

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 second 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 quarter 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 August 8, 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 14 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>	June 30 2019	December 31 2018
General fund assets	\$ 9,336	\$ 8,447
Segregated fund assets	8,341	7,823
Total Empire Life assets	17,677	16,270
Mutual fund assets	147	145
Total assets under management	\$ 17,824	\$ 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 36.8% 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)	Second quarter		Year to date	
	2019	2018	2019	2018
Contribution to net income				
E-L Corporate ⁽¹⁾	\$ 22	\$ 51	\$ 288	\$ 78
Empire Life ⁽²⁾	20	57	63	96
Net income	42	108	351	174
Other comprehensive income (loss) ⁽²⁾	12	5	51	(5)
Comprehensive income	\$ 54	\$ 113	\$ 402	\$ 169

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

E-L Corporate (millions of dollars)	Second quarter		Year to date	
	2019	2018	2019	2018
Revenue				
Net (loss) gain on investments ⁽³⁾	\$ (19)	\$ 42	\$ 322	\$ 64
Investment and other income	51	50	81	75
Share of associates income	7	7	9	5
	39	99	412	144
Operating expenses	9	9	18	18
Income taxes	7	17	55	22
Non-controlling interests	1	22	51	26
	17	48	124	66
Net income	22	51	288	78
Other comprehensive (loss) income, net of taxes ⁽¹⁾	(4)	2	(8)	2
Comprehensive income	\$ 18	\$ 53	\$ 280	\$ 80

Empire Life (millions of dollars)	Second quarter		Year to date	
	2019	2018	2019	2018
Revenue				
Net premiums	\$ 225	\$ 205	\$ 463	\$ 416
Net gain (loss) on investments ⁽³⁾	229	33	640	(47)
Investment income	83	83	158	151
Fee income	66	67	130	132
	603	388	1,391	652
Benefits and expenses	569	308	1,297	514
Income and other taxes	10	22	27	39
Non-controlling and participating policyholders' interests	4	1	4	3
	583	331	1,328	556
Net income	20	57	63	96
Other comprehensive income (loss), net of taxes ⁽²⁾	16	3	59	(7)
Comprehensive income	\$ 36	\$ 60	\$ 122	\$ 89

⁽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 \$42 million or \$9.70 per common share for the second quarter of 2019, compared to \$108 million, or \$26.56 per common share in 2018. The decrease in net income is primarily due to a net loss on investments within the E-L Corporate segment. E-L Corporate reported a net loss on investments of \$19 million in the second quarter of 2019 compared to a net gain of \$42 million in 2018. The pre-tax total return on investments for the second quarter of 2019 was 0% compared to 2% in the prior year. During the second quarter of 2019, foreign currency negatively impacted investment returns due to an appreciation of the Canadian dollar relative to most major currencies.

The Empire Life segment reported net income of \$20 million for the second quarter of 2019 compared to \$57 million in 2018. The net income for 2019 decreased primarily due to 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 product line. Lower earnings in the Wealth Management and Employee Benefits product lines were primarily driven by less favourable expense and claims experience relative to the second quarter of 2018.

Consolidated net income for the first six months of 2019 was \$351 million, or \$87.38 per common share compared with \$174 million, or \$42.26 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 \$322 million for the first six months of 2019 compared to \$64 million in 2018. E-L Corporate's global investment portfolio had a pre-tax total return of 8% for the six months ended June 30, 2019 compared to a pre-tax total return of 3% in the prior year. Investments in Canada, U.S. and Europe were the largest contributors to the 2019 investment performance with a positive pre-tax total return of approximately 11%.

The Empire Life segment reported net income of \$63 million for the six months ended June 30, 2019 compared to \$96 million in 2018. The net income for 2019 decreased primarily due to the above mentioned items.

Consolidated comprehensive income for the second quarter of 2019 was \$54 million, or \$12.86 per common share compared to \$113 million, or \$27.67 per common share in 2018. Other comprehensive income ("OCI") for the second quarter of 2019 was \$12 million compared to \$5 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 during the second quarter of 2019.

