

REPORT ON E-L FINANCIAL CORPORATION LIMITED

The following Management's Discussion and Analysis ("MD&A") of the operating results and financial condition of E-L Financial Corporation Limited ("E-L Financial" or the "Company") for the first quarter of 2020 should be read in conjunction with E-L Financial's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2020, as well as the MD&A and the audited consolidated financial statements which form part of the E-L Financial 2019 Annual Report dated March 3, 2020. 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 MD&A may differ due to rounding. This MD&A is dated as of May 7, 2020.

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 risk including equity risk, hedging risk, interest rate risk, foreign exchange rate risk; liquidity risk; credit risk including counterparty risk; insurance risk including mortality risk, policyholder behaviour risk, expense risk, morbidity risk, product design and pricing risk, underwriting and claims risk, reinsurance risk; operational risk, including legal and regulatory risk, model risk, human resources risk, third party risk, technology, information security and business continuity risk; and business risk and strategic, including risk with respect to competition, risk with respect to financial strength, capital adequacy risk, risk with respect to distribution channels, risk with respect to changes to applicable income tax legislation, risk with respect to litigation, risk with respect to reputation, risk with respect to risk management policies, risk with respect to intellectual property, risk 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>	March 31 2020	December 31 2019
General fund assets	\$ 9,162	\$ 9,462
Segregated fund assets	7,065	8,499
Total Empire Life assets	16,227	17,961
Mutual fund assets	112	139
Total assets under management	\$ 16,339	\$ 18,100

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 include 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 52.6% 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 has a 37.4% interest in Algoma Central Corporation ("Algoma") and a 24.1% 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 <i>(millions of dollars)</i>	First quarter	
	2020	2019
Contribution to net (loss) income		
E-L Corporate ⁽¹⁾	\$ (632)	\$ 266
Empire Life ⁽²⁾	(31)	43
Net (loss) income	(663)	309
Other comprehensive (loss) income ⁽²⁾	(15)	39
Comprehensive (loss) income	\$ (678)	\$ 348

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

E-L Corporate <i>(millions of dollars)</i>	First quarter	
	2020	2019
Revenue		
Net (loss) gain on investments ⁽³⁾	\$ (769)	\$ 341
Investment and other income	29	30
Share of associates (loss) income	(92)	3
	(832)	374
Operating expenses	7	9
Income taxes	(111)	49
Non-controlling interests	(96)	50
	(200)	108
Net (loss) income	(632)	266
Other comprehensive income (loss), net of taxes ⁽¹⁾	3	(4)
Comprehensive (loss) income	\$ (629)	\$ 262

Empire Life <i>(millions of dollars)</i>	First quarter	
	2020	2019
Revenue		
Net premiums	\$ 216	\$ 238
Net (loss) gain on investments ⁽³⁾	(360)	411
Investment income	81	75
Fee income	65	64
	2	788
Benefits and expenses	45	727
Income and other taxes	(10)	17
Non-controlling and participating policyholders' interests	(2)	1
	33	745
Net (loss) income	(31)	43
Other comprehensive (loss) income, net of taxes ⁽²⁾	(18)	43
Comprehensive (loss) income	\$ (49)	\$ 86

⁽¹⁾ Net of non-controlling interests

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

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

E-L Financial reported a consolidated net loss of \$663 million for the first quarter of 2020 or \$170.26 per common share compared to a net income of \$309 million or \$77.68 per common share for the first quarter of 2019. The Company was impacted by the declines in equity markets which occurred toward the end of the first quarter of 2020. The international emergence and spread of the novel coronavirus (or COVID-19) in the first quarter of 2020 negatively impacted global stock markets and the Company's investment portfolio.

E-L Corporate reported a net loss of \$632 million in the first quarter of 2020 compared to net income of \$266 million for the first quarter of 2019. The decrease in first quarter earnings was primarily due to a net loss on investments of \$769 million in the first quarter of 2020 compared to a net gain of \$341 million for the first quarter of 2019. E-L Corporate's global investment portfolio had a pre-tax total return of negative 14% in the first quarter of 2020 compared to a pre-tax total return of 8% for the first quarter of 2019.

