

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 third quarter of 2019 should be read in conjunction with the MD&A for the year ended December 31, 2018, 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 2018 and the previous quarters of 2019. 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. Figures in this MD&A may differ due to rounding. This MD&A is dated as of November 7, 2019.

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.

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

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 useful information 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 7. 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 9.

Other non-GAAP measures are also used in The Empire Life Insurance Company ("Empire" or "Empire Life") section of the MD&A. These include references to return on common shareholders' equity, source of earnings, assets under management, annualized premium sales, gross and net sales for mutual funds, segregated funds and fixed annuities. These provide investors with supplemental measures of its operating performance and to highlight trends in its core business that may not otherwise be apparent when relying solely on GAAP financial measures. Empire Life also believes that securities analysts, investors and other interested parties frequently use non-GAAP measures in the evaluation of issuers. Empire Life's management also uses non-GAAP measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and to determine components of management compensation.

Return on Empire Life's common shareholders' equity is a profitability measure that presents the net income available to common shareholders as a percentage of the average capital deployed to earn the income. Quarterly and year to date returns are calculated on an annualized basis.

Sources of earnings break down Empire Life earnings into several categories which are useful to assess the performance of the business. These categories include expected profit from in-force business, impact of new business, experience gains and losses, management actions and changes in assumptions, and earnings on surplus. The sources of earnings components are reconciled to Empire Life's net income on page 15 of this report.

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

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

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

<i>(in millions of dollars)</i>	September 30 2019	December 31 2018
General fund assets	\$ 9,567	\$ 8,447
Segregated fund assets	8,362	7,823
Total Empire Life assets	17,929	16,270
Mutual fund assets	141	145
Total assets under management	\$ 18,070	\$ 16,415

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 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 52.2% 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 which are a 37.0% 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 (99.4% 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 and interest 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

E-L Financial consolidated (millions of dollars)	Third quarter		Year to date	
	2019	2018	2019	2018
Contribution to net income				
E-L Corporate ⁽¹⁾	\$ 66	\$ 60	\$ 354	\$ 139
Empire Life ⁽²⁾	35	35	97	130
Net income	101	95	451	269
Other comprehensive income (loss) ⁽²⁾	5	(14)	56	(19)
Comprehensive income	\$ 106	\$ 81	\$ 507	\$ 250

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

E-L Corporate (millions of dollars)	Third quarter		Year to date	
	2019	2018	2019	2018
Revenue				
Net gain on investments ⁽³⁾	\$ 54	\$ 54	\$ 376	\$ 118
Investment and other income	37	33	118	108
Share of associates income	4	10	14	14
	95	97	508	240
Operating expenses	9	9	28	25
Income taxes	12	14	67	36
Non-controlling interests	8	14	59	40
	29	37	154	101
Net income	66	60	354	139
Other comprehensive income (loss), net of taxes ⁽¹⁾	1	—	(7)	2
Comprehensive income	\$ 67	\$ 60	\$ 347	\$ 141

Empire Life (millions of dollars)	Third quarter		Year to date	
	2019	2018	2019	2018
Revenue				
Net premiums	\$ 218	\$ 221	\$ 681	\$ 637
Net gain (loss) on investments ⁽³⁾	109	(166)	749	(213)
Investment income	84	75	241	226
Fee income	65	67	195	199
	476	197	1,866	849
Benefits and expenses	427	145	1,725	660
Income and other taxes	12	13	38	52
Non-controlling and participating policyholders' interests	2	4	6	7
	441	162	1,769	719
Net income	35	35	97	130
Other comprehensive income (loss), net of taxes ⁽²⁾	4	(14)	63	(21)
Comprehensive income	\$ 39	\$ 21	\$ 160	\$ 109

⁽¹⁾ Net of non-controlling interests

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

⁽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 \$101 million or \$24.61 per common share for the third quarter of 2019 compared to \$95 million or \$23.33 per common share in 2018. E-L Corporate reported net income of \$66 million in the third quarter of 2019 compared to \$60 million in 2018. The pre-tax total return on investments was 2% for the third quarters of 2019 and 2018. The Empire Life segment reported net income of \$35 million for the third quarters of 2019 and 2018.

Consolidated net income for the first nine months of 2019 was \$451 million or \$111.99 per common share compared with \$269 million or \$65.58 per common share in 2018. The increase in net income is primarily due to higher year to date net gains on investments within the E-L Corporate segment. E-L Corporate reported a net gain on investments of \$376 million for the first nine months of 2019 compared to \$118 million in 2018. E-L Corporate's global investment portfolio had a pre-tax total return of 10% for the nine months ended September 30, 2019 compared to a pre-tax total return of 5% in the prior year. The portfolio earned investment returns of 13% in Canada and the U.S., 10% in Europe and 5% in other geographic regions for the nine months ended September 30, 2019.

The Empire Life segment reported net income of \$97 million for the nine months ended September 30, 2019 compared to \$130 million in 2018. The decrease in year to date earnings was primarily a result of a decrease in bond yields, which contributed to an increase in insurance contract liabilities that more than offset the impact of fair value gains on fixed income investments in the Individual Insurance line. The Employee Benefits product line experienced lower earnings year to date, primarily driven by less favourable expense and claims experience relative to the third quarter of 2018.

