

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 2021 should be read in conjunction with E-L Financial's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2021, as well as the MD&A and the audited consolidated financial statements which form part of the E-L Financial 2020 Annual Report dated March 3, 2021. 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 May 6, 2021.

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.

Sources of earnings breaks down Empire Life's 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	December 31
	2021	2020
General fund assets	\$ 9,796	\$ 10,259
Segregated fund assets	8,654	8,457
Total Empire Life assets	18,450	18,716
Mutual fund assets	116	120
Total assets under management	\$ 18,566	\$ 18,836

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 52.7% 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 includes 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 (millions of dollars)	First quarter	
	2021	2020
Contribution to net income (loss)		
E-L Corporate ⁽¹⁾	\$ 310	\$ (632)
Empire Life ⁽²⁾	156	(31)
Net income (loss)	466	(663)
Other comprehensive loss ⁽²⁾	(50)	(15)
Comprehensive income (loss)	\$ 416	\$ (678)

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

E-L Corporate (millions of dollars)	First quarter	
	2021	2020
Revenue		
Net gain (loss) on investments ⁽³⁾	\$ 230	\$ (769)
Investment and other income	40	29
Share of associates income (loss)	106	(92)
	376	(832)
Operating expenses	11	7
Income taxes	43	(111)
Non-controlling interests	12	(96)
	66	(200)
Net income (loss)	310	(632)
Other comprehensive income, net of taxes ⁽¹⁾	2	3
Comprehensive income (loss)	\$ 312	\$ (629)

Empire Life <i>(millions of dollars)</i>	First quarter	
	2021	2020
Revenue		
Net premiums	\$ 225	\$ 216
Net loss on investments ⁽³⁾	(636)	(360)
Investment income	80	81
Fee income	66	65
	(265)	2
Benefits and expenses	(486)	45
Income and other taxes	59	(10)
Non-controlling and participating policyholders' interests	6	(2)
	(421)	33
Net income (loss)	156	(31)
Other comprehensive loss, net of taxes ⁽²⁾	(52)	(18)
Comprehensive income (loss)	\$ 104	\$ (49)

⁽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 first quarter 2021 net income of \$466 million or \$127.90 per common share compared to a net loss of \$663 million or \$170.26 per common share for the first quarter of 2020.

E-L Corporate reported a net income of \$310 million for the first quarter of 2021 compared to a net loss of \$632 million for the first quarter of 2020. The increase in earnings was primarily due to a higher net gain on investments of \$230 million in 2021 compared to a net loss of \$769 million in 2020. E-L Corporate's global investment portfolio had a pre-tax total return, including dividend income, of 5% in 2021 compared to a pre-tax total return of negative 14% for the first quarter of 2020. The international emergence and spread of COVID-19 in 2020 resulted in a significant decline in global stock markets in the first quarter of 2020.

Empire Life reported net income of \$156 million for the first quarter of 2021 compared to a net loss of \$31 million for the first quarter of 2020. The increase in the first quarter was primarily a result of a decrease in policy liabilities for segregated fund guarantees due to favourable equity market and interest rate movements.

Consolidated comprehensive income for the first quarter of 2021 was \$416 million or \$114.05 per common share compared to a net loss of \$678 million or \$174.12 per common share for the first quarter of 2020. Other comprehensive loss ("OCL") was \$50 million in 2021 compared to \$15 million in 2020. The increase in OCL was primarily due to higher unrealized fair value losses on available for sale ("AFS") investments, partially offset by a gain on the remeasurement of post-employment defined benefit plans. The loss on these components of OCI was primarily due to increases in interest rates and declines in credit spreads during the first quarter of 2021.

Normal course issuer bid

On March 4, 2021, the Company obtained approval from the TSX to renew its normal course issuer bid ("NCIB") to purchase up to 185,428 Common Shares between March 9, 2021 and March 8, 2022. Daily purchases (other than pursuant to a block purchase exemption) on the TSX under the NCIB are limited to 1,000 Common Shares. The price that the Company pays for the Common Shares is the prevailing market price at the time of acquisition.