The Empire Life segment reported a net loss of \$31 million in the first quarter of 2020 compared to net income of \$43 million for the first quarter of 2019. The first quarter net loss was primarily a result of significant strengthening of policy liabilities for segregated fund benefit guarantees related to the general decline in equity markets. This was partially offset by the impact of improved asset liability management and improved gains from increased yields on inforce assets and liabilities backing the life insurance and annuity product lines.

Consolidated comprehensive loss was \$678 million in the first quarter of 2020 or \$174.12 per common share compared to net income of \$348 million or \$87.57 per common share for the first quarter of 2019. Other comprehensive loss ("OCL") was \$15 million in the first quarter of 2020 compared to other comprehensive income ("OCI") of \$39 million for the first quarter of 2019. The decrease in OCI was primarily due to the net unrealized fair value losses on Empire Life's available for sale ("AFS") assets in 2020 relative to an unrealized fair value gain on AFS assets in 2019. The OCL in the first quarter of 2020 was primarily attributable to fluctuations in interest rates and credit spreads.

Normal course issuer bid

On March 9, 2020, the Company obtained approval from the TSX to commence a normal course issuer bid ("NCIB") to purchase up to 200,970 common shares between March 9, 2020 and March 8, 2021. Daily purchases (other than pursuant to a block purchase exemption) on the TSX under the NCIB were limited to 1,000 common shares. The price that the Company will pay for common shares in open market transactions will be the market price at the time of purchase.

For the three month period ended March 31, 2020, 140,732 shares were purchased under the NCIB at an average price of \$573.37 per share for total consideration of \$81 million.

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>	Q1 2020	Q4 2019	Q1 2019
E-L Financial shareholders' equity	\$ 5,409	\$ 6,275	\$ 5,862
Less: First preference shares	(300)	(300)	(300)
	5,109	5,975	5,562
Adjustments for investments in associates not carried at fair value:			
Carrying value	(240)	(332)	(330)
Fair value ⁽¹⁾	240	331	322
	—	(1)	(8)
Non-controlling interest and deferred tax	—	—	2
	—	(1)	(6)
Net equity value	\$ 5,109	\$ 5,974	\$ 5,556
Common Shares ⁽²⁾ outstanding at period end	3,878,935	4,019,667	4,019,667
Net equity value per common share^{(2) (3)}	\$ 1,317.07	\$ 1,486.19	\$ 1,382.18

⁽¹⁾ Based on quoted market prices

⁽²⁾ Common Shares includes Series A Convertible Preference Shares

⁽³⁾ See non-GAAP measures

The Common Shares outstanding at period ended March 31, 2020 are lower compared to prior period amounts due to shares acquired as part of the Company's NCIB.

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*
	\$	%
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)
2019	1,486.19	15.1
Year to date		
March 31, 2020	1,317.07	(9.6)
Compounded annual growth in net equity value*		
2010 - 2019 - 10 years		8.8
1969 - 2019 - Since inception		12.5

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

Summary of quarterly results

The following table summarizes the quarterly results:

<i>(millions of dollars, except per share amounts)</i>	2020	2019			2018			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue								
Net (loss) gain on investments ⁽¹⁾	\$ (1,129)	\$ 139	\$ 163	\$ 209	\$ 753	\$ (419)	\$ (112)	\$ 75
Net premium income	216	229	218	225	238	237	221	205
Investment and other income	176	178	186	200	168	175	175	199
Associates ⁽²⁾	(92)	10	4	7	3	(5)	10	7
Total	\$ (829)	\$ 556	\$ 571	\$ 641	\$ 1,162	\$ (12)	\$ 294	\$ 486
Net (loss) income ⁽³⁾	\$ (663)	\$ 293	\$ 101	\$ 42	\$ 309	\$ (238)	\$ 96	\$ 108
(Loss) earnings per common share								
- basic	\$ (170.26)	\$ 73.68	\$ 24.61	\$ 9.70	\$ 77.68	\$ (61.62)	\$ 23.33	\$ 26.56
- diluted	\$ (170.26)	\$ 67.58	\$ 23.26	\$ 9.70	\$ 71.45	\$ (61.62)	\$ 22.08	\$ 24.12

