

REPORT ON E-L FINANCIAL CORPORATION LIMITED

The following Management's Discussion and Analysis ("MD&A") of the operating results and financial condition of E-L Financial Corporation Limited ("E-L Financial" or the "Company") for the second quarter of 2022 should be read in conjunction with the MD&A for the year ended December 31, 2021, the Company's annual audited consolidated financial statements and the notes related thereto, the quarterly unaudited interim condensed consolidated financial statements and notes contained in this report, as well as, the Company's MD&A and unaudited interim condensed financial statements for the quarters of 2021 and the previous quarter of 2022. 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 August 9, 2022.

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 weighted 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 risk, 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 and risk relating to the COVID-19 pandemic. 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.

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 other specified 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 is not prescribed under GAAP and a comparable measure under GAAP is not available. Empire Life calculates this measure as 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>	June 30	December 31
	2022	2021
General fund assets	\$ 8,621	\$ 10,274
Segregated fund assets	8,234	9,257
Total Empire Life assets	16,855	19,531
Mutual fund assets	95	114
Total assets under management	\$ 16,950	\$ 19,645

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 52.8% interest in a closed-end investment corporation, United Corporations Limited ("United") which is listed on the Toronto Stock Exchange. United is an investment vehicle for long-term growth through investments in common equities. The invested assets and operations of United are consolidated and included in the E-L Corporate segment. In addition, E-L Corporate has two significant investments in associates which includes a 37.4% interest in Algoma Central Corporation ("Algoma") and a 24.2% interest in Economic Investment Trust Limited ("Economic"). Algoma and Economic are accounted for using the equity method.

The Company's investment in Empire Life (99.4% interest) is consolidated by E-L Financial. The Empire Life operating segment underwrites life and health insurance policies and provides segregated funds, mutual funds and annuity products.

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

Overview of results attributable to shareholders of E-L Financial

E-L Financial consolidated (millions of dollars)	Second quarter		Year to date	
	2022	2021	2022	2021
Contribution to net (loss) income				
E-L Corporate ⁽¹⁾	\$ (473)	\$ 210	\$ (747)	\$ 519
Empire Life ⁽²⁾	34	31	72	188
Net (loss) income	(439)	241	(675)	707
Other comprehensive (loss) income ⁽²⁾	(85)	21	(171)	(29)
Comprehensive (loss) income	\$ (524)	\$ 262	\$ (846)	\$ 678

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

E-L Corporate (millions of dollars)	Second quarter		Year to date	
	2022	2021	2022	2021
Revenue				
Net (loss) gain on investments ⁽³⁾	\$ (697)	\$ 264	\$ (1,159)	\$ 494
Investment and other income	34	33	60	73
Share of associates income	2	14	5	119
	(661)	311	(1,094)	686
Operating expenses	9	14	19	25
Income taxes	(86)	41	(145)	84
Non-controlling interests	(111)	46	(221)	58
	(188)	101	(347)	167
Net (loss) income	(473)	210	(747)	519
Other comprehensive income (loss), net of taxes ⁽¹⁾	2	(3)	2	1
Comprehensive (loss) income	\$ (471)	\$ 207	\$ (745)	\$ 520

Empire Life <i>(millions of dollars)</i>	Second quarter		Year to date	
	2022	2021	2022	2021
Revenue				
Net premiums	\$ 244	\$ 223	\$ 487	\$ 448
Net (loss) gain on investments ⁽³⁾	(814)	243	(1,603)	(392)
Investment income	84	85	167	164
Fee income	72	67	140	133
	(414)	618	(809)	353
Benefits and expenses	(462)	569	(913)	82
Income and other taxes	13	13	29	72
Non-controlling and participating policyholders' interests	1	5	3	11
	(448)	587	(881)	165
Net income	34	31	72	188
Other comprehensive (loss) income, net of taxes ⁽²⁾	(87)	24	(173)	(30)
Comprehensive (loss) income	\$ (53)	\$ 55	\$ (101)	\$ 158

⁽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 shareholder's net loss of \$439 million or \$123.75 per common share for the second quarter of 2022 compared to net income of \$241 million or \$65.47 per common share in 2021.

