empire Life expects to generate on in-force business if experience is in line with the Empire Life’s best estimate assumptions for mortality, morbidity, persistency, investment returns, expenses and taxes.

Experience Gains and Losses

This source of earnings represents gains or losses due to the difference between actual experience and the best estimate assumptions.

Fair Value Through Profit or Loss (“FVTPL”)

Invested assets are classified as financial instruments at FVTPL if they are held for trading, or if they are designated by management under the fair value option.

Impact of New Business

Writing new business typically adds economic value to a life insurance company. At the point of sale, new business may have a positive or negative impact on earnings. A negative impact (new business strain) will result when the provision for adverse deviation included in the actuarial liabilities at the point of sale exceeds the expected profit margin in the product pricing. The impact of new business also includes any excess acquisition expenses not covered by product pricing at the point of issue.

International Financial Reporting Standards (“IFRS”)

Refers to the international accounting standards that were adopted in Canada, effective January 1, 2011; these are now Canadian Generally Accepted Accounting Principles.

Management Actions and Changes in Assumptions

This source of earnings component includes earnings generated by management actions during the year (e.g. acquisition or sale of a block of business, changes to product price, fees or asset mix, etc.) or the impact of changes in assumptions or methodology used for the calculation of actuarial liabilities for in-force business.

Minimum Continuing Capital and Surplus Requirements (“MCCSR”)

The ratio of the available regulatory capital of a life insurance company to its required regulatory capital, each as calculated under the Office of the Superintendent of Financial Institutions’ (“OSFI”) published guidelines.

Other Comprehensive Income (“OCI”)

Unrealized gains and losses, primarily on financial assets backing Capital and Surplus, are recorded as Other Comprehensive Income (“OCI”) or Other Comprehensive Loss (“OCL”). When these assets are sold or written down the resulting gain or loss is reclassified from OCI to net income. Remeasurements of post-employment benefit liabilities are also recorded as OCI or OCL. These remeasurements will not be reclassified to net income and will remain in AOCI.

Office of the Superintendent of Financial Institutions Canada (“OSFI”)

The primary regulator of federally chartered financial institutions and federally administered pension plans in Canada. OSFI’s mission is to safeguard policyholders, depositors and pension plan members from undue loss.

Participating Policies

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

Return on Common Shareholders’ Equity (“ROE”)

A profitability measure that presents the net income available to common shareholders as a percentage of the average capital deployed to earn the income.

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REPORTING PROCEDURE FOR ACCOUNTING AND AUDITING MATTERS

If you have a complaint regarding accounting, internal controls or auditing matters or a concern regarding questionable accounting or auditing matters, you should submit your written complaint or concern to:

Mr. James Billett
E-L Financial Corporation Limited
165 University Avenue, 10th Floor
Toronto, Ontario
M5H 3B8
Email: jfbillett@rogers.com
Phone: 416-284-6440

You may submit your complaint or concern anonymously. Your submission will be kept confidential and will be treated in accordance with The Company's policy for reporting accounting or auditing matters.