Consolidated comprehensive income for the third quarter of 2019 was \$106 million or \$25.88 per common share compared to \$81 million or \$19.74 per common share in 2018. Other comprehensive income ("OCI") for the third quarter of 2019 was \$5 million compared to a loss of \$14 million in 2018. The increase in OCI is primarily due to unrealized fair value gains on Empire Life's available for sale ("AFS") investments, partly offset by a loss on the remeasurement of post-employment defined benefit plan liabilities. The gain and loss on each of these components was primarily due to a combination of decreases in interest rates and favourable equity markets movements for the third quarter of 2019.

Consolidated comprehensive income for the first nine months of 2019 was \$507 million or \$126.31 per common share compared to \$250 million or \$60.79 per common share in 2018. The increase is primarily due to the above mentioned items.

Net equity value per common share

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>(millions of dollars, except per share amounts)</i>	Q3 2019	Q4 2018	Q3 2018
E-L Financial shareholders' equity	\$ 6,005	\$ 5,523	\$ 5,777
Less: First preference shares	(300)	(300)	(300)
	5,705	5,223	5,477
Adjustments for investments in associates not carried at fair value:			
Carrying value	(323)	(335)	(342)
Fair value ⁽¹⁾	335	315	334
	12	(20)	(8)
Non-controlling interest and deferred tax	(3)	5	2
	9	(15)	(6)
Net equity value	\$ 5,714	\$ 5,208	\$ 5,471
Common Shares ⁽²⁾ outstanding at period end	4,019,667	4,019,667	4,019,667
Net equity value per common share^{(2) (3)}	\$ 1,421.57	\$ 1,295.65	\$ 1,361.06

⁽¹⁾ Based on quoted market prices

⁽²⁾ Common Shares includes Series A Convertible Preference Shares

⁽³⁾ See non-GAAP measures

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 fiscal periods. The growth in net equity value includes dividends paid to common shareholders.

Annual	Net equity value*	Growth*
	\$	%
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
2017	1,316.64	14.0
2018	1,295.65	(1.2)
Year to date		
September 30, 2019	1,421.57	10.0
Compounded annual growth in net equity value*		
2009 - 2018 - 10 years		9.7
1969 - 2018 - Since inception		12.4

* 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:

<i>(millions of dollars, except per share amounts)</i>	2019						2018	2017
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue								
Net gain (loss) on investments ⁽¹⁾	\$ 163	\$ 209	\$ 753	\$ (419)	\$ (112)	\$ 75	\$ (58)	\$ 527
Net premium income	218	225	238	237	221	205	211	210
Investment and other income	186	200	168	175	175	199	158	173
Associates ⁽²⁾	4	7	3	(5)	10	7	(3)	14
Total	\$ 571	\$ 641	\$ 1,162	\$ (12)	\$ 294	\$ 486	\$ 308	\$ 924
Net income (loss) ⁽³⁾	\$ 101	\$ 42	\$ 309	\$ (238)	\$ 96	\$ 108	\$ 66	\$ 257
Earnings per common share								
- basic	\$ 24.61	\$ 9.70	\$ 77.68	\$ (61.62)	\$ 23.33	\$ 26.56	\$ 15.69	\$ 64.47
- diluted	\$ 23.26	\$ 9.70	\$ 71.45	\$ (61.62)	\$ 22.08	\$ 24.12	\$ 15.15	\$ 58.80

⁽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. Investment income includes dividend income earned by the Company. In general, dividends earned on investments outside North America peak in the second and fourth quarters of the year.

Revenue for the third quarter of 2019 decreased from the prior quarter mainly due to the impact of lower net investment gains for Empire Life. The revenue for the third quarter of 2019 increased over the third quarter of 2018 primarily due to an increase in Empire Life's net investment gains. FVTPL investments experienced an increase in the quarter reflecting the significant decline in long-term interest rates throughout 2019 versus an increase in long-term interest rates for the same period in 2018. This change in revenue is more than offset by corresponding changes in the net change in insurance and investment contract liabilities in the expenses section of the results.

Net premiums for the third quarter of 2019 declined compared to the second quarter of 2019 due to lower fixed annuity sales. Net premiums for the third quarter of 2019 remained consistent with the third quarter of 2018.

Liquidity and cash flows

Consolidated cash flows

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

Nine months ended September 30 (millions of dollars)	E-L Financial (non- consolidated)	United	Empire Life	Consolidation adjustments	E-L Financial Consolidated	
					2019	2018
Cash flows from:						
Operating activities	\$ 114	\$ (10)	\$ 292	\$ (71)	\$ 325	\$ 283
Financing activities	(54)	(24)	(72)	67	(83)	(364)
Investing activities	(18)	15	(205)	4	(204)	(51)
Increase (decrease) in cash and cash equivalents	42	(19)	15	—	38	(132)
Cash and cash equivalents, beginning of the period	75	53	205	—	333	339
Cash and cash equivalents, end of the period	\$ 117	\$ 34	\$ 220	\$ —	\$ 371	\$ 207

The increase in cash provided from operating activities in 2019 relative to 2018, reflects the increase in cash earnings during 2019 compared to the prior period, along with changes in working capital levels.