During the first quarter of 2021, 100 Common Shares were purchased under the NCIB at a price of \$987.00 per share.

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 2021	Q4 2020	Q1 2020
E-L Financial shareholders' equity	\$ 6,882	\$ 6,474	\$ 5,409
Less: First preference shares	(300)	(300)	(300)
	6,582	6,174	5,109
Adjustments for investments in associates not carried at fair value:			
Carrying value	(346)	(245)	(240)
Fair value ⁽¹⁾	403	344	240
	57	99	—
Non-controlling interest and deferred tax	(10)	(23)	—
	47	76	—
Net equity value	\$ 6,629	\$ 6,250	\$ 5,109
Common Shares ⁽²⁾ outstanding at period end	3,708,734	3,708,834	3,878,935
Net equity value per common share^{(2) (3)}	\$ 1,787.15	\$ 1,684.93	\$ 1,317.07

⁽¹⁾ Based on quoted market prices

⁽²⁾ Common Shares includes Series A Convertible Preference Shares

⁽³⁾ See non-GAAP measures

The Common Shares outstanding for Q1 2021 and Q4 2020 are lower compared to Q1 2020 amounts due to shares acquired as part of the Company's NCIB and the substantial issuer bid completed in December of 2020.

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*
	\$	%
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
2020	1,684.93	15.4
Year to date		
March 31, 2021	1,787.15	6.1
Compounded annual growth in net equity value*		
2011 - 2020 - 10 years		9.3
1969 - 2020 - Since inception		12.8

* This chart was drawn from the individual annual reports and has not been restated for any subsequent changes in accounting policies. Net equity value amounts are reduced by deferred income tax liabilities on net unrealized investment gains.

Summary of quarterly results

The following table summarizes the quarterly results:

<i>(millions of dollars, except per share amounts)</i>	2021				2020			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue								
Net (loss) gain on investments ⁽¹⁾	\$ (406)	\$ 629	\$ 221	\$ 1,273	\$ (1,129)	\$ 139	\$ 163	\$ 209
Net premium income	225	221	221	202	216	229	218	225
Investment and other income	185	185	173	177	176	178	186	200
Associates ⁽²⁾	107	28	6	29	(92)	10	4	7
Total	\$ 111	\$ 1,063	\$ 621	\$ 1,681	\$ (829)	\$ 556	\$ 571	\$ 641
Net income (loss) ⁽³⁾	\$ 466	\$ 510	\$ 201	\$ 452	\$ (663)	\$ 293	\$ 101	\$ 42
Earnings (loss) per common share								
- basic	\$ 127.90	\$ 136.42	\$ 52.88	\$ 119.36	\$ (170.26)	\$ 73.68	\$ 24.61	\$ 9.70
- diluted	\$ 114.96	\$ 124.11	\$ 48.71	\$ 108.83	\$ (170.26)	\$ 67.58	\$ 23.26	\$ 9.70

⁽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 2021 decreased compared to the prior quarter but increased compared to the first quarter of 2020, with fluctuations mainly due to the impact of the net gain (loss) on investments. The fair value change in fair value through profit and loss ("FVTPL") investments have experienced significant movement over the past year, reflecting volatility in both the bond and equity markets.

Net premiums for the first quarter of 2021 increased relative to the fourth and first quarters of 2020. Net premiums were 4% higher compared to the first quarter of 2020, primarily due to growth in the Individual Insurance and Employee Benefits lines.