The net loss for the second quarter of 2022 is primarily due to a net loss on investments within the E-L Corporate segment of \$697 million in 2022 compared to a net gain of \$264 million in the prior year. E-L Corporate's global investment portfolio had pre-tax total return, including dividend income of negative 12% for the second quarter of 2022 compared to a pre-tax total return of positive 5% for the second quarter of 2021. Global equity markets have been negatively impacted by concerns around higher levels of inflation and rising interest rates.

The Empire Life segment reported net income of \$34 million in the second quarter of 2022 compared to \$31 million for the second quarter of 2021. The increase in second quarter earnings was primarily due to the favourable market impact of a positive yield curve offset by poor equity market performance.

E-L Financial reported a consolidated net loss of \$675 million or \$190.07 per common share for the first six months of 2022 compared to net income of \$707 million or \$193.37 per common share in 2021.

E-L Corporate reported a net loss of \$747 million for the first six months of 2022 compared to net income of \$519 million for the comparable period in 2021. The decrease in earnings was primarily due to a net loss on investments of \$1,159 million in 2022 compared to a net gain of \$494 million in 2021. E-L Corporate's global investment portfolio had a pre-tax total return, including dividend income, of negative 19% in the first six months of 2022 compared to a pre-tax total return of positive 9% in 2021.

Empire Life reported net income of \$72 million for the first six months of 2022 compared to \$188 million for the comparable period in 2021. The decrease in year to date earnings was primarily due to the non-recurring release of segregated fund guarantee related policy liabilities which occurred in the first quarter of 2021.

Consolidated comprehensive loss was \$524 million in the second quarter of 2022 or \$147.44 per common share compared to comprehensive income of \$262 million or \$71.30 per common share for the second quarter of 2021. Other comprehensive loss ("OCL") was \$85 million in the second quarter of 2022 compared to other comprehensive income ("OCI") of \$21 million in 2021. OCL increased in the second quarter of 2022 primarily due to higher unrealized fair value losses on Empire's AFS investments, partially offset by a gain on the remeasurement of the post-employment defined benefit plans. The loss on these components of OCL was primarily due to increases in interest rates and credit spreads during the second quarter of 2022.

Consolidated comprehensive loss for the first six months of 2022 was \$846 million or \$237.76 per common share compared to comprehensive income of \$678 million or \$185.35 per common share for 2021. OCL was \$171 million in 2022 compared to \$29 million in 2021. The increase in OCL is mainly due to the reasons noted above.

Normal course issuer bid

On March 4, 2022, the Company obtained approval from the TSX to renew its normal course issuer bid ("NCIB") to purchase up to 184,938 common shares between March 9, 2022 and March 8, 2023. 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 six months of 2022, 38,860 common shares were purchased under the NCIB at an average price of \$876.02 per share for a total consideration of \$34 million.

Net equity value per common share

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

<i>(millions of dollars, except per share amounts)</i>	Q2 2022	Q4 2021	Q2 2021
E-L Financial shareholders' equity	\$ 6,259	\$ 7,257	\$ 7,130
Less: First preference shares	(300)	(300)	(300)
	5,959	6,957	6,830
Adjustments for E-L Corporate's investments in associates not carried at fair value:			
Carrying value	(387)	(394)	(356)
Fair value ⁽¹⁾	381	412	390
	(6)	18	34
Non-controlling interest and deferred tax	5	(1)	(5)
	(1)	17	29
Net equity value	\$ 5,958	\$ 6,974	\$ 6,859
Common shares ⁽²⁾ outstanding at period end	3,662,774	3,701,634	3,708,734
Net equity value per common share^{(2) (3)}	\$ 1,626.33	\$ 1,884.08	\$ 1,849.61

⁽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 Q2 2022 are lower compared to Q4 and Q2 2021 due to shares acquired as part of the Company's NCIB program.

Growth in net equity value per common share

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 per common share and compounded annual growth in net equity value per common share is calculated as the change in net equity value per share for the respective period and includes dividends paid to common shareholders.

Annual	Net equity value per common share *	Growth*
	\$	%
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
2021	1,884.08	17.1
Year to date		
June 30, 2022	1,626.33	(12.1)
Compounded annual growth in net equity value per common share*		
2012 - 2021 - 10 years		13.2
1969 - 2021 - 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. See non-GAAP measures.