The increase in cash used for investing activities and lower cash used for financing activities in 2019 was primarily driven by Empire Life, with lower sales of securities relative to 2018 when a portion of the investment portfolio was sold to fund the redemption of \$300 million of subordinated debentures in May 2018.

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).

Nine months ended September 30

<i>(millions of dollars)</i>	2019	2018
Cash flows from:		
Operating activities		
Dividends from subsidiaries	\$ 64	\$ 40
Dividends and interest	71	66
Expenses and taxes, net of other income	(21)	(41)
	114	65
Financing activities		
Cash dividends	(27)	(27)
Repayment of margin loan	(25)	(10)
Interest paid on borrowings	(1)	(2)
Purchases of subsidiary shares	(1)	(1)
	(54)	(40)
Investing activities		
Purchases of investments	(733)	(438)
Proceeds from sales of investments	701	393
Net sales of short-term investments	—	21
Dividends from associates	14	5
	(18)	(19)
Increase in cash and cash equivalents	42	6
Cash and cash equivalents, beginning of the period	75	25
Cash and cash equivalents, end of the period	\$ 117	\$ 31

As at September 30, 2019, the non-consolidated cash and cash equivalents of E-L Financial increased by \$86 million compared to September 30, 2018.

Operating cash flows for 2019 increased \$49 million over the prior year partly due to increases in dividends received from Empire Life and United and a reduction in income taxes paid in 2019. During the first quarter of 2017, for diversification reasons, E-L Financial re-allocated the assets managed from one of the global investment managers. This caused a higher investment portfolio turnover in 2017 compared to the 2019 and 2018 period, resulting in higher income taxes paid during 2018 compared to 2019.

During the third quarter of 2019, E-L Financial repositioned the assets managed by one of the global investment managers. This resulted in a higher investment portfolio turnover during the period. Dividends received from associates increased over the prior period mostly due to a special dividend paid by Algoma.

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

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, a limited partnership 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".

Investments - corporate

Investments - corporate includes investments in equities and short-term fixed-income investments. At September 30, 2019, investments - corporate had aggregate investments of \$5.0 billion, comprised primarily of common shares and units of investment funds, compared to aggregate investments at December 31, 2018 of \$4.6 billion. The fair value of investments - corporate is summarized in the table below:

<i>(millions of dollars)</i>	September 30 2019	December 31 2018
Preferred shares	\$ 1	\$ 3
Common shares and units		
Canada and U.S.	2,941	2,464
Europe and United Kingdom	1,097	1,078
Emerging Markets	424	469
Japan	462	463
Other	67	119
Total	4,991	4,593
Total invested assets	\$ 4,992	\$ 4,596

During the third quarter of 2019, E-L Financial repositioned the assets managed by one of the global investment managers, resulting in a reduced exposure to Emerging Markets and a higher allocation to the U.S.

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

<i>(millions of dollars)</i>	Third quarter		Year to date	
	2019	2018	2019	2018
Revenue				
Net gain on investments	\$ 54	\$ 54	\$ 376	\$ 118
Investment and other income	37	33	118	108
Share of associates income	4	10	14	14
	95	97	508	240
Operating expenses	9	9	28	25
Income taxes	12	14	67	36
Non-controlling interests	8	14	59	40
	29	37	154	101
Net income	66	60	354	139
Other comprehensive income (loss), net of taxes	1	—	(7)	2
Comprehensive income	\$ 67	\$ 60	\$ 347	\$ 141

E-L Corporate reported net income of \$66 million in the third quarter of 2019 compared to \$60 million in 2018. The increase in E-L Corporate's net income for the third quarter of 2019 compared to the prior year is mainly due to an increase in investment and other income, a decrease in non-controlling interests, partly

offset by lower earnings from Algoma and Economic. The pre-tax total return on investments was 2% for the third quarter of 2019 and 2018.

During the nine months ended September 30, 2019, E-L Corporate had a net gain on investments of \$376 million compared to \$118 million for the comparable period in 2018 resulting in a positive pre-tax total return on investments of 10% in 2019 compared to 5% in the prior year. For the nine months ended September 30, 2019 the portfolio earned investment returns of 13% in Canada and the U.S., 10% in Europe and 5% in other geographic regions, which includes investments in Japan and emerging markets.

Share of associates income

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

<i>(millions of dollars)</i>	Third quarter		Year to date	
	2019	2018	2019	2018
Algoma	\$ 7	\$ 7	\$ 7	\$ 10
Economic *	(3)	3	7	4
	\$ 4	\$ 10	\$ 14	\$ 14

* Year to date includes a \$8.7 million impairment loss (September 30, 2018 - \$nil).