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:

Period ended March 31 (millions of dollars)	E-L Financial (non- consolidated)	United	Empire Life	Consolidation adjustments	E-L Financial Consolidated	
					2021	2020
Cash flows from:						
Operating activities	\$ 26	\$ 9	\$ 66	\$ (24)	\$ 77	\$ 35
Financing activities	(9)	(4)	180	14	181	(70)
Investing activities	(43)	26	(153)	10	(160)	100
(Decrease) increase in cash and cash equivalents	(26)	31	93	—	98	65
Cash and cash equivalents, beginning of the period	171	68	189	—	428	303
Cash and cash equivalents, end of the period	\$ 145	\$ 99	\$ 282	\$ —	\$ 526	\$ 368

The increase in cash provided from operating activities in 2021 relative to 2020 reflects the increase in cash earnings during 2021 compared to the prior year. For Empire Life, cash flows from operating activities include insurance premiums, net investment income and fee income. These funds are primarily used to pay policy benefits, commissions, operating expenses and policyholder dividends.

The increase in cash provided from financing activities in 2021 relative to 2020 was primarily due to Empire Life's issuance of Limited Recourse Capital Notes ("LRCN") in the first quarter of 2021. During the first quarter of 2020, \$47 million in cash was used to purchase the Company's Common Shares under the NCIB.

Cash used for investing activities increased in 2021 relative to 2020 primarily due to changes made to E-L Corporate's investment managers during January of 2021 which contributed to a significant increase in the investment portfolio turnover, combined with Empire Life investing the proceeds from the issuance of the LRCN during the first quarter of 2021.

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).

<i>(millions of dollars)</i>	2021	2020
Cash flows from:		
Operating activities		
Dividends from subsidiaries	\$ 2	\$ 2
Dividends and interest	32	18
Expenses and taxes, net of other income	(8)	(7)
	26	13
Financing activities		
Cash dividends	(9)	(9)
Share purchases	—	(47)
Interest paid on borrowings	—	(1)
	(9)	(57)
Investing activities		
Purchases of investments	(200)	(107)
Proceeds from sales of investments	121	181
Net sales of short-term investments	—	13
Dividends from associates	36	4
	(43)	91
(Decrease) increase in cash and cash equivalents	(26)	47
Cash and cash equivalents, beginning of the year	171	125
Cash and cash equivalents, end of the year	\$ 145	\$ 172

During 2021, the non-consolidated cash and cash equivalents of E-L Financial decreased by \$26 million.

Operating cash flows for 2021 increased compared with the prior period due to higher dividends received in the first quarter of 2021. The movement in financing cash flows are due to the reasons noted above.

Cash flows from investment activities in 2021 showed increased investment trading activity compared to the first quarter of 2020. Dividends received from associates in 2021 included a special dividend paid by Algoma.

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

Novel Coronavirus (or COVID-19)

The continued worldwide spread of novel coronavirus (or COVID-19) continues to impact international business operations, supply chains, travel, commodity prices, consumer confidence and business forecasts. This has created increased uncertainty and volatility which will impact the performance and expected returns of the investment portfolios.

The Company continues to adjust operations as government restrictions and measures evolve. As the impacts of the COVID-19 pandemic continue to materialize, management is monitoring the developments in equity markets generally, and in connection with the Company's investment portfolios in particular.

To date, the Company has taken proactive measures through business continuity plans, carefully planning the return to premises for some employees. Processes supporting ongoing systems availability, stability and security are operating effectively and the Company continues to monitor the threat landscape.

The duration and impacts of the COVID-19 outbreak cannot currently be determined. If the COVID-19 pandemic is prolonged, or further diseases emerge that give rise to similar effects, there may be further negative effects on economies as well as increased volatility in equity markets. Unexpected developments in financial markets, regulatory environments, may also have adverse impacts on the Company's financial results.