⁽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 first quarter of 2020 decreased compared to both the prior quarter and first quarter of 2019 mainly due to the impact of net investment losses. Investments valued at fair value through profit and loss ("FVTPL") declined during the quarter, reflecting volatility in both bond and equity markets during the quarter. The Company's loss for investments in associates was mostly attributable to declines in stock market prices for these investments.

Net premiums for the first quarter of 2020 decreased compared to both the prior quarter and first quarter of 2019, primarily due to lower fixed annuity sales.

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:

Three months ended March 31 (millions of dollars)	E-L Financial (non- consolidated)	United	Empire Life	Consolidation adjustments	E-L Financial Consolidated	
					2020	2019
Cash flows from:						
Operating activities	\$ 13	\$ 3	\$ 22	\$ (3)	\$ 35	\$ 106
Financing activities	(57)	(9)	(7)	3	(70)	(17)
Investing activities	91	12	(3)	—	100	(108)
Increase (decrease) in cash and cash equivalents	47	6	12	—	65	(19)
Cash and cash equivalents, beginning of the year	125	38	140	—	303	333
Cash and cash equivalents, end of the period	\$ 172	\$ 44	\$ 152	\$ —	\$ 368	\$ 314

The decrease in cash provided from operating activities in 2020 relative to 2019, reflects the decrease in cash earnings during 2020 compared to the prior year, along with changes in working capital levels.

The decrease in cash used for financing activities in 2020 relative to 2019 was due to purchases of the Company's common shares during the first quarter of 2020 under the NCIB.

The increase in cash provided from investing activities in 2020 relative to 2019 was primarily due to E-L Financial re-allocating the assets from one of the global investment portfolios. For the first quarter of 2019 cash used for investing activities resulted from Empire Life's management actions to deploy excess cash into higher yielding investments in order to enhance investment income.

Non-consolidated cash flows of E-L Financial

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

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

Three months ended March 31*(millions of dollars)*

	2020	2019
Cash flows from:		
Operating activities		
Dividends from subsidiaries	\$ 2	\$ 2
Dividends and interest	18	17
Expenses and taxes, net of other income	(7)	(8)
	13	11
Financing activities		
Cash dividends	(9)	(9)
Share purchases	(47)	—
Interest paid on borrowings	(1)	—
Purchases of subsidiary shares	—	(1)
	(57)	(10)
Investing activities		
Purchases of investments	(107)	(116)
Proceeds from sales of investments	181	107
Net sales of short-term investments	13	(4)
Dividends from associates	4	3
	91	(10)
Increase in cash and cash equivalents	47	(9)
Cash and cash equivalents, beginning of the period	125	75
Cash and cash equivalents, end of the period	\$ 172	\$ 66

For the three month period ended March 31, 2020, the non-consolidated cash and cash equivalents of E-L Financial increased by \$47 million.

Operating cash flows for 2020 remained consistent with the prior period. The movement in financing and investing cash flows are due to the reasons noted above.

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.

Novel Coronavirus (or COVID-19)

The continued worldwide spread of novel coronavirus (or COVID-19) and its impact on international business operations, supply chains, travel, commodity prices, consumer confidence and business forecasts, and the associated impact on domestic and international equity markets, is expected to have a material impact on all equity portfolios during the first half of 2020, and potentially beyond. We continue to monitor developments in equity markets generally, and in connection with the Company's portfolio in particular. While it is too early to predict the impact of COVID-19 related factors, during a time of increased uncertainty and volatility, we expect that the performance of all portfolios, including the Company, will be affected in the near term.