Algoma's net income for the third quarter of 2019 remained consistent with the third quarter of 2018 and decreased compared to the nine months ended September 31, 2018. Overall revenue increased for both periods primarily a result of having additional vessels in operation and improved rates and strong customer demand in both the Product Tanker and Ocean Self-Unloader segments. In the Domestic Dry-Bulk segment, revenue decreased in both periods as a result of the smaller fleet size and vessel out of service time, although this was partially offset by higher freight rates and improved contract terms. The decrease in year to date net income for 2019 was primarily a result of higher interest expense, a foreign currency loss and lower earnings from joint ventures compared to 2018.

Economic owns, directly and indirectly, long-term investments in the common shares of some publicly-traded Canadian companies, and a managed global investment portfolio of common shares of publicly-traded global companies.

Economic's global investment portfolio had a quarterly pre-tax total return, gross of fees, of 3% in the third quarter of 2019 and 2018. On a year to date basis, Economic's global investment portfolio had a pre-tax return, gross of investment management fees, of 13% during 2019 compared to a 7% return in 2018.

<i>(millions of dollars)</i>	September 30, 2019			December 31, 2018		
	Ownership	Carrying value	Fair value	Ownership	Carrying value	Fair value
Algoma	37.0%	\$ 183	\$ 195	36.8%	\$ 199	\$ 179
Economic	24.0%	140	140	24.0%	136	136
Total		\$ 323	\$ 335		\$ 335	\$ 315

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 September 30, 2019, 48% (December 31, 2018 - 42%) of the investment - corporate including cash and cash equivalents was denominated in U.S. dollars, 11% (December 31, 2018 - 11%) in Euros and 9% (December 31, 2018 - 10%) in the Japanese Yen representing the largest foreign currency exposures. The Company also holds investments within emerging markets. Investments in emerging markets are more likely to experience political, economic and social instability, which may result in higher levels of market value volatility.

Credit risk

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 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 and interest 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 third quarter common shareholders’ net income of \$35 million for 2019, compared to \$35 million for third quarter 2018. Year to date common shareholder’s net income was \$98 million compared to \$131 million in 2018. The decrease in year to date earnings was primarily a result of unfavourable changes in bond yields, which contributed to an increase in insurance contract liabilities that more than offset the impact of fair value gains on fixed income investments in the Individual Insurance line. Lower earnings in the Employee Benefits product line was primarily driven by less favourable expense and claims experience relative to the third quarter of 2018.

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>	Third quarter		Year to date	
	2019	2018	2019	2018
Empire Life common shareholders’ net income	\$ 35	\$ 35	\$ 98	\$ 131
Non-controlling interests	—	—	1	1
Net income, contribution to E-L Financial	\$ 35	\$ 35	\$ 97	\$ 130

Empire Life return on common shareholders’ equity (quarterly annualized)	8.7%	9.4%	8.4%	11.9%
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The following table provides a breakdown of the sources of earnings for the third quarter:

Three months ended September 30 <i>(millions of dollars)</i>	Wealth Management		Employee Benefits		Individual Insurance		Capital and Surplus		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Expected profit on in-force business	\$ 27	\$ 29	\$ 6	\$ 6	\$ 13	\$ 5			\$ 46	\$ 41
Impact of new business	(3)	(1)	(6)	(1)	(4)	2			(13)	(1)
Experience gains (losses)	9	(1)	2	5	(12)	8			(1)	12
Management actions and changes in assumptions	—	—	—	—	(1)	(9)			(1)	(9)
Earnings on operations before income taxes	33	27	2	10	(5)	6	—	—	30	43
Earnings on surplus	—	—	—	—	—	—	18	7	18	7
Income before income tax	33	27	2	10	(5)	6	18	7	49	50
Income taxes	8	7	1	3	(2)	1	4	1	11	11
Empire Life’s shareholders’ net income (loss)	\$ 25	\$ 21	\$ 1	\$ 7	\$ (2)	\$ 5	\$ 14	\$ 5	\$ 38	\$ 39
Dividends on preferred shares ⁽¹⁾									(3)	(3)
Empire Life common shareholders’ net income									\$ 35	\$ 35

Nine months ended September 30 <i>(millions of dollars)</i>	Wealth Management		Employee Benefits		Individual Insurance		Capital and Surplus		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Expected profit on in-force business	\$ 85	\$ 89	\$ 19	\$ 17	\$ 39	\$ 37			\$ 143	\$ 143
Impact of new business	(9)	(5)	(15)	(5)	3	5			(21)	(5)
Experience gains (losses)	11	1	5	17	(27)	5			(11)	22
Management actions and changes in assumptions	—	—	—	—	(11)	2			(11)	2
Earnings on operations before income taxes	87	84	9	29	3	50	—	—	100	162
Earnings on surplus	—	—	—	—	—	—	38	22	38	22
Income before income tax	87	84	9	29	3	50	38	22	138	184
Income taxes	21	21	2	8	(2)	10	8	4	30	43
Empire Life's shareholders' net income	\$ 66	\$ 63	\$ 7	\$ 21	\$ 5	\$ 40	\$ 30	\$ 18	\$ 108	\$ 141
Dividends on preferred shares ⁽¹⁾									(10)	(10)
Empire Life common shareholders' net income									\$ 98	\$ 131

⁽¹⁾ 2019 includes \$4 million (2018 - \$4 million) preference share dividends to E-L Financial

The expected profit on in-force business for the third quarter increased by 12% and was stable on a year to date basis, driven primarily by reduced risk margin releases in the Individual Insurance product line.