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, 2021, investments - corporate had aggregate investments of \$6.0 billion, comprised primarily of common shares and units of investment funds, compared to aggregate investments at December 31, 2020 of \$5.7 billion. The fair value of investments - corporate is summarized in the table below:

<i>(millions of dollars)</i>	March 31 2021	December 31 2020
Preferred shares	\$ 1	\$ 1
Common shares and units		
Canada and U.S.	3,977	3,491
Europe and United Kingdom	776	1,171
Emerging Markets	743	501
Japan	425	488
Other	51	37
Total	5,972	5,688
Total invested assets	\$ 5,973	\$ 5,689

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

<i>(millions of dollars)</i>	2021	First quarter 2020
Revenue		
Net gain on investments	\$ 230	\$ (769)
Investment and other income	40	29
Share of associates income (loss)	106	(92)
	376	(832)
Operating expenses	11	7
Income taxes	43	(111)
Non-controlling interests	12	(96)
	66	(200)
Net income (loss)	310	(632)
(OCL) OCI, net of taxes	2	3
Comprehensive income (loss)	\$ 312	\$ (629)

E-L Corporate reported a net gain on investments of \$230 million in the first quarter of 2021 compared to a net loss of \$769 million for the first quarter of 2020. The pre-tax total return on investments including dividend income was 5% for the first quarter of 2021 compared to a pre-tax total return on investments of negative 14% for the first quarter of 2020. The international emergence and spread of COVID-19 in 2020 resulted in a significant decline in global stock markets in the first quarter of 2020.

Share of associates income

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

<i>(millions of dollars)</i>	First quarter ⁽¹⁾	
	2021	2020
Algoma	\$ 87	\$ (59)
Economic	19	(33)
	\$ 106	\$ (92)

⁽¹⁾ Includes a \$103 million impairment reversal (Q1 2020 - an impairment write down of \$63 million).

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 net income for the first quarter of 2021 was mainly as a result of a \$95 million reversal of impairment write downs. The previously recognized impairment write downs were reversed as the investment's recoverable amount subsequently increased and there was a significant indication that the circumstances that led to the initial recognition of the impairment loss had improved. Excluding the impairment reversal, Algoma results for the first quarter of 2021 improved over the prior year, primarily due to a strong performance from Global Short Sea Shipping business segment.

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 4% in the first quarter 2021 compared to a negative pre-tax total return of 13% return in the first quarter of 2020.

The ownership interests, carrying value and fair value of E-L Corporate's investment in associates is summarized in the table below:

	March 31, 2021			December 31, 2020		
	Ownership	Carrying value	Fair value	Ownership	Carrying value	Fair value
Algoma	37.4 %	\$ 186	\$ 243	37.4 %	\$ 98	\$ 197
Economic	24.1 %	160	160	24.1 %	147	147
Total		\$ 346	\$ 403		\$ 245	\$ 344

Algoma and Economic are Canadian public companies for which further information is publicly available.

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, 2021, 57% (December 31, 2020 - 50%) of the investment - corporate including cash and cash equivalents was denominated in U.S. dollars, 6% (December 31, 2020 - 10%) in Euros and 7% (December 31, 2020 - 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:

	First quarter	
<i>(millions of dollars)</i>	2021	2020
Empire Life common shareholders’ net income	\$ 157	\$ (32)
Non-controlling interests	1	(1)
Net income, contribution to E-L Financial	\$ 156	\$ (31)
Empire Life return on common shareholders’ equity (trailing four quarters)	20.3 %	6.5 %

Empire Life reported first quarter common shareholders’ net income of \$157 million for 2021, compared to a net loss of \$32 million for the first quarter of 2020. The increase in first quarter earnings was primarily a result of a decrease in policy liabilities for segregated fund guarantees due to favourable market and interest rate movements.

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 2021 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 the impact of COVID-19 related factors on Empire Life’s financial results is described in the sections that follow, during a time of increased uncertainty and volatility we expect these events will continue to have an impact on Empire Life’s performance in the near term.