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 March 31, 2020, investments - corporate had aggregate investments of \$4.4 billion, comprised primarily of common shares and units of investment funds, compared to aggregate investments at December 31, 2019 of \$5.3 billion. The fair value of investments - corporate is summarized in the table below:

<i>(millions of dollars)</i>	March 31 2020	December 31 2019
Short-term investments	\$ —	\$ 13
Preferred shares	1	1
Common shares and units		
Canada and U.S.	2,673	3,107
Europe and United Kingdom	948	1,158
Emerging Markets	358	454
Japan	414	468
Other	35	69
Total	4,428	5,256
Total invested assets	\$ 4,429	\$ 5,270

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

<i>(millions of dollars)</i>	2020	First quarter 2019
Revenue		
Net (loss) gain on investments	\$ (769)	\$ 341
Investment and other income	29	30
Share of associates (loss) income	(92)	3
	(832)	374
Operating expenses	7	9
Income taxes	(111)	49
Non-controlling interests	(96)	50
	(200)	108
Net (loss) income	(632)	266
Other comprehensive income (loss), net of taxes	3	(4)
Comprehensive (loss) income	\$ (629)	\$ 262

E-L Corporate reported a net loss of \$632 million in the first quarter of 2020 compared to net income of \$266 million in the first quarter of 2019. For the first quarter of 2020 there was a net loss on investments of \$769 million compared to a net gain on investments of \$341 million for the first quarter of 2019. The international emergence and spread of COVID-19 in the first quarter of 2020 negatively impacted global stock markets, and the Company's investment portfolio. The pre-tax total return on investments was negative 14% for the

first quarter of 2020 compared to a pre-tax total return of 8% for the first quarter of 2019. During the first quarter of 2020 E-L Corporate's pre-tax total investment returns by geographic region were negative 14% in Canada and the U.S., negative 12% in Europe and negative 11% in Other, which includes investments in Japan and Emerging Markets.

Share of associates income

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

<i>(millions of dollars)</i>	2020	First quarter 2019
Algoma	\$ (59)	\$ (8)
Economic	(33)	11
	\$ (92)	\$ 3

During the first quarter of 2020 the stock market prices of Algoma and Economic declined significantly. E-L Corporate's loss from associates for the first quarter of 2020 includes impairment losses of \$63 million compared to an impairment reversal of \$2 million for the first quarter of 2019. The Company's share of losses from the associates operations the first quarter of 2020 was \$29 million which compared to income of \$1 million for the first quarter of 2019.

The nature of Algoma's business is such that earnings in the first quarter of each year typically reflects a loss due to the reduced level of shipping activity during the winter and the timing of maintenance spending. The higher loss for the first quarter of 2020 was mainly as a result of higher dry-dock costs, depreciation on new vessels and interest expense, partially offset by a small foreign currency gain in 2020 compared to a loss in the prior period.

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 negative 13% in the first quarter of 2020 compared to 9% in the first quarter of 2019.

<i>(millions of dollars)</i>	March 31, 2020			December 31, 2019		
	Ownership	Carrying value	Fair value	Ownership	Carrying value	Fair value
Algoma	37.4%	\$ 128	\$ 128	37.0%	\$ 185	\$ 184
Economic	24.1%	112	112	24.0%	147	147
Total		\$ 240	\$ 240		\$ 332	\$ 331

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

Risk management

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

Market risk

Market risk is the most significant risk impacting E-L Corporate as its investing activities are influenced by market price, foreign currency and interest rate risk. As the Company's investment portfolio is represented by Canadian and global equities, the value of its investments will vary from day to day depending on a number of market factors including economic conditions, global events, market news, and on the performance of the issuers of the securities in which the Company invests. Changes in foreign currency exchange rates will also affect the value of investments of non-Canadian dollar securities. As of March 31, 2020, 50% (December 31, 2019 - 49%) of the investment - corporate including cash and cash equivalents was denominated in U.S. dollars, 10% (December 31, 2019 - 10%) in Euros and 9% (December 31, 2019 - 9%) 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’s net income attributable to the owners of E-L Financial, after adjustment for non-controlling interests, is shown in the following table:

<i>(millions of dollars)</i>			First quarter	
			2020	2019
Empire Life common shareholders’ net income	\$	(32)	\$	43
Non-controlling interests		1		—
Net income, contribution to E-L Financial	\$	(31)	\$	43

Empire Life return on common shareholders’ equity (quarterly annualized) **(8.0)%** 11.2%

Empire Life reported first quarter common shareholders’ net loss of \$32 million for 2020, compared to net income of \$43 million for the first quarter of 2019. The decrease in first quarter earnings was primarily a result of significant strengthening of policy liabilities supporting segregated fund benefit guarantees, partially offset by improved asset liability management trading gains and improved gains from increased yields on inforce assets and liabilities backing the life insurance and annuity lines.

The impact of COVID-19 on Canadian and international business operations, supply chains, travel, consumer confidence and business forecasts, and domestic and international securities markets, is expected to continue through the first half of 2020, and potentially beyond. Empire Life continues to monitor developments in equity and fixed income markets generally, and in connection with Empire Life’s investment portfolios in particular. While it is too early to predict the impact of COVID-19 related factors, during a time of increased uncertainty and volatility we expect that these events will have an impact on Empire Life’s performance in the near term.

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

For the three months ended March 31	Wealth Management		Employee Benefits		Individual Insurance		Capital and Surplus		Total												
	<i>(millions of dollars)</i>	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019										
Expected profit on in-force business	\$	33	\$	32	\$	6	\$	6	\$	16	\$	13	\$	55	\$	51					
Impact of new business		(3)		(3)		(2)		(3)		(1)		5		(6)		(2)					
Experience (losses) gains		(132)		—		(1)		3		5		1		(128)		4					
Management actions and changes in assumptions		—		—		—		—		22		(1)		22		(1)					
(Loss) earnings on operations before income taxes		(102)		28		3		6		41		18		—		—	(57)	52			
Earnings on surplus		—		—		—		—		—		—		18		8	18	8			
(Loss) income before income tax		(102)		28		3		6		41		18		18		8	(39)	60			
Income taxes		(28)		7		1		1		11		3		4		2	(11)	14			
Empire Life’s shareholders’ net (loss) income	\$	(74)	\$	21	\$	2	\$	4	\$	30	\$	15	\$	14	\$	6	\$	(28)	\$	46	
Dividends on preferred shares ⁽¹⁾																		(3)	(3)		
Empire Life common shareholders’ net (loss) income																		\$	(32)	\$	43

⁽¹⁾ 2020 includes \$1 million (2019 - \$1 million) preference share dividends to E-L Financial

The expected profit on in-force business increased by 8% for the first quarter, driven primarily by modest increases in all three product lines over the last 12 months.

The impact of new business was similar to the first quarter of 2019. 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, and this amount was slightly less positive in the first quarter of 2020 compared to the first quarter of 2019.

Experience losses for the first quarter of 2020 declined compared to the first quarter of 2019 primarily due to a significant strengthening of policy liabilities supporting segregated fund benefit guarantees. This is partially offset by improved asset liability trading gains and improved gains from increased yields on inforce assets and liabilities backing the life insurance and annuity lines. In addition, there was less favourable claims experience in the Employee Benefits line.

Management actions and changes in assumptions were higher in the first quarter of 2020 relative to the same period in 2019, primarily due to management's ongoing activities to improve the matching of assets and liabilities in the Individual Insurance line.

Earnings on surplus increased for the first quarter of 2020 relative to 2019, primarily due to higher unrealized fair value gains on Empire Life's equity hedging program which more than offset unrealized fair value losses on preferred share investments in this segment.