The impact of new business was primarily driven by an increase in new business strain across all three product lines relative to 2018. The impact of new business on the Individual Insurance line is positive when the present value of future profits from the new business exceeds the sum of the margins in the initial policy liabilities for that business plus the expenses incurred at the point of sale.

Experience gains for the third quarter of 2019 and year to date declined from 2018 primarily due to unfavourable changes in bond yields which contributed to an increase in insurance contract liabilities that more than offset fair value gains on fixed income investments in the Individual Insurance line. In addition, there was less favourable claims experience in the Employee Benefits line.

Management actions and changes in assumptions were lower in the third quarter of 2019 relative to the same period in 2018 primarily due to an update of assumptions in the Individual Insurance line in 2018 which did not recur in 2019. On a year to date basis management actions and changes in assumptions were lower primarily due to changes in the fixed income portfolio as part of management's ongoing activities to improve the matching of assets and liabilities in the Individual Insurance line. Enhanced matching generates improved profitability when bond yields are higher, and reduced profitability when bond yields are relatively low.

Earnings on surplus increased for the third quarter of 2019 and year to date relative to 2018 primarily due to higher income from invested assets and lower interest expenses.

Results by Major Product Line

The following tables provide a summary of Empire Life results by major product line for the three months ended September 30 and year to date for 2019 and 2018. A discussion of results is provided in the Product Line section of the MD&A.

Three months ended September 30 <i>(millions of dollars)</i>	Wealth Management		Employee Benefits		Individual Insurance		Capital & Surplus		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenue										
Net premium	\$ 30	\$ 42	\$ 91	\$ 85	\$ 97	\$ 94	\$ —	\$ —	\$ 218	\$ 221
Fee income	62	65	3	3	—	—	—	—	65	67
Investment income	10	9	1	1	55	49	17	16	84	75
Net gains (losses) on investments ⁽¹⁾	1	(9)	—	(1)	103	(152)	5	(3)	108	(167)
	103	106	95	87	254	(9)	22	13	475	197
Expenses										
Benefits and expenses	70	79	93	76	259	(17)	4	6	426	144
Income and other taxes	8	7	1	4	(1)	3	4	1	13	15
	78	86	94	80	258	(15)	8	7	439	158
Net income (loss) after tax	\$ 25	\$ 21	\$ 1	\$ 7	\$ (4)	\$ 6	\$ 14	\$ 6	\$ 36	\$ 39
Participating policyholders' portion									(2)	—
Dividends on preferred shares									3	3
Empire Life's common shareholders' net income									35	35
Non-controlling interests in net income									—	—
Net income attributable to owners of E-L Financial									\$ 35	\$ 35

Nine months ended September 30 <i>(millions of dollars)</i>	Wealth Management		Employee Benefits		Individual Insurance		Capital & Surplus		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenue										
Net premium	\$ 124	\$ 102	\$ 267	\$ 254	\$ 290	\$ 280	\$ —	\$ —	\$ 681	\$ 637
Fee income	186	191	9	8	—	—	—	—	195	199
Investment income	30	29	3	3	158	146	50	48	241	226
Net gains (losses) on investments ⁽¹⁾	24	(16)	5	(2)	718	(188)	1	(8)	748	(214)
	365	306	285	263	1,166	238	51	41	1,866	849
Expenses										
Benefits and expenses	278	222	270	229	1,162	188	12	18	1,722	657
Income and other taxes	21	21	8	14	4	16	8	4	41	55
	299	243	278	242	1,166	204	20	23	1,763	712
Net income after tax	\$ 66	\$ 63	\$ 7	\$ 21	\$ —	\$ 35	\$ 31	\$ 19	\$ 103	\$ 137
Participating policyholders' portion									(5)	(4)
Dividends on preferred shares									10	10
Empire Life's common shareholders' net income									98	131
Non-controlling interests in net income									1	1
Net income attributable to owners of E-L Financial									\$ 97	\$ 130

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

Product Line Results - Wealth Management

Key Operating Results <i>(millions of dollars)</i>	Third quarter		Year to date	
	2019	2018	2019	2018
Fixed Annuities				
Assets under management	\$ 959	\$ 943	\$ 959	\$ 943
Gross sales	30	42	124	102
Net sales	1	13	13	9
Segregated Funds				
Assets under management	8,344	8,574	8,344	8,574
Gross sales	203	195	613	665
Net sales	(54)	(49)	(246)	(100)
Fee income	61	64	183	188
Mutual Funds				
Assets under management	141	168	141	168
Gross sales	2	5	6	14
Net sales	(8)	(4)	(21)	(19)
Fee income	1	1	2	2
Net Premiums	\$ 30	\$ 42	\$ 124	\$ 102
Benefits and Expenses	70	79	277	222
Net income after tax	\$ 25	\$ 21	\$ 66	\$ 63

Fixed annuities assets under management increased by 2% during the last 12 months. Gross sales in the third quarter were 29% lower, and 22% higher on a year to date basis compared to 2018, reflecting a shift away from fixed income products in the quarter as a result of lower interest rates relative to stronger sales earlier in the year.