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

For the three months ended March 31 <i>(millions of dollars)</i>	Wealth Management		Employee Benefits		Individual Insurance		Capital and Surplus		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Expected profit on in-force business	\$ 29	\$ 33	\$ 6	\$ 6	\$ 13	\$ 16			\$ 48	\$ 55
Impact of new business	(5)	(3)	(2)	(2)	7	(1)			—	(6)
Experience gains (losses)	150	(132)	(5)	(1)	5	5			150	(128)
Management actions and changes in assumptions	(1)	—	—	—	10	22			9	22
Earnings (loss) on operations before income taxes	174	(102)	—	3	35	41	—	—	208	(57)
Earnings on surplus	—	—	—	—	—	—	6	18	6	18
Income (loss) before income tax	174	(102)	—	3	35	41	6	18	215	(39)
Income taxes	45	(28)	—	1	8	11	1	4	54	(11)
Empire Life's shareholders' net income (loss)	\$ 129	\$ (74)	\$ (1)	\$ 2	\$ 27	\$ 30	\$ 5	\$ 14	\$ 161	\$ (28)
Dividends on preferred shares ⁽¹⁾									(3)	(3)
Empire Life common shareholders' net income (loss)									\$ 157	\$ (32)

⁽¹⁾ Includes preference share dividends to E-L Financial

The expected profit on in-force business decreased by 13% for the first quarter, primarily driven by the Wealth Management and Individual Insurance lines.

The impact of new business improved in the first quarter of 2021, primarily due to profit at issue in the Individual Insurance line, partially offset by increased strain at issue in the Wealth Management line compared to overall strain from new business in the first quarter of 2020. The impact of new business on the Individual Insurance line is positive, creating profit at issue, 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 in the first quarter of 2021 were primarily driven by a reduction in policy liabilities for segregated fund benefit guarantees compared to an experience loss from a strengthening of these guarantee liabilities in the first quarter of 2020.

Management actions and changes in assumptions were driven by management's ongoing activities to improve the matching of assets of liabilities contributing to positive net income gains in the Individual Insurance line, although these gains were lower in the first quarter of 2021 relative to the same period in 2020.

Earnings on surplus declined for the first quarter, primarily due to lower unrealized fair value gains on the Empire Life's equity hedging program relative to the same period in 2020.

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 2021 and 2020. 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	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Revenue										
Net premiums	\$ 23	\$ 27	\$ 96	\$ 91	\$ 106	\$ 97	\$ —	\$ —	\$ 225	\$ 216
Fee income	63	62	3	3	—	—	—	—	66	65
Investment income	10	10	1	1	54	53	16	17	80	81
Net (losses) gains on investments ⁽¹⁾	(18)	(55)	(6)	(3)	(607)	(305)	(6)	4	(636)	(360)
	78	44	94	93	(447)	(155)	9	21	(265)	2
Expenses										
Benefits and expenses	(96)	145	92	88	(487)	(192)	3	4	(488)	44
Income and other taxes	45	(28)	3	3	11	12	1	4	60	(9)
	(51)	117	95	91	(476)	(180)	4	8	(428)	35
Net income (loss) after tax	\$ 129	\$ (74)	\$ (1)	\$ 2	\$ 29	\$ 25	\$ 6	\$ 13	\$ 163	\$ (33)
Participating policyholders' portion									2	(5)
Dividends on preferred shares									3	3
Empire Life's common shareholders' net income (loss)									157	(32)
Non-controlling interests in net income (loss)									1	(1)
Net income (loss) attributable to owners of E-L Financial									\$ 156	\$ (31)

⁽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>	First quarter	
	2021	2020
Fixed Annuities		
Assets under management	\$ 912	\$ 891
Gross sales	23	27
Net sales	(13)	(8)
Segregated Funds		
Assets under management	8,654	7,051
Gross sales	269	243
Net sales	(101)	(81)
Fee income	62	61
Net Premiums	\$ 23	\$ 27
Net income (loss) after tax	\$ 129	\$ (74)

Fixed annuities assets under management were 2% higher relative to the same period in 2020. Gross sales in the first quarter were 15% lower compared to the same period in 2020.