Summary of quarterly results

The following table summarizes the quarterly results:

<i>(millions of dollars, except per share amounts)</i>	2022				2021		2020	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue								
Net (loss) gain on investments ⁽¹⁾	\$ (1,510)	\$ (1,252)	\$ 562	\$ 9	\$ 507	\$ (406)	\$ 629	\$ 221
Net premium income	244	243	241	227	223	225	221	221
Investment and other income	190	176	189	178	184	185	185	173
Associates ⁽²⁾	2	4	15	23	14	107	28	6
Total	\$ (1,074)	\$ (829)	\$ 1,007	\$ 437	\$ 928	\$ 111	\$ 1,063	\$ 621
Net (loss) income ⁽³⁾	\$ (439)	\$ (236)	\$ 278	\$ 168	\$ 241	\$ 466	\$ 510	\$ 201
(Loss) earnings per common share								
- basic	\$ (123.75)	\$ (66.52)	\$ 75.82	\$ 45.47	\$ 65.47	\$ 127.90	\$ 136.42	\$ 52.88
- diluted	\$ (123.75)	\$ (66.52)	\$ 68.55	\$ 41.50	\$ 59.33	\$ 114.96	\$ 124.11	\$ 48.71

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

⁽²⁾ Share of income of associates

⁽³⁾ Attributable to shareholders

Quarterly trend analysis

The consolidated revenue and consolidated net income of the Company are expected to fluctuate on a quarterly basis given its two segments. In particular, equity market movements, changes in interest rates, underwriting results, policy liability discount rates and policy reserve adjustments are likely to cause fluctuations. Investment income includes dividend income earned by the Company. In general, dividends earned on investments outside North America peak in the second and fourth quarters of the year.

Revenue for the second quarter of 2022 decreased compared to the first quarter of 2022 and second quarter of 2021, with fluctuations mainly due to the impact of the net (loss) gain 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 and movements in interest rates.

Net premiums for the second quarter increased by 9% relative to the same period in 2021 due to growth in Empire Life's Group Solutions and Individual lines.

Liquidity and cash flows

The cash flow information, noted below, provides supplemental information that is considered useful in understanding the components within the cash flow statement on both a consolidated and non-consolidated basis.

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 June 30 (millions of dollars)	E-L Financial (non- consolidated)	United	Empire Life	Consolidation adjustments	E-L Financial Consolidated	
					2022	2021
Cash flows from:						
Operating activities	\$ 10	\$ 4	\$ 124	\$ (72)	\$ 66	\$ 141
Financing activities	(156)	(11)	(48)	71	(144)	4
Investing activities	(172)	8	(82)	1	(245)	(164)
(Decrease) increase in cash and cash equivalents	(318)	1	(6)	—	(323)	(19)
Cash and cash equivalents, beginning of the period	381	62	193	—	636	428
Cash and cash equivalents, end of the period	\$ 63	\$ 63	\$ 187	\$ —	\$ 313	\$ 409

The decrease in cash provided from operating activities in 2022 relative to 2021 reflects the decrease in cash earnings during 2022 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.

During the first six months of 2022, cash used for financing activities was primarily due to the payment of a special cash dividend of \$25.00 per common share in the second quarter of 2022 and \$34 million in share purchases under in NCIB program. In 2021 the cash provided from financing activities was mainly due to Empire Life's issuance of Limited Recourse Capital Notes ("LRCN") in the first quarter of 2021 partially offset by the redemption of Empire Life's Series 1 preferred shares during the second quarter of 2021.

Cash used for investment activities increased in 2022 relative to 2021 primarily due to changes made to E-L Corporate's investment managers during the first quarter of 2022 which contributed to a significant increase in the investment portfolio turnover. Investing activities for 2021 reflected Empire Life investing

the proceeds from the issuance of the LRCN combined with changes made to E-L Corporate's investment managers.