Consolidated comprehensive income for the first six months of 2019 was \$402 million, or \$100.43 per common share compared to \$169 million, or \$41.07 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>	Q2 2019	Q4 2018	Q2 2018
E-L Financial shareholders' equity	\$ 5,908	\$ 5,523	\$ 5,704
Less: First preference shares	(300)	(300)	(300)
	5,608	5,223	5,404
Adjustments for investments in associates not carried at fair value:			
Carrying value	(319)	(335)	(334)
Fair value ⁽¹⁾	331	315	362
	12	(20)	28
Non-controlling interest and deferred tax	(3)	5	(6)
	9	(15)	22
Net equity value	\$ 5,617	\$ 5,208	\$ 5,426
Common Shares ⁽²⁾ outstanding at period end	4,019,667	4,019,667	4,019,667
Net equity value per common share^{(2) (3)}	\$ 1,397.35	\$ 1,295.65	\$ 1,349.93

⁽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		
June 30, 2019	1,397.35	8.0
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	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue								
Net gain (loss) on investments ⁽¹⁾	\$ 209	\$ 753	\$ (419)	\$ (112)	\$ 75	\$ (58)	\$ 527	\$ (240)
Net premium income	225	238	237	221	205	211	210	217
Investment and other income	200	168	175	175	199	158	173	158
Associates ⁽²⁾	7	3	(5)	10	7	(3)	14	9
Total	\$ 641	\$ 1,162	\$ (12)	\$ 294	\$ 486	\$ 308	\$ 924	\$ 144
Net income (loss) ⁽³⁾	\$ 42	\$ 309	\$ (238)	\$ 96	\$ 108	\$ 66	\$ 257	\$ 49
Earnings per common share								
- basic	\$ 9.70	\$ 77.68	\$ (61.62)	\$ 23.33	\$ 26.56	\$ 15.69	\$ 64.47	\$ 11.60
- diluted	\$ 9.70	\$ 71.45	\$ (61.62)	\$ 22.08	\$ 24.12	\$ 15.15	\$ 58.80	\$ 11.31

⁽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 second quarter of 2019 decreased from the prior quarter mainly due to the impact of lower net investment gains for both E-L Corporate and Empire Life. The decrease in net investment gains in the second quarter of 2019 is due to lower equity returns and the movements in long-term interest rates. The revenue for the second quarter of 2019 increased over the second 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 second quarter of 2019 increased from the second quarter of 2018 primarily due to growth in fixed annuity premiums in the Wealth Management line. Net premiums for the second quarter of 2019 declined compared to the first quarter of 2019.

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:

Six months ended June 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	\$ 72	\$ (13)	\$ 175	\$ (50)	\$ 184	\$ 157
Financing activities	(20)	(20)	(48)	47	(41)	(346)
Investing activities	(33)	13	(140)	3	(157)	132
Increase (decrease) in cash and cash equivalents	19	(20)	(13)	—	(14)	(58)
Cash and cash equivalents, beginning of the period	75	53	205	—	333	339
Cash and cash equivalents, end of the period	\$ 94	\$ 33	\$ 192	\$ —	\$ 319	\$ 281

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).

Six months ended June 30

<i>(millions of dollars)</i>	2019	2018
Cash flows from:		
Operating activities		
Dividends from subsidiaries	\$ 45	\$ 29
Dividends and interest	43	45
Expenses and taxes, net of other income	(16)	(35)
	72	39
Financing activities		
Cash dividends	(18)	(18)
Margin loan	—	(10)
Interest paid on borrowings	(1)	(1)
Purchases of subsidiary shares	(1)	(1)
	(20)	(30)
Investing activities		
Purchases of investments	(263)	(277)
Proceeds from sales of investments	235	247
Net (purchases) sales of short-term investments	(17)	21
Dividends from associates	12	4
	(33)	(5)
Increase in cash and cash equivalents	19	4
Cash and cash equivalents, beginning of the period	75	25
Cash and cash equivalents, end of the period	\$ 94	\$ 29

For the six month period ended June 30, 2019, the non-consolidated cash flows of E-L Financial increased by \$65 million compared to 2018.

Operating cash flows for the second quarter of 2019 increased \$33 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.