Segregated fund assets under management are higher relative to the same period in 2020, reflecting the rebound in equity markets from the lows experienced in March 2020. For the first quarter of 2021, gross sales were 11% higher than the same period in 2020.

Segregated fund fee income was 1% higher compared to the first quarter of 2020 basis as higher average assets impacted fee revenues. Fee income from segregated funds is calculated daily for most products.

This line had net income of \$129 million for the quarter compared to a net loss of \$74 million for the first quarter in 2020, primarily as a result of the changes 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 <i>(millions of dollars)</i>	First quarter	
	2021	2020
Core	\$ 19	\$ 13
Other	6	17
Annualized premium sales	\$ 26	\$ 30
Net premiums	96	91
Net income (loss) after tax	\$ (1)	\$ 2

Total annualized premium sales decreased in the first quarter compared to the same period in 2020, primarily due to a large block transfer from a new strategic distribution partner. Empire Life continues to increase sales of its core products in the small to medium-sized business market and to enter into strategic partnerships to expand market share.

Net premiums for the first quarter increased by 5% relative to the same period in 2020 primarily from growth in Empire Life's core group benefits offerings. 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 first quarter declined compared to 2020 primarily due unfavourable claims experience for long-term disability benefits.

Product line results - Individual Insurance

Key Operating Results <i>(millions of dollars)</i>	First quarter	
	2021	2020
Shareholders'		
Annualized premium sales	\$ 10	\$ 5
Net premiums	73	68
Net income after tax	27	30
Policyholders'		
Annualized premium sales	5	3
Net premiums	33	30
Net income (loss) after tax	2	(5)
Net income after tax	\$ 29	\$ 25

Shareholders' annualized premium sales increased by 103% in the first quarter compared to the same period in 2020, primarily from increases in sales of Empire Life's term products. Policyholders' annualized premium sales increased 37% in the first quarter. Shareholders' net premiums were 7% higher and policyholders' net premiums were 12% higher in the first quarter reflecting recent strength in policyholders' new premium sales.

Shareholders' net income for this product line was \$27 million for the first quarter of 2021 compared to \$30 million for the same period in 2020. The reduction in the favourable impact on policy liabilities from

asset mix changes in the portfolio of investments supporting this line more than offset the more favourable impact of new business issue strain in 2021 compared to 2020.

Results - Capital and Surplus

<i>(millions of dollars)</i>	First quarter	
	2021	2020
Income (loss) from investments	\$ 17	\$ (11)
(Losses) gains on hedging instrument	(8)	33
Interest and other expenses	(3)	(4)
Earnings before income taxes	6	18
Income taxes	1	4
Net income after tax shareholders' portion	\$ 5	\$ 14
Net loss after tax policyholders' portion	—	(1)
Net income after tax	\$ 6	\$ 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 first quarter of 2021 increased primarily due to unrealized losses on preferred share assets valued as FVTPL in the first quarter of 2020 in this segment. In addition, Empire Life experienced losses on the hedging program (discussed in the Risk Management section) in the first quarter of 2021 compared to a gain in the first quarter of 2020, primarily related to rising Canadian equity markets in the current year.

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, preferred shares and limited recourse capital notes are as follows:

<i>(millions of dollars)</i>	Date Issued	Earliest redemption date	Interest rate	Face amounts as at	
				March 31 2021	December 31 2020
Subordinated debentures					
Series 2016-1 ⁽¹⁾	December 2016	December 16, 2021	3.383 %	\$ 200	\$ 200
Series 2017-1 ⁽²⁾	September 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 the 3-month CDOR.