Results by Major Product Line

The following tables provide a summary of Empire Life results by major product line for the three months ended March 31 for 2020 and 2019. A discussion of results is provided in the Product Line section of the MD&A.

Three months ended March 31 <i>(millions of dollars)</i>	Wealth Management		Employee Benefits		Individual Insurance		Capital & Surplus		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Revenue										
Net premium	\$ 27	\$ 54	\$ 91	\$ 88	\$ 97	\$ 96	\$ —	\$ —	\$ 216	\$ 238
Fee income	62	61	3	3	—	—	—	—	65	64
Investment income	10	10	1	1	53	48	17	16	81	75
Net (losses) gains on investments ⁽¹⁾	(56)	19	(3)	1	(305)	395	4	(3)	(360)	412
	43	144	93	93	(155)	539	21	12	2	788
Expenses										
Benefits and expenses	144	115	87	85	(192)	522	4	4	43	727
Income and other taxes	(28)	7	3	4	12	5	4	2	(9)	18
	117	122	91	89	(180)	528	8	6	35	745
Net (loss) income after tax	\$ (74)	\$ 21	\$ 2	\$ 4	\$ 25	\$ 11	\$ 13	\$ 6	\$ (33)	\$ 43
Participating policyholders' portion									(5)	(3)
Dividends on preferred shares									3	3
Empire Life's common shareholders' net (loss) income									(32)	43
Non-controlling interests in net income									—	—
Net (loss) income attributable to owners of E-L Financial									\$ (31)	\$ 43

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

Product Line Results - Wealth Management

Key Operating Results	First quarter	
<i>(millions of dollars)</i>	2020	2019
Fixed Annuities		
Assets under management	\$ 891	\$ 969
Gross sales	27	53
Net sales	(8)	5
Segregated Funds		
Assets under management	7,051	8,392
Gross sales	243	221
Net sales	(81)	(84)
Fee income	61	60
Mutual Funds		
Assets under management	112	152
Gross sales	4	2
Net sales	(6)	(7)
Fee income	—	1
Net premiums	\$ 27	\$ 54
Benefits and expenses	\$ 144	\$ 115
Net (loss) income after tax	\$ (74)	\$ 21

Fixed annuities assets under management decreased by 8% during the last 12 months. Gross sales in the first quarter were 49% lower compared to the first quarter of 2019.

Segregated fund assets under management are lower relative to the same period in 2019, reflecting the equity market volatility experienced late in the first quarter of this year, whereas the first quarter of 2019 saw segregated fund assets rebounding from the lows experienced in December 2018. For the first quarter of 2020, gross sales were 10% higher than the same period in 2019. On October 23, 2019, Empire Life launched six new Multi-Strategy GIF segregated funds, to offer customers a mix of investment management styles and greater diversification.

Segregated fund fee income was slightly higher compared to the first quarter of 2019. Fee income from segregated funds and mutual funds is calculated daily for most products. As the fluctuations in equity and fixed income markets occurred late in the quarter, there was a relatively modest impact on this revenue line for the first quarter.

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.

This line incurred a loss of \$74 million for the first quarter of 2020 compared to net income of \$21 million in the first quarter of 2019, primarily as a result of a significant increase in policy liabilities for segregated fund guarantees. These guarantees are only payable if fund values are below the guaranteed values when the insurable event occurs.

Product Line Results - Employee Benefits

Key Operating Results	First quarter	
<i>(millions of dollars)</i>	2020	2019
Annualized premium sales	\$ 30	\$ 22
Net premiums	91	88
Net income after tax	\$ 2	\$ 4

Annualized premium sales increased in the first quarter compared to the same period in 2019. 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 first quarter increased by 3% relative to the same period in 2019. 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 decreased, primarily due to less favourable claims experience across all benefit types compared to the corresponding period in 2019.