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 June 30, 2019, investments - corporate had aggregate investments of \$4.9 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>	June 30 2019	December 31 2018
Short-term investments	\$ 17	\$ —
Preferred shares	2	3
Common shares and units		
Canada and U.S.	2,688	2,464
Europe and United Kingdom	1,149	1,078
Emerging Markets	477	469
Japan	478	463
Other	137	119
Total	4,929	4,593
Total invested assets	\$ 4,948	\$ 4,596

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

<i>(millions of dollars)</i>	Second quarter		Year to date	
	2019	2018	2019	2018
Revenue				
Net (loss) gain on investments	\$ (19)	\$ 42	\$ 322	\$ 64
Investment and other income	51	50	81	75
Share of associates income	7	7	9	5
	39	99	412	144
Operating expenses	9	9	18	18
Income taxes	7	17	55	22
Non-controlling interests	1	22	51	26
	17	48	124	66
Net income	22	51	288	78
Other comprehensive (loss) income, net of taxes	(4)	2	(8)	2
Comprehensive income	\$ 18	\$ 53	\$ 280	\$ 80

The decrease in E-L Corporate's net income for the second quarter of 2019 compared to the prior year is primarily due to a net loss on investments of \$19 million compared to a net gain of \$42 million for the same period in 2018. The pre-tax total return on investments for the second quarter of 2019 was 0% compared to 2% in the prior year. During the second quarter of 2019, foreign currency negatively impacted investment returns due to an appreciation of the Canadian dollar relative to most major currencies.

During the six months ended June 30, 2019, E-L Corporate had a net gain on investments of \$322 million compared to \$64 million for the comparable period in 2018 resulting in a positive pre-tax total return on investments of 8% in 2019 compared to 3% in the prior year. Investments in Canada, U.S. and Europe were the largest contributors to the 2019 year to date investment performance with a positive pre-tax total return of approximately 11%.

Share of associates income

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

<i>(millions of dollars)</i>	Second quarter		Year to date	
	2019	2018	2019	2018
Algoma	\$ 8	\$ 5	\$ —	\$ 3
Economic *	(1)	2	9	2
	\$ 7	\$ 7	\$ 9	\$ 5

* Year to date includes a \$1.0 million impairment loss (June 30, 2018 - \$nil).

Algoma's net income for the second quarter of 2019 increased over 2018, primarily driven by higher earnings in the Product Tankers and Ocean Self-Unloaders business segments. These segments benefited from the addition of vessels and sustained customer demand.

For the six months ended June 30, 2019, Algoma's net earnings declined compared to the prior period mostly due to a seasonal net loss in the Domestic Dry-Bulk segment and losses in the Global Short Sea Shipping business segments.

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 1% in the second quarter of 2019 versus a comparative return of 2% in the second quarter of 2018. On a year to date basis, Economic's global investment portfolio had a pre-tax return, gross of investment management fees, of 9% during 2019 compared to a 3% return in 2018.

<i>(millions of dollars)</i>	June 30, 2019			December 31, 2018	
	Ownership	Carrying value	Fair value	Carrying value	Fair value
Algoma	36.8%	\$ 176	\$ 188	\$ 199	\$ 179
Economic	24.0%	143	143	136	136
Total		\$ 319	\$ 331	\$ 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 June 30, 2019, 43% (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 10% (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 second quarter common shareholders’ net income of \$20 million for 2019, compared to \$57 million for second quarter 2018. The decrease in 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 product line. Lower earnings in the Wealth Management and Employee Benefits product lines were primarily driven by less favourable expense and claims experience relative to the second quarter of 2018. Year to date common shareholder’s net income was \$63 million compared to \$96 million in 2018, primarily due to the above mentioned items.