Non-consolidated cash flows of E-L Financial

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

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

Six months ended June 30	2022	2021
<i>(millions of dollars)</i>		
Cash flows from:		
Operating activities		
Dividends from subsidiaries	\$ 40	\$ 35
Dividends and interest	38	52
Expenses and taxes, net of other income	(68)	(13)
	10	74
Financing activities		
Cash dividends	(119)	(17)
Share purchases	(34)	—
Interest paid on borrowings	(3)	(4)
	(156)	(21)
Investing activities		
Purchases of investments	(605)	(290)
Proceeds from sales of investments	417	189
Dividends from associates	16	38
	(172)	(63)
Decrease in cash and cash equivalents	(318)	(10)
Cash and cash equivalents, beginning of the period	381	171
Cash and cash equivalents, end of period	\$ 63	\$ 161

During 2022, the non-consolidated cash and cash equivalents of E-L Financial decreased by \$318 million.

Operating cash flows for 2022 decreased compared with the prior year mainly due to higher income taxes paid in the first quarter on the 2021 realized gains.

The increase in cash used for financing activities for 2022 was mainly due to a special cash dividend of \$25.00 per common share paid in the second quarter of 2022 and \$34 million in common shares purchased under the Company's NCIB program.

The movement in investing cash flows from the purchases and proceeds from sale of investments are due to the reasons noted above. Cash flows from dividends 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.

Significant Developments

The Russian war with Ukraine and the resulting sanctions have negatively impacted global economic growth forecasts. Further, the novel coronavirus (or COVID-19) continues to impact international business

operations, supply chains, travel, commodity prices, consumer confidence and business forecasts. These factors have led to higher levels of inflation and have created increased uncertainty and volatility, which impact the Company's investment portfolios.

Management is monitoring the developments in equity markets generally, and their effects on the Company's investment portfolios in particular. The duration and impacts of these events cannot currently be determined. Unexpected developments in financial markets and 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 June 30, 2022, investments - corporate had aggregate investments of \$5.2 billion, comprised primarily of common shares and units of investment funds, compared to aggregate investments at December 31, 2021 of \$6.4 billion. The fair value of investments - corporate is summarized in the table below:

<i>(millions of dollars)</i>	June 30 2022	December 31 2021
Preferred shares	\$ 3	\$ 3
Common shares and units		
Canada and U.S.	3,708	4,496
Europe and United Kingdom	808	852
Emerging Markets	422	722
Japan	217	293
Other	42	40
Total	5,197	6,403
Total invested assets	\$ 5,200	\$ 6,406

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

<i>(millions of dollars)</i>	Second quarter		Year to date	
	2022	2021	2022	2021
Revenue				
Net (loss) gain on investments	\$ (697)	\$ 264	\$ (1,159)	\$ 494
Investment and other income	34	33	60	73
Share of associates income	2	14	5	119
	(661)	311	(1,094)	686
Operating expenses	9	14	19	25
Income taxes	(86)	41	(145)	84
Non-controlling interests	(111)	46	(221)	58
	(188)	101	(347)	167
Net (loss) income	(473)	210	(747)	519
OCI (OCL), net of taxes	2	(3)	2	1
Comprehensive (loss) income	\$ (471)	\$ 207	\$ (745)	\$ 520

E-L Corporate reported a net loss of \$473 million in the second quarter of 2022 compared to net income of \$210 million in 2021. For the second quarter of 2022 there was a net loss on investments of \$697 million compared to a gain of \$264 million in 2021. E-L Corporate's global investment portfolio had pre-tax total return, including dividend income of negative 12% for the second quarter of 2022 compared to a positive 5% for the second quarter of 2021.

During the six months ended June 30, 2022, E-L Corporate reported a net loss on investments of \$1,159 million compared to a net gain of \$494 million in 2021. The Company's year to date pre-tax total return on

investments including dividend income was negative 19% compared to a pre-tax total return on investments of positive 9% in the prior year.

Investment and other income was slightly higher for the second quarter of 2022 compared to 2021 and 17% lower on year to date basis compared to prior year. Investment and other income consists primarily of dividend income received from E-L Corporate's investment portfolio. In general, dividend income is impacted by the composition of the investment portfolio and foreign exchange rates. Dividend income was impacted by changes in the global investment portfolio as a result of changes made to the investment portfolio managers completed during the fourth quarter of fiscal 2021.

Operating expenses have decreased for both the second quarter and year to date of 2022 compared to 2021, primarily attributable to lower investment management fees.