Product Line Results - Individual Insurance

Key Operating Results	First quarter	
<i>(millions of dollars)</i>	2020	2019
Shareholders'		
Annualized premium sales	\$ 5	\$ 5
Net premiums	68	70
Net income after tax	30	15
Policyholders'		
Annualized premium sales	3	4
Net premiums	30	27
Net loss after tax	(5)	(3)
Net income after tax	\$ 25	\$ 11

Shareholders' annualized premium sales were flat for the quarter compared to the same period in 2019, while policyholders' annualized premium sales declined 16% for the first quarter. Shareholders' net premiums were also slightly lower in the quarter. Policyholders' net premiums increased in the first quarter of 2020 compared to the same period in 2019, reflecting recent strength in policyholders' new premium sales.

Shareholders' net income for this product line was \$30 million for the first quarter of 2020. Bond market yields rose during the quarter, as the increase in credit spreads more than offset the decline in Government of Canada long duration bond yields. While the increase in yields decreased the fair value gains on fixed income assets supporting insurance contract liabilities, these losses are more than offset by decreases in the corresponding insurance contract liabilities, primarily contributing to the increase in net income relative to the same quarter last year.

Results - Capital and Surplus

Key Operating Results <i>(millions of dollars)</i>	First quarter	
	2020	2019
Income from investments	\$ (11)	\$ 20
Gains (losses) on hedging instruments	33	(9)
Interest and other expenses	(4)	(4)
Earnings before income taxes	18	8
Income taxes	4	2
Net income after tax shareholders' portion	14	6
Net income after tax policyholders' portion	(1)	—
Net income after tax	\$ 13	\$ 6

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

Income from investments in the first quarter of 2020 was lower than the prior year, primarily due to unrealized losses on preferred share assets valued at FVTPL in this line. Gains on the hedging program (discussed in the Risk Management section) in the first quarter, compared to a loss in the first quarter of 2019, primarily related to unrealized gains on Empire Life's hedging instruments as well as a realized gain from a hedging instrument that Empire Life sold during the quarter.

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:

<i>(millions of dollars)</i>	Date Issued	Earliest redemption date	Interest rate	Face amounts as at	
				March 31 2020	December 31 2019
Subordinated debentures					
Series 2016-1 ⁽¹⁾	December 1, 2016	December 16, 2021	3.383%	\$ 200	\$ 200
Series 2017-1 ⁽²⁾	September 1, 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.

<i>(millions of dollars)</i>	Date Issued	Earliest redemption date	Yield	Principal amounts as at	
				March 31 2020	December 31 2019
Preferred Shares					
Preferred shares	January 1, 2016	April 17, 2021	5.75%	\$ 150	\$ 150
Preferred shares	November 1, 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", its subordinated debt rating is "A (low)", its financial strength rating is "A" and its Preferred Share rating is Pfd-2. All ratings have a stable trend.

A.M. Best ratings of Empire Life are "A Excellent" financial strength rating, "a" long-term issuer credit rating, "bbb+" Subordinated Debt rating, and "bbb" Preferred Share rating. All ratings have a stable trend.

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 March 31, 2020, the Total Ratio and Core Ratio reduced significantly from December 31, 2019 primarily due to the significant strengthening of policy liabilities and regulatory capital supporting segregated fund benefit guarantees.

LICAT (millions of dollars)	March 31 2020	December 31 2019	September 30 2019	June 30 2019	March 31 2019
Available capital					
Tier 1	\$ 1,435	\$ 1,616	\$ 1,562	\$ 1,549	\$ 1,507
Tier 2	671	669	681	674	692
Total	\$ 2,106	\$ 2,285	\$ 2,243	\$ 2,223	\$ 2,200
Surplus allowance and eligible deposits	\$ 1,029	\$ 1,109	\$ 944	\$ 937	\$ 921
Base solvency buffer	\$ 2,371	\$ 2,191	\$ 2,133	\$ 2,115	\$ 2,083
LICAT Total Ratio	132%	155%	149%	149%	150%
LICAT Core Ratio	91%	109%	104%	104%	103%

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. Empire Life 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 first quarter, Empire Life experienced a gain of \$24 million after tax on its hedging program, primarily due to volatile Canadian equity markets. This compares to a hedge cost of \$6 million after tax for the comparable period in 2019.