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>	Second quarter		Year to date	
	2019	2018	2019	2018
Empire Life common shareholders’ net income	\$ 20	\$ 57	\$ 63	\$ 96
Non-controlling interests	—	—	—	1
Net income, contribution to E-L Financial	\$ 20	\$ 57	\$ 63	\$ 95

Empire Life return on common shareholders’ equity (quarterly annualized)	5.1%	15.6%	8.2%	13.2%
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The following table provides a breakdown of the sources of earnings for the second quarter:

<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	\$ 31	\$ 6	\$ 5	\$ 12	\$ 16			\$ 46	\$ 52
Impact of new business	(3)	(2)	(6)	(1)	2	2			(6)	(1)
Experience gains (losses)	2	2	1	3	(16)	3			(13)	8
Management actions and changes in assumptions	—	—	—	—	(9)	10			(9)	10
Earnings (loss) on operations before income taxes	26	31	2	7	(10)	31	—	—	17	69
Earnings on surplus	—	—	—	—	—	—	12	11	12	11
Income (loss) before income tax	26	31	2	7	(10)	31	12	11	29	80
Income taxes	6	8	—	2	(4)	7	2	2	5	19
Empire Life’s shareholders’ net income (loss)	\$ 20	\$ 23	\$ 4	\$ 5	\$ (6)	\$ 24	\$ 10	\$ 9	\$ 24	\$ 61
Dividends on preferred shares ⁽¹⁾									(3)	(3)
Empire Life common shareholders’ net income									\$ 20	\$ 57

For the six months ended June 30	Wealth Management		Employee Benefits		Individual Insurance		Capital and Surplus		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
<i>(millions of dollars)</i>										
Expected profit on in-force business	\$ 58	\$ 59	\$ 12	\$ 11	\$ 26	\$ 32			\$ 97	\$ 102
Impact of new business	(6)	(4)	(9)	(4)	7	4			(8)	(4)
Experience gains (losses)	1	1	4	12	(15)	(3)			(10)	10
Management actions and changes in assumptions	—	—	—	—	(10)	11			(10)	11
Earnings on operations before income taxes	54	56	7	19	8	44	—	—	70	119
Earnings on surplus	—	—	—	—	—	—	20	15	20	15
Income before income tax	54	56	7	19	8	44	20	15	90	134
Income taxes	13	14	2	5	—	9	4	3	19	31
Empire Life's shareholders' net income	\$ 41	\$ 42	\$ 6	\$ 14	\$ 8	\$ 34	\$ 16	\$ 12	\$ 70	\$ 103
Dividends on preferred shares ⁽¹⁾									(7)	(7)
Empire Life common shareholders' net income									\$ 63	\$ 96

⁽¹⁾ 2019 year includes \$2 million (2018 - \$1 million) preference share dividends to E-L Financial

The expected profit on in-force business for the second quarter decreased by 12% and 5% on a year to date basis, driven primarily by lower profit in the Individual Insurance product line and, to a lesser extent, by reduced margins on a lower asset base in the Wealth Management product line.

The impact of new business strain was greater in 2019 compared to 2018 mainly driven by the Employee Benefits product line and, to a lesser extent, in the Wealth Management product line. The impact of new business for the Individual Insurance product line was positive for each of the 2019 and 2018 periods. The impact of new business 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 second quarter of 2019 and year to date declined from 2018 primarily due to decreases in bond yields which contributed to an increase in policy liabilities that more than offset fair value gains on fixed income investments in the Individual Insurance product line, and less favourable claims experience in the Employee Benefits product line.

Management actions and changes in assumptions declined in the second quarter and year to date due to changes in the fixed income investment portfolio as part of management's ongoing activities to improve the matching of assets and liabilities in the Individual Insurance product 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 quarter and year to date primarily due to higher income from invested assets in 2019 and lower interest expenses, partly offset by higher costs for Empire Life's hedging program.

Results by Major Product Line

The following tables provide a summary of Empire Life results by major product line for the three months ended June 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 June 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	\$ 40	\$ 29	\$ 88	\$ 84	\$ 97	\$ 93	\$ —	\$ —	\$ 225	\$ 205
Fee income	63	63	3	3	—	—	—	—	66	66
Investment income	10	10	1	1	55	55	16	17	83	83
Net gains (losses) on investments ⁽¹⁾	4	(2)	3	—	221	35	—	(1)	228	33
	118	101	96	87	373	183	17	17	603	388
Expenses										
Benefits and expenses	91	70	93	78	381	153	4	6	568	307
Income and other taxes	6	8	3	4	(1)	9	3	2	11	23
	98	77	95	82	380	162	7	8	580	330
Net income (loss) after tax	\$ 20	\$ 23	\$ 1	\$ 5	\$ (8)	\$ 20	\$ 10	\$ 9	\$ 24	\$ 57
Participating policyholders' portion									—	(3)
Dividends on preferred shares									3	3
Empire Life's common shareholders' net income									20	57
Non-controlling interests in net income									—	—
Net income attributable to owners of E-L Financial									\$ 20	\$ 57