Share of associates income

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

<i>(millions of dollars)</i>	Second quarter ⁽¹⁾		Year to date ⁽¹⁾	
	2022	2021	2022	2021
Algoma	\$ 18	\$ 15	\$ 10	\$ 101
Economic	(16)	(1)	(5)	18
	\$ 2	\$ 14	\$ 5	\$ 119

⁽¹⁾ Includes a \$12 million impairment reversal (June 30, 2021 - \$97 million).

Algoma's net income for the second quarter of 2022 increased over 2021 due to improved performance in the Ocean Self-Unloader fleets, strong earnings from Global Short Sea Shipping and the sale of an investment property at the end of June. This was partially offset by the Domestic Dry-Bulk segment which incurred higher operating costs.

On a year to date basis, E-L Financial's income from Algoma decreased compared to the prior period largely due to a \$95 million reversal of impairment write downs in 2021. Excluding the impairment reversal, Algoma results increased for the first six months of 2022 compared with the prior year mainly due to the reasons noted above.

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 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 11% in the second quarter of 2022 compared to a positive return of 5% in the second quarter of 2021. On a year to date basis, Economic's global investment portfolio had a pre-tax total return, gross of fees, of negative 13% during 2022 compared to a positive return of 9% in 2021.

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

	June 30, 2022			December 31, 2021		
	Ownership	Carrying value	Fair value	Ownership	Carrying value	Fair value
Algoma	37.4 %	\$ 233	\$ 227	37.4 %	\$ 223	\$ 241
Economic	24.2 %	154	154	24.1 %	171	171
Total		\$ 387	\$ 381		\$ 394	\$ 412

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 June 30, 2022, 59% (December 31, 2021 - 59%) of the investment - corporate including cash and cash equivalents was denominated in U.S. dollars, 8% (December 31, 2021 - 6%) in Euros and 4% (December 31, 2021 - 5%) 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 11 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 equity 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 Group Solutions 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>	Second quarter		Year to date	
	2022	2021	2022	2021
Empire Life common shareholders’ net income	\$ 34	\$ 32	\$ 72	\$ 189
Non-controlling interests	—	1	—	1
Net income, contribution to E-L Financial	\$ 34	\$ 31	\$ 72	\$ 188
	Jun 30	Mar 31	Dec 31	Sep 30
	2022	2022	2021	2021
Empire Life return on common shareholders’ equity (trailing four quarters)	7.0 %	6.7 %	13.8 %	16.4 %

Empire Life reported second quarter common shareholders’ net income of \$34 million for 2022, compared to a net income of \$32 million for the second quarter of 2021. The increase in second quarter earnings was primarily a result of market condition; positive yield curve impacts offset by poor equity market performance. Year to date common shareholders net income was \$72 million compared to \$189 million in 2021, primarily due to the non-recurring release of segregated fund guarantee related policy liabilities which occurred in the first quarter of 2021.

The following tables provide a breakdown of the sources of earnings by business for the second quarter and year to date:

For the three months ended June 30	Wealth Management		Group Solutions		Individual Insurance		Capital and Surplus		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<i>(millions of dollars)</i>										
Expected profit on in-force business	\$ 35	\$ 29	\$ 7	\$ 6	\$ 11	\$ 14			\$ 53	\$ 49
Impact of new business	(3)	(3)	(2)	(4)	4	—			(1)	(6)
Experience (losses) gains	(9)	6	(6)	(2)	(21)	(8)			(36)	(4)
Management actions and changes in assumptions	—	—	—	—	17	5			17	5
Earnings (loss) on operations before income taxes	23	31	(1)	1	11	11	—	—	33	43
Earnings (loss) on surplus	—	—	—	—	—	—	11	(3)	11	(3)
Income (loss) before income tax	23	31	(1)	1	11	11	11	(3)	44	40
Income taxes	4	8	(2)	—	2	1	5	(2)	9	7
Empire Life’s shareholders’ net income (loss)	\$ 19	\$ 23	\$ 1	\$ 1	\$ 9	\$ 10	\$ 6	\$ (2)	\$ 35	\$ 33
Dividends on preferred shares ⁽¹⁾									(1)	(1)
Empire Life common shareholders’ net income									\$ 34	\$ 32