<i>(millions of dollars)</i>	Date Issued	Earliest redemption date	Yield	As at	
				March 31 2021	December 31 2020
Preferred Shares and Other Equity Instruments					
Preferred shares, Series 1	January 2016	April 17, 2021	5.75 %	\$ 150	\$ 150
Preferred shares, Series 2	November 2017	January 17, 2023	4.90 %	\$ 100	\$ 100
Limited Recourse Capital Notes, Series 1	February 2021	April 17, 2026	3.625 %	\$ 200	\$ —

On February 17, 2021, Empire Life completed an offering of \$200 million aggregate principal 3.625% Limited Recourse Capital Notes Series 1 ("Notes"). In connection with the issuance of the Notes, Empire Life issued Non-Cumulative 5-Year Fixed Rate Reset Preferred Shares, Series 5 (Preferred Shares Series 5) to be held by a trustee for a newly formed trust. In case of non-payment of interest on or principal of the Notes when due, the recourse of each Note holder will be limited to that holder's proportionate share of the Limited Recourse Trust's assets, which will consist of the Preferred Shares Series 5 except in limited circumstances. The purpose of the sale of the Notes is to enlarge Empire Life's

Tier 1 capital base with a view to optimizing Empire Life's capital structure within the parameters prescribed by the Office of the Superintendent of Financial Institutions for regulatory capital requirements.

On April 17, 2021, Empire Life redeemed all of the outstanding Preferred Shares, Series 1 at the price of \$25.00 per share for an aggregate total of \$149.5 million plus declared dividends.

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 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, 2021, the Total Ratio and Core Ratio increase significantly from December 31, 2020 primarily due the additional capital provided by the issuance of Limited Recourse Capital Notes and the significant decrease in policy liabilities and regulatory capital supporting segregated fund benefit guarantees.

Subsequent to the date of this MD&A, on April 17, 2021, Empire Life redeemed all of the Series 1 Preferred Shares for aggregated total of \$149.5 million. The LICAT Total Ratio and Core Ratio as at March 31, 2021 would have been 142% and 102%, respectively, excluding the Series 1 Preferred Shares.

LICAT (millions of dollars)	Mar 31 2021	Dec 31 2020	Sep 30 2020	Jun 30 2020	Mar 31 2020
Available capital					
Tier 1	\$ 1,908	\$ 1,623	\$ 1,544	\$ 1,527	\$ 1,435
Tier 2	664	677	703	710	671
Total	\$ 2,572	\$ 2,300	\$ 2,247	\$ 2,237	\$ 2,106
Surplus allowance and eligible deposits	\$ 1,121	\$ 1,156	\$ 1,111	\$ 1,094	\$ 1,029
Base solvency buffer	\$ 2,503	\$ 2,541	\$ 2,542	\$ 2,510	\$ 2,371
LICAT Total Ratio	148 %	136 %	132 %	133 %	132 %
LICAT Core Ratio	108 %	96 %	91 %	91 %	91 %

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 the 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.

Significant developments

Commencing in the first quarter of 2020, the spread of the COVID-19 pandemic, given its severity and scale, continues to affect Empire Life's business, some of our clients and also continues to pose risks to the Canadian economy. Empire Life continues to adjust operations as government restrictions and measures evolve. As the impacts of the COVID-19 pandemic continue to materialize, management is monitoring the effects of the disruption on Empire Life's business strategies and initiatives and the effects on its financial results.

The COVID-19 pandemic has and may continue to result in disruptions to clients and the way in which business is conducted, including prolonged duration of employees working from home. To date, Empire Life has taken proactive measures through business continuity plans, carefully planning the return to premises for some employees, and management teams have increased their efforts to preserve the well-being of all employees and our ability to serve clients. Processes supporting ongoing systems availability, stability and security are operating effectively and Empire Life continues to monitor the threat landscape.

The duration and impacts of the COVID-19 outbreak cannot currently be determined. If the COVID-19 pandemic is prolonged, or further diseases emerge that give rise to similar effects, there may be further negative effects on the Canadian economy as well as increased volatility in equity and fixed income markets. Unexpected developments in financial markets, regulatory environments, or consumer behaviour and confidence may also have adverse impacts on Empire Life's financial results and condition, and business.