Six months ended June 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	\$ 94	\$ 61	\$ 177	\$ 169	\$ 193	\$ 186	\$ —	\$ —	\$ 463	\$ 416
Fee income	124	126	6	5	—	—	—	—	130	132
Investment income	20	19	2	2	103	97	32	32	158	151
Net gains (losses) on investments ⁽¹⁾	23	(7)	5	—	615	(36)	(4)	(4)	641	(47)
	261	200	190	176	911	248	29	28	1,391	652
Expenses										
Benefits and expenses	207	143	177	153	904	205	8	12	1,297	513
Income and other taxes	13	14	6	10	5	13	4	3	29	40
	220	157	184	162	908	219	12	15	1,324	553
Net income after tax	\$ 41	\$ 42	\$ 6	\$ 14	\$ 4	\$ 29	\$ 17	\$ 13	\$ 67	\$ 98
Participating policyholders' portion									(3)	(5)
Dividends on preferred shares									7	7
Empire Life's common shareholders' net income									63	96
Non-controlling interests in net income									—	1
Net income attributable to owners of E-L Financial									\$ 63	\$ 95

⁽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>	Second quarter		Year to date	
	2019	2018	2019	2018
Fixed Annuities				
Assets under management	\$ 967	\$ 951	\$ 967	\$ 951
Gross sales	40	29	94	61
Net sales	8	4	12	(3)
Segregated Funds				
Assets under management	8,323	8,579	8,323	8,579
Gross sales	189	202	410	470
Net sales	(108)	(16)	(192)	(52)
Fee income	62	62	122	124
Mutual Funds				
Assets under management	147	171	147	171
Gross sales	2	3	5	9
Net sales	(6)	(7)	(13)	(15)
Fee income	1	1	1	1
Net Premiums	\$ 40	\$ 29	\$ 94	\$ 61
Benefits and Expenses	92	70	207	143
Net income after tax	\$ 20	\$ 23	\$ 41	\$ 42

Fixed annuities assets under management increased by 2% during the last 12 months. Gross sales in the second quarter were 38% higher, and 54% higher on a year to date basis compared to 2018, reflecting a shift in the market to guaranteed wealth products that often occurs after challenging and volatile equity markets.

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 second quarter of 2019, gross sales were 6% lower than the same period in 2018 and 13% lower on a year to date basis. On November 12, 2018, Empire Life launched a new no load purchase option within the Guaranteed Investment Fund ("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 stable in the second quarter and is slightly lower 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.

During the second quarter, net income for this product line decreased by \$3 million and decreased by \$1 million on a year to date basis, driven primarily by increases in operating expenses.

Product Line Results - Employee Benefits

Key Operating Results <i>(millions of dollars)</i>	Second quarter		Year to date	
	2019	2018	2019	2018
Annualized premium sales	\$ 26	\$ 10	\$ 48	\$ 36
Net premiums	88	84	177	169
Net income after tax	\$ 1	\$ 5	\$ 6	\$ 14

Annualized premium sales were 160% higher in the second quarter and 33% 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, Empire Life 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 second quarter and year to date 2019 increased by 5% 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.

Product Line Results - Individual Insurance

Key Operating Results <i>(millions of dollars)</i>	Second quarter		Year to date	
	2019	2018	2019	2018
Shareholders'				
Annualized premium sales	\$ 6	\$ 7	\$ 11	\$ 11
Net premiums	68	68	138	140
Net (loss) income after tax	(7)	24	8	34
Policyholders'				
Annualized premium sales	4	4	8	7
Net premiums	29	24	55	46
Net loss after tax	(1)	(4)	(4)	(5)
Net (loss) income after tax	\$ (8)	\$ 20	\$ 4	\$ 29