For the six months ended June 30 <i>(millions of dollars)</i>	Wealth Management		Group Solutions		Individual Insurance		Capital and Surplus		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Expected profit on in-force business	\$ 71	\$ 58	\$ 14	\$ 13	\$ 23	\$ 27			\$ 108	\$ 98
Impact of new business	(7)	(8)	(4)	(6)	7	7			(4)	(7)
Experience (losses) gains	(14)	156	(16)	(7)	(8)	(3)			(38)	146
Management actions and changes in assumptions	—	—	—	—	18	15			18	15
Earnings (loss) on operations before income taxes	50	206	(6)	—	40	46	—	—	84	252
Earnings on surplus	—	—	—	—	—	—	11	3	11	3
Income (loss) before income tax	50	206	(6)	—	40	46	11	3	95	255
Income taxes	11	53	(2)	—	8	9	4	(1)	21	62
Empire Life's shareholders' net income (loss)	\$ 39	\$ 152	\$ (4)	\$ —	\$ 32	\$ 38	\$ 7	\$ 4	\$ 74	\$ 194
Dividends on preferred shares ⁽¹⁾									(2)	(5)
Empire Life common shareholders' net income									\$ 72	\$ 189

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

Experience gains (losses) were significantly lower for the year to date in 2022 as the comparable period in 2021 included a non-recurring release of segregated fund guarantee related policy liabilities which occurred in the first quarter of 2021. Experience in 2022 included the impact of the current market conditions; poor equity market performance partially offset by positive yield curve impacts. In addition, line of business experience included increased expenses in the Wealth Management line from an enhanced commission program on large deposits, favourable mortality experience for Individual Insurance and the Wealth lines of business and poor Group Solutions experience, caused by both adverse LTD claim experience and the impact of inflation on pricing for Health and Dental lines.

Gains from management actions were higher than the comparable quarter in 2021 as the market conditions allowed duration matching improvements in the Individual Insurance line in the current period.

Earnings on surplus increased for the second quarter, primarily due to market impacts which caused realized gains on Available for Sale ("AFS") assets compared to realized losses on AFS assets for the same period in 2021.

The Life Insurance Capital Adequacy Test ("LICAT") Total Ratio was 139% at June 30, 2022 compared to 144% at December 31, 2021, well above the requirements set by the Office of the Superintendent of Financial Institutions Canada ("OSFI") as well as Empire Life's minimum internal target.

Results by major product line

The following tables provide a summary of Empire Life results by major product line for the second quarter and year to date. A discussion of results is provided in the Product Line section of the MD&A.

Three months ended June 30 (millions of dollars)	Wealth Management		Group Solutions		Individual Insurance		Capital & Surplus		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Revenue										
Net premiums	\$ 20	\$ 17	\$ 113	\$ 99	\$ 111	\$ 107	\$ —	\$ —	\$ 244	\$ 223
Fee income	61	64	4	3	—	—	6	—	71	67
Investment income	8	9	2	1	59	59	15	15	84	85
Net (loss) income on investments ⁽¹⁾	(39)	8	(8)	1	(769)	245	3	(12)	(813)	243
	50	98	111	105	(599)	411	24	4	(414)	618
Expenses										
Benefits and expenses	28	67	108	101	(611)	393	13	7	(462)	568
Income and other taxes	3	8	2	3	3	5	5	(2)	13	14
	31	75	110	104	(608)	398	18	5	(449)	582
Net income (loss) after tax	\$ 19	\$ 23	\$ 1	\$ 1	\$ 9	\$ 13	\$ 6	\$ (1)	\$ 35	\$ 36
Participating policyholders' portion									—	3
Dividends on preferred shares									1	1
Empire Life's common shareholders' net income									34	32
Non-controlling interests in net income									—	1
Net income attributable to owners of E-L Financial									\$ 34	\$ 31