Segregated fund assets under management are lower relative to the same period in 2018, partially reflecting the equity market volatility over the last 12 months as segregated fund assets declined near the end of 2018 and have partially rebounded in 2019. For the third quarter of 2019, gross sales were 4% higher than the same period in 2018 and 8% lower on a year to date basis. On November 12, 2018, Empire Life launched a new No Load purchase option within the GIF and Class Plus 3.0 product lines, and added four global fund options to Class Plus 3.0. The No Load option gives clients full access to their investments without any surrender charges. On May 28, 2018, Empire Life introduced seven new global funds, a fee for service option and a preferred pricing program to provide clients with more global and lower cost investment options within the GIF product line of segregated funds.

Segregated fund fee income was slightly lower in the quarter on a year to date basis, reflecting the decrease in average assets under management in 2019 relative to the same period in 2018.

Mutual fund assets under management decreased during the last 12 months due to lower mutual fund sales. Empire Life continues to explore various strategic alternatives with respect to its mutual fund business.

Net income for this product line increased by \$4 million and \$3 million on a quarterly and year to date basis, driven primarily by improved investment returns on assets backing contract liabilities.

Product Line Results - Employee Benefits

Key Operating Results <i>(millions of dollars)</i>	Third quarter		Year to date	
	2019	2018	2019	2018
Annualized premium sales	\$ 31	\$ 10	\$ 83	\$ 47
Net premiums	91	85	267	254
Net income after tax	\$ 1	\$ 7	\$ 7	\$ 21

Annualized premium sales are 210% higher in the third quarter and 77% higher on a year to date basis compared to the prior year, primarily due to a large block transfer from a new strategic distribution partner. In addition, the Company continues to increase sales of its core products in the small to medium sized business market. Empire Life continues to enter into strategic partnerships to expand market share.

Net premiums for the third quarter and year to date of 2019 increased by 7% and 5%, respectively, relative to the same periods in 2018. Empire Life continues to focus on profitable sales in the employee benefits market where price competition continues for all major product lines.

Net income for the quarter and year to date decreased primarily due to less favourable claims experience across all benefit types compared to more favourable experience for health and long-term disability benefits for the corresponding period in 2018. Higher new business strain associated with acquiring the new strategic distribution partners noted above also contributed to lower net income in the period.

Product Line Results - Individual Insurance

Key Operating Results <i>(millions of dollars)</i>	Third quarter		Year to date	
	2019	2018	2019	2018
Shareholders'				
Annualized premium sales	\$ 5	\$ 6	\$ 16	\$ 18
Net premiums	67	69	205	209
Benefits and expenses	216	(32)	1,003	114
Net (loss) income after tax	(2)	5	5	40
Policyholders'				
Annualized premium sales	4	4	12	10
Net premiums	30	25	85	72
Benefits and expenses	43	15	160	73
Net loss after tax	(2)	—	(6)	(5)
Net (loss) income after tax	\$ (4)	\$ 6	\$ —	\$ 35

Shareholders' annualized premium sales declined slightly for the quarter and on a year to date basis compared to 2018, while policyholders' annualized premium sales were level for the third quarter and increased slightly on a year to date basis. Shareholders' total net premiums were also slightly lower in the quarter and on a year to date basis. Policyholders' net premiums increased in the third quarter of 2019 and year to date compared to the same periods in 2018, reflecting recent strength in policyholders' new premium sales. In November 2018, Empire Life introduced Guaranteed Life Protect, which offers customers guaranteed lifetime coverage with no health or lifestyle questions asked.

Shareholders' net income for this product line was a net loss of \$2 million for the third quarter of 2019 and \$5 million of net income on a year to date basis. Bond market yields continued their decline on a quarter and year to date basis. While the decline in yields increases the fair value gains on fixed income assets supporting insurance contract liabilities, these gains are more than offset by increases in the corresponding

insurance contract liabilities, primarily contributing to the decline in net income relative to the same quarter and year to date period last year.

Results - Capital and Surplus

Key Operating Results (millions of dollars)	Third quarter		Year to date	
	2019	2018	2019	2018
Income from investments	\$ 24	\$ 16	\$ 61	\$ 45
Losses on hedging instruments	(1)	(3)	(12)	(5)
Interest and other expenses	(4)	(6)	(12)	(18)
Earnings before income taxes	18	7	38	22
Income taxes	4	1	8	4
Net income after tax shareholders' portion	14	5	30	18
Net income after tax policyholders' portion	—	—	1	1
Net income after tax	\$ 14	\$ 6	\$ 31	\$ 19

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

Income from investments in the third quarter and year to date of 2019 was higher than the prior year primarily due to higher yields on invested assets. Losses on the hedging program (discussed in the Risk Management section) in the third quarter were generally in line with the same period in 2018. Higher losses experienced in the first quarter of 2019 accounted for the year to date variance compared with 2018. The decrease in interest expense was due to Empire Life's redemption of \$300 million of subordinated debentures in May 2018.