For the second quarter of 2019 shareholders' annualized premium sales declined slightly and were stable on a year to date basis compared to 2018, while policyholders' annualized premium sales were level for the second quarter and increased slightly on a year to date basis. Shareholders' total net premiums were stable in the second quarter and slightly lower on a year to date basis while policyholders' net premiums increased in the second quarter of 2019 and year to date compared to the same period 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 declined to a net loss for the second quarter of 2019 and lower overall net income on a year to date basis. Bond market yields declined on a quarter and year to date basis. While the decline in yields increased the fair value gains on fixed income assets supporting insurance contract liabilities, these gains were 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)	Second quarter		Year to date	
	2019	2018	2019	2018
Income from investments	\$ 18	\$ 18	\$ 38	\$ 29
Losses on hedging instruments	(2)	(1)	(10)	(2)
Interest and other expenses	(4)	(6)	(8)	(12)
Earnings before income taxes	12	11	20	15
Income taxes	2	2	4	3
Net income after tax shareholders' portion	10	8	16	12
Net income after tax policyholders' portion	1	—	1	1
Net income after tax	\$ 10	\$ 9	\$ 17	\$ 13

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 second quarter of 2019 was consistent with 2018 levels. For the year to date higher yields on invested assets was the primary contributor to the increase over 2018. Losses on the hedging program (discussed in the Risk Management section) in the second quarter was generally in line with the same period in 2018. The 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:

Subordinated debentures (millions of dollars)	Date Issued	Earliest redemption date	Interest rate	Face amounts as at	
				June 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.

Preferred Shares (millions of dollars)	Date Issued	Earliest redemption date	Yield	Principal amounts as at	
				June 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 June 30, 2019, the Total Ratio and Core Ratio remained relatively unchanged from December 31, 2018.

LICAT (millions of dollars)	June 30 2019	March 31 2019	December 31 2018	September 30 2018	June 30 2018
Available capital					
Tier 1	\$ 1,549	\$ 1,507	\$ 1,476	\$ 1,526	\$ 1,513
Tier 2	674	692	653	608	614
Total	\$ 2,223	\$ 2,200	\$ 2,129	\$ 2,134	\$ 2,127
Surplus allowance and eligible deposits	\$ 937	\$ 921	\$ 887	\$ 1,001	\$ 1,005
Base solvency buffer	\$ 2,115	\$ 2,083	\$ 2,029	\$ 1,908	\$ 1,949
LICAT Total Ratio	149%	150%	149%	164%	161%
LICAT Core Ratio	104%	103%	103%	117%	114%

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 second quarter and year to date of 2019, the Company's hedge costs were \$1.3 million and \$7.3 million after tax respectively. This compares to hedge costs of \$1 million and \$1 million for the same 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 June 30, 2019, 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:

	June 30 2019	December 31 2018
Percentage of segregated fund liabilities with:		
75% maturity guarantee and a 75% death benefit guarantee	3%	3%
75% maturity guarantee and a 100% death benefit guarantee	47%	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, which 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 June 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 tables.

Sensitivity to equity risk Impact on net income (millions of dollars after tax)	Increase		Decrease		
	20%	10%	10%	20%	30%
As at June 30, 2019					
Segregated Fund Guarantees	\$ nil	\$ nil	\$ (9)	\$ (81)	\$ (219)
Other Equity Risk	33	15	(12)	(20)	(66)
Equity Hedge	(2)	(2)	5	16	39
Total	\$ 31	\$ 14	\$ (17)	\$ (85)	\$ (246)

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 June 30, 2019					
Segregated Fund Guarantees	3%	—%	(6)%	(14)%	(20)%
Other Equity Risk	—%	—%	—%	—%	(1)%
Equity Hedge	(1)%	(1)%	1%	3%	4%
Total	1%	(1)%	(5)%	(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 half 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 June 30, 2019 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		
June 30, 2019	\$ 2,671	\$ 838	\$ 127	\$ 4	\$ 1,777	\$ 24	\$ nil	\$ 448
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 June 30, 2019, the aggregate amount at risk for all three categories of risk was \$866 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 June 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
June 30, 2019 LICAT total ratio	(2)%
December 31, 2018 LICAT total ratio	(5)%