Six months ended June 30 (millions of dollars)	Wealth Management		Group Solutions		Individual Insurance		Capital & Surplus		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Revenue										
Net premiums	\$ 43	\$ 41	\$ 222	\$ 195	\$ 222	\$ 213	\$ —	\$ —	\$ 487	\$ 448
Fee income	126	126	8	7	—	—	7	—	141	133
Investment income	16	19	3	1	117	113	31	31	167	164
Net loss on investments ⁽¹⁾	(84)	(9)	(19)	(5)	(1,493)	(361)	(8)	(18)	(1,604)	(393)
	101	177	214	199	(1,154)	(35)	30	13	(809)	353
Expenses										
Benefits and expenses	52	(29)	214	193	(1,199)	(93)	18	9	(915)	80
Income and other taxes	10	53	4	6	12	15	5	—	31	74
	62	24	218	199	(1,187)	(78)	23	9	(884)	154
Net income (loss) after tax	\$ 39	\$ 152	\$ (4)	\$ —	\$ 33	\$ 42	\$ 7	\$ 4	\$ 75	\$ 199
Participating policyholders' portion									1	5
Dividends on preferred shares									2	5
Empire Life's common shareholders' net income									72	189
Non-controlling interests in net income									—	1
Net income attributable to owners of E-L Financial									\$ 72	\$ 188

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

Product line results - Wealth Management

Key Operating Results <i>(millions of dollars)</i>	Second quarter		Year to date	
	2022	2021	2022	2021
Fixed Annuities				
Assets under management	\$ 746	\$ 905	\$ 746	\$ 905
Gross sales	20	17	43	41
Net sales	(1)	(8)	(2)	(21)
Segregated Funds				
Assets under management	\$ 8,234	\$ 8,966	\$ 8,234	\$ 8,966
Gross sales	200	212	462	481
Net sales	(48)	(30)	(78)	(132)
Fee income	61	64	126	126
Net income after tax	\$ 19	\$ 23	\$ 39	\$ 152

Fixed annuities assets under management were 18% lower relative to the same period in 2021. Gross sales in the second quarter were consistent with the same period in 2021.

Segregated fund assets under management are lower relative to the same period in 2021, reflecting the poor equity market conditions. For the second quarter of 2022, gross sales were 6% lower than the same period in 2021. Segregated fund fee income was comparable to the second quarter of 2021. Fee income from segregated funds is calculated daily for most products.

This line had net income of \$19 million for the quarter compared to a net income of \$23 million for the second quarter in 2021, primarily due to negative impacts of the equity market drop and increased expenses in the Wealth Management line from an enhanced commission program on large deposits. The guarantees on segregated funds are only payable if fund values are below the guaranteed values when the insurable event occurs.

Product line results - Group Solutions

Key Operating Results <i>(millions of dollars)</i>	Second quarter		Year to date	
	2022	2021	2022	2021
Core	\$ 15	\$ 24	\$ 30	\$ 43
Other	5	7	12	13
Annualized premium sales	\$ 20	\$ 31	\$ 42	\$ 57
Net premiums sales	\$ 113	\$ 99	\$ 222	\$ 195
Net income (loss) after tax	\$ 1	\$ 1	\$ (4)	\$ —

Total annualized premium sales decreased in the second quarter compared to the same period in 2021, primarily due to lower sales of Empire Life's core product offerings. Empire Life continues to focus on sales of its core products in the small to medium-sized business market while also entering into strategic partnerships to expand market share.

Net premiums for the second quarter increased by 14% relative to the same period in 2021 primarily from prior growth in Empire Life's core group benefits offerings. Empire Life continues to focus on profitable sales in the Group Solutions market where price competition and high inflation continues for all major product lines.

Net income for the second quarter decreased compared to 2021 primarily due to unfavourable claims experience for LTD and health benefits.

Product line results - Individual Insurance

Key Operating Results <i>(millions of dollars)</i>	Second quarter		Year to date	
	2022	2021	2022	2021
Shareholders'				
Annualized premium sales	\$ 8	\$ 9	\$ 14	\$ 20
Net premiums	73	72	147	145
Net income after tax	10	10	32	38
Policyholders'				
Annualized premium sales	\$ 4	\$ 4	\$ 8	\$ 9
Net premiums	38	35	75	68
Net income after tax	—	3	1	5
Net income after tax	\$ 10	\$ 13	\$ 33	\$ 42

Shareholders' annualized premium sales and Policyholders' annualized premium are similar to the same period in 2021. Total net income for this product line was \$33 million for year-to-date 2022 compared to \$42 million for the same period in 2021, poor equity market performance was partially offset by positive yield curve impacts and favourable mortality experience.