Market risk

Empire Life has equity market risk related to its segregated fund products and from equity assets backing life insurance liabilities. Empire Life has a semi-static hedging program. The objective of the hedging program is to partially protect Empire Life from future regulatory ("LICAT") ratio declines that might result from adverse stock market prices. 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 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. For the first quarter, Empire Life experienced a loss of \$6 million after tax primarily due to rising Canadian equity markets. This compares to a hedge gain of \$24 million after tax for the comparable period in 2020.

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, 2021, Empire Life had \$8.7 billion of segregated fund assets and liabilities. Of this amount, approximately \$8.4 billion have guarantees. The following table provides a percentage breakdown by type of guarantee:

	March 31 2021	December 31 2020
Percentage of segregated fund liabilities with:		
75% maturity guarantee and a 75% death benefit guarantee	6 %	6 %
75% maturity guarantee and a 100% death benefit guarantee	44 %	44 %
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, 2021 and December 31, 2020, the sensitivity of Empire Life shareholders' net income and LICAT Total 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, 2021					
Segregated fund guarantees	\$ —	\$ —	\$ (11)	\$ (73)	\$ (194)
Other equity risk	40	19	(17)	(32)	(44)
Equity hedge	(10)	(5)	7	17	31
Total	\$ 30	\$ 14	\$ (22)	\$ (89)	\$ (208)
As at December 31, 2020					
Segregated fund guarantees	\$ 108	\$ 104	\$ (13)	\$ (86)	\$ (220)
Other equity risk	37	18	(16)	(29)	(78)
Equity hedge	(8)	(4)	5	12	20
Total	\$ 137	\$ 117	\$ (23)	\$ (103)	\$ (278)

Sensitivity to equity risk	Increase		Decrease		
	20%	10%	10%	20%	30%
Impact on LICAT					
As at March 31, 2021					
Segregated fund guarantees	13%	7%	(1)%	(6)%	(14)%
Other equity risk	—%	1%	1%	—%	—%
Equity hedge	(1)%	(1)%	1%	2%	2%
Total	12%	7%	—%	(4)%	(11)%
As at December 31, 2020					
Segregated fund guarantees	6%	5%	(1)%	(8)%	(16)%
Other equity risk	—%	—%	—%	—%	(1)%
Equity hedge	(1)%	—%	—%	1%	1%
Total	6%	5%	—%	(7)%	(16)%

Empire Life's equity market sensitivity in a 20% and 30% stock market decline decreased primarily as a result of the improvement in equity markets and the increase in bond yields during the first quarter of 2020. The segregated fund guarantee liability was reduced during the quarter as the value of withdrawal and guarantee benefits decreases when there is an increase in equity markets. This decreases 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		
<i>(millions of dollars)</i>								
March 31, 2021	\$ 2,642	\$ 842	\$ 46	\$ 2	\$ 404	\$ 6	\$ —	\$ 660
December 31, 2020	\$ 2,687	\$ 931	\$ 52	\$ 2	\$ 654	\$ 12	\$ 147	\$ 682

The first six columns of the above table show all segregated fund policies where the future withdrawal benefit, future maturity guarantee, or future death benefit guarantee is greater than the fund value. The amount at risk represents the excess of the future withdrawal benefit, future maturity guarantee or future death benefit guarantee amount over the fund value for these policies. The withdrawal benefit amounts in the above table relate to GMWB products. The GMWB withdrawal benefit amount at risk represents the amount that could be paid by Empire Life to GMWB policyholders if the net return on each GMWB policyholder's assets is zero for the remainder of each GMWB policyholder's life, based on life expectancy. As at March 31, 2021, the aggregate amount at risk for all three categories of risk was \$0.8 billion. As at December 31, 2020, the aggregate amount at risk for these three categories of risk was \$946 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 the assumed initial reinvestment rate ("IRR") for non-participating insurance business and segregated fund guarantees for March 31, 2021 and December 31, 2020, 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, 2021 LICAT total ratio	1%
December 31, 2020 LICAT total ratio	3%