Sources of capital

Empire Life has issued private and public securities to strengthen its capital position and fund new business growth. Details of the Empire Life's outstanding subordinated debt and preferred shares are as follows:

(millions of dollars)	Date Issued	Earliest redemption date	Interest rate	Face amounts as at	
				September 30 2019	December 31 2018
Series 2016-1 ⁽¹⁾	Dec. 2016	December 16, 2021	3.383%	\$ 200	\$ 200
Series 2017-1 ⁽²⁾	Sept. 2017	March 15, 2023	3.664%	\$ 200	\$ 200

⁽¹⁾ Unsecured Debentures due 2026. From December 16, 2021, interest is payable at 1.95% over the 3-month Canadian Deposit Offering Rate ("CDOR").

⁽²⁾ Unsecured Debentures due 2028. From March 15, 2023, interest is payable at 1.53% over CDOR.

(millions of dollars)	Date Issued	Earliest redemption date	Yield	Principal amounts as at	
				September 30 2019	December 31 2018
Preferred shares	January 2016	April 17, 2021	5.75%	\$ 150	\$ 150
Preferred shares	November 2017	January 17, 2023	4.90%	\$ 100	\$ 100

Empire Life's debentures and preferred shares are rated by DBRS Limited ("DBRS") and A.M. Best Company, Inc. ("A.M. Best").

Empire Life's DBRS issuer rating is "A" (sixth highest of 20 categories), its subordinated debt rating is "A (low)" (seventh highest of 20 categories), its financial strength rating is "A" (sixth highest of 22 categories) and its Preferred Share rating is Pfd-2 (fifth highest of 18 categories). All ratings have a stable trend. According to DBRS, the assigned ratings reflect Empire Life's position as a consistently performing life insurer with a proven track record of generating stable earnings while maintaining a conservative risk profile.

A.M. Best ratings of Empire Life are “A Excellent” financial strength rating (third highest of 16 categories), “a” long-term issuer credit rating (sixth highest of 21 categories), “bbb+” Subordinated Debt rating (eighth highest of 21 categories), and “bbb” Preferred Share rating (ninth highest of 21 categories). All ratings have a stable trend. According to A.M. Best, the ratings reflect Empire Life's balance sheet strength, which A.M. Best categorizes as very strong, as well as its strong operating performance, neutral business profile and appropriate enterprise risk management.

Regulatory Capital

The Life Insurance Capital Adequacy Test (“LICAT”) is intended to improve the measurement of the life insurer's solvency position by recognizing the long-term economics of the life insurance business. Empire Life had a strong capital position under MCCR and continues to have a strong capital position under the LICAT framework. Empire Life is required to maintain a minimum Core Ratio of 55% and a Total Ratio of 90%. OSFI has established supervisory target levels of 70% for Core and 100% for Total capital.

As of September 30, 2019, the Total Ratio and Core Ratio remained relatively unchanged from December 31, 2018.

LICAT (millions of dollars)	September 30 2019	June 30 2019	March 31 2019	December 31 2018	September 30 2018
Available capital					
Tier 1	\$ 1,562	\$ 1,549	\$ 1,507	\$ 1,476	\$ 1,526
Tier 2	681	674	692	653	608
Total	\$ 2,243	\$ 2,223	\$ 2,200	\$ 2,129	\$ 2,134
Surplus allowance and eligible deposits	\$ 944	\$ 937	\$ 921	\$ 887	\$ 1,001
Base solvency buffer	\$ 2,133	\$ 2,115	\$ 2,083	\$ 2,029	\$ 1,908
LICAT Total Ratio	149%	149%	150%	149%	164%
LICAT Core Ratio	104%	104%	103%	103%	117%

Risk Management

Caution Related to Sensitivities

In the sections that follow, Empire Life 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 Empire Life'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 Empire Life's future net income, OCI, and capital sensitivities. Given the nature of these calculations, Empire Life cannot provide assurance that actual impact will be consistent with the estimates provided. Changes in risk variables in excess of the ranges illustrated may result in other than proportionate impacts.

Market Risk

Empire Life has equity market risk related to its segregated fund products and from equity assets backing life insurance liabilities. The Company has a semi-static hedging program. The hedging program may employ

derivative positions including put options and futures. The extent of derivatives 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 LICAT purposes but does not have policy liabilities on the statement of financial position related to segregated fund guarantees. Therefore, a by-product of hedging LICAT exposure is net income volatility, as the gains or losses from hedging instruments are not necessarily offset by changes in policy liabilities related to segregated fund guarantee risk. The equity risk hedging program provides some relief in adverse scenarios, but may incur losses in positive scenarios. During the third quarter and year to date, Empire Life experienced a hedge cost of \$1 million and \$8 million after tax on its hedging program primarily due to rising Canadian equity markets. This compares to a hedge cost of \$2 million and \$4 million for the comparable periods in 2018.