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 March 31, 2020, Empire Life had \$7.1 billion of segregated fund assets and liabilities. Of this amount, approximately \$6.8 billion have guarantees. The following table provides a percentage breakdown by type of guarantee.

	March 31 2020	December 31 2019
Percentage of segregated fund liabilities with:		
75% maturity guarantee and a 75% death benefit guarantee	5%	4%
75% maturity guarantee and a 100% death benefit guarantee	45%	46%
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 March 31, 2020 and December 31, 2019, 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 March 31, 2020					
Segregated fund guarantees	\$ 40	\$ (6)	\$ (121)	\$ (229)	\$ (354)
Other equity risk	4	—	(27)	(89)	(153)
Equity hedge	(15)	(9)	13	30	51
Total	\$ 29	\$ (15)	\$ (135)	\$ (288)	\$ (456)
As at December 31, 2019					
Segregated fund guarantees	\$ —	\$ —	\$ (10)	\$ (76)	\$ (229)
Other equity risk	33	15	(12)	(20)	(65)
Equity hedge	(2)	(1)	4	16	38
Total	\$ 31	\$ 14	\$ (18)	\$ (80)	\$ (256)

Sensitivity to equity risk	Increase		Decrease		
	20%	10%	10%	20%	30%
Impact on LICAT					
As at March 31, 2020					
Segregated fund guarantees	5%	—%	(7)%	(13)%	(20)%
Other equity risk	(1)%	(1)%	(1)%	(2)%	(4)%
Equity hedge	(2)%	(1)%	1%	2%	2%
Total	2%	(2)%	(7)%	(13)%	(22)%
As at December 31, 2019					
Segregated fund guarantees	3%	—%	(6)%	(16)%	(22)%
Other equity risk	(1)%	(1)%	—%	1%	1%
Equity hedge	(3)%	(2)%	1%	3%	3%
Total	(1)%	(2)%	(4)%	(12)%	(18)%

Empire Life's equity market sensitivity in a 20% and 30% stock market decline increased primarily as a result of the significant decline in equity markets during the first quarter of 2020. The segregated fund guarantee liability was strengthened during the quarter as the value of withdrawal and guarantee benefits increase there is a decline in equity markets. This increases net income sensitivity as any changes to the liability when it is above the zero floor will flow through net income.

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	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		
(millions of dollars)								
March 31, 2020	\$ 2,611	\$ 1,331	\$ 374	\$ 53	\$ 3,845	\$ 338	\$ 131	\$ 691
December 31, 2019	\$ 2,701	\$ 882	\$ 51	\$ 2	\$ 650	\$ 6	\$ —	\$ 465

The first six columns of the above table show all segregated fund policies where the future withdrawal benefit, future maturity guarantee, or future death benefit guarantee is greater than the fund value. The amount at risk represents the excess of the future withdrawal benefit, future maturity guarantee or future death benefit guarantee amount over the fund value for these policies. The withdrawal benefit amounts in the above table relate to GMWB products. The GMWB withdrawal benefit amount at risk represents the amount that could be paid by Empire Life to GMWB policyholders if the net return on each GMWB policyholder's assets is zero for the remainder of each GMWB policyholder's life, based on life expectancy. As at March 30, 2020, the aggregate amount at risk for all three categories of risk was \$1.7 billion. At December 31, 2019, the aggregate amount at risk for these three categories of risk was \$890 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 March 31, 2020 and December 31, 2019, 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
March 31, 2020 LICAT total ratio	(2)%
December 31, 2019 LICAT total ratio	1%