Empire Life's LICAT ratio is also sensitive to stock market volatility, due primarily to liability and capital requirements related to segregated fund guarantees. As of September 30, 2019, Empire Life had \$8.4 billion of segregated fund assets and liabilities. Of this amount, approximately \$8.1 billion have guarantees. The following table provides a percentage breakdown by type of guarantee:

	September 30 2019	December 31 2018
Percentage of segregated fund liabilities with:		
75% maturity guarantee and a 75% death benefit guarantee	4%	3%
75% maturity guarantee and a 100% death benefit guarantee	46%	47%
100% maturity and death benefit guarantee (with a minimum of 15 years between deposit and maturity date)	7%	7%
Guaranteed minimum withdrawal benefit ("GMWB")	43%	43%

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 ignore all the deposits in the customer's policy where the fund value is above the guaranteed amount. Therefore, policy-based guarantees generally 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 are issued, the sensitivity is reduced. If period-end stock markets are low relative to market levels at the time that segregated fund policies are issued, the sensitivity is increased.

The segregated fund regulatory capital and liability framework includes the use of "zero floors" (i.e., negative liability 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. The liabilities are the greater of: (i) the average of the amounts determined by averaging the results from adverse economic scenarios; and (ii) zero.

Empire Life also has equity market risk related to its equity assets backing life insurance liabilities. Based on stock market levels as at September 30, 2019 and December 31, 2018, the sensitivity of Empire Life shareholders' net income and LICAT ratio resulting from stock market increases and decreases is provided in the following table.

Sensitivity to equity risk Impact on net income (<i>millions of dollars after tax</i>)	Increase		Decrease		
	20%	10%	10%	20%	30%
As at September 30, 2019					
Segregated Fund Guarantees	\$ 1	\$ 1	\$ (10)	\$ (96)	\$ (235)
Other Equity Risk	32	15	(12)	(19)	(64)
Equity Hedge	(2)	(2)	5	16	37
Total	\$ 31	\$ 14	\$ (17)	\$ (100)	\$ (262)

As at December 31, 2018

Segregated Fund Guarantees	\$ 3	\$ 3	\$ (11)	\$ (129)	\$ (269)
Other Equity Risk	38	18	(15)	(46)	(118)
Equity Hedge	(6)	(4)	9	26	50
Total	\$ 35	\$ 16	\$ (16)	\$ (150)	\$ (337)

Sensitivity to equity risk Impact on LICAT	Increase		Decrease		
	20%	10%	10%	20%	30%
As at September 30, 2019					
Segregated Fund Guarantees	2%	—%	(7)%	(14)%	(20)%
Other Equity Risk	(1)%	—%	—%	—%	(1)%
Equity Hedge	(1)%	(1)%	1%	3%	4%
Total	—%	(1)%	(6)%	(11)%	(17)%

As at December 31, 2018

Segregated Fund Guarantees	3%	—%	(10)%	(16)%	(22)%
Other Equity Risk	—%	(1)%	—%	—%	(2)%
Equity Hedge	(2)%	(1)%	1%	2%	3%
Total	1%	(1)%	(9)%	(14)%	(21)%

Empire Life's equity market sensitivity for segregated fund guarantees in a 20% and 30% stock market decline decreased primarily as a result of improved equity markets during the first three quarters of 2019. The segregated fund guarantee liability became positive at December 31, 2018 after an equity market decline in the fourth quarter. This increased net income sensitivity as any changes to the liability when it is above the zero floor will flow through net income.

In 2019, the Company updated the methodology for calculating equity risk sensitivities. The new method refines the assumptions used in calculating the baseline LICAT equity requirements as at the reporting date. In the table above, figures presented for the impact of equity risk on LICAT as at December 31, 2018 are restated to conform with the updated methodology.

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

The amount at risk related to segregated fund maturity guarantees and segregated fund death benefit guarantees and the resulting policy liabilities and LICAT base solvency buffer for Empire Life's segregated funds is provided in the following table:

Segregated Funds <i>(millions of dollars)</i>	Withdrawal Benefit > Fund Value		Maturity Guarantee > Fund Value		Death Benefit > Fund Value		Policy Liabilities	LICAT Capital
	Fund Value	Amount at Risk	Fund Value	Amount at Risk	Fund Value	Amount at Risk		
September 30, 2019	\$ 2,645	\$ 813	\$ 103	\$ 3	\$ 1,444	\$ 18	\$ 1	\$ 457
December 31, 2018	\$ 2,689	\$ 1,057	\$ 301	\$ 24	\$ 3,789	\$ 165	\$ 4	\$ 433

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 September 30, 2019, the aggregate amount at risk for all three categories of risk was \$834 million. At December 31, 2018, the aggregate amount at risk for these three categories of risk was \$1,246 million. 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 policy 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.

In addition, Empire Life considers the sensitivity of its LICAT ratio 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 September 30, 2019 and December 31, 2018, is shown in the table below. This assumes no change in the ultimate reinvestment rate ("URR"). The AFS bonds provide a natural economic offset to the interest rate risk attributable to Empire Life's product liabilities.

Sensitivity to market interest rates LICAT:	Impact of 50 bps decrease
September 30, 2019 LICAT total ratio	(3)%
December 31, 2018 LICAT total ratio	(5)%