Results - Capital and Surplus

<i>(millions of dollars)</i>	Second quarter		Year to date	
	2022	2021	2022	2021
Income from investments	\$ 20	\$ 10	\$ 29	\$ 27
Gains (losses) on hedging instrument	4	(7)	1	(15)
Interest and other expenses	(13)	(6)	(18)	(9)
Earnings (losses) before income taxes	11	(3)	12	3
Income taxes	(5)	(2)	(5)	(1)
Net income (loss) after tax shareholders' portion	\$ 6	\$ (2)	\$ 6	\$ 4
Net income after tax policyholders' portion	—	—	1	1
Net income (loss) after tax	\$ 6	\$ (1)	\$ 7	\$ 4

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.

Net income increased in the second quarter of 2022 in the capital and surplus segment primarily due to realized gains on sales of fixed income assets recorded as AFS in this segment and higher interest expenses related to the issuance of Limited Recourse Capital Notes in February 2021.

Sources of capital

Empire Life has issued private and public securities to strengthen its capital position and fund new business growth. Details of 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	Yield	Face amounts as at	
				June 30 2022	December 31 2021
Subordinated debentures					
Series 2017-1 ⁽¹⁾	September 2017	March 15, 2023	3.664 %	\$ 200	\$ 200
Series 2021-1 ⁽²⁾	September 2021	September 24, 2026	2.024 %	\$ 200	\$ 200

⁽¹⁾ Unsecured Debentures due 2028. From March 15, 2023, interest is payable at 1.53% over the 3-month Canadian Deposit Offering Rate ("CDOR").

⁽²⁾ Unsecured Debentures due 2031. From September 24, 2026, interest is payable at 0.67% over the 3-month CDOR.

Preferred Shares and Other Equity Instruments				As at	
(millions of dollars)	Date Issued	Earliest redemption date	Yield	June 30 2022	December 31 2021
Preferred shares, Series 3	November 2017	January 17, 2023	4.900 %	\$ 100	\$ 100
Limited Recourse Capital Notes, Series 1	February 2021	April 17, 2026	3.625 %	\$ 200	\$ 200

The securities issued by Empire Life are rated by DBRS Limited ("DBRS"). DBRS has assigned the following ratings to Empire Life's securities:

Evaluation Type	Rating	Trend	Date of last rating action
Financial Strength Rating	A	Stable	May 30, 2022
Issuer Rating	A	Stable	May 30, 2022
Subordinated Debt	A(low)	Stable	May 30, 2022
Preferred Shares	Pfd-2	Stable	May 30, 2022
Limited Recourse Capital Notes	BBB(high)	Stable	May 30, 2022

Regulatory capital

The LICAT measures a 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 June 30, 2022, the Total Ratio and Core Ratio decreased from March 31, 2022 primarily due to decreases in OCI income and surplus allowances, both related to overall increased interest rates.

LICAT (millions of dollars)	Jun 30 2022	Mar 31 2022	Dec 31 2021	Sep 30 2021	Jun 30 2021
Available capital					
Tier 1	\$ 1,695	\$ 1,775	\$ 1,898	\$ 1,820	\$ 1,805
Tier 2	576	573	591	853	658
Total	\$ 2,271	\$ 2,348	\$ 2,489	\$ 2,673	\$ 2,463
Surplus allowance and eligible deposits	\$ 1,001	\$ 1,074	\$ 1,115	\$ 1,162	\$ 1,170
Base solvency buffer	\$ 2,363	\$ 2,410	\$ 2,508	\$ 2,561	\$ 2,536
LICAT Total Ratio	139 %	142 %	144 %	150 %	143 %
LICAT Core Ratio	101 %	105 %	107 %	103 %	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.

Significant Developments

The global economy saw a strong recovery through the first part of 2022 supported by gradual easing and reversal of public health restrictions, accommodating central bank monetary and fiscal policies, strong household and corporate balance sheets and large amounts of consumer demand. These factors have led to large increases in inflation which has triggered re-assessment of policy setting in many central banks, including Canada. Interest rates are now at levels not seen for over a decade. This combined with continuing supply side challenges has resulted in increased volatility across global markets through the second quarter of 2022. COVID risks remain, but many countries are now treating COVID as endemic, suggesting that further variants will be countered with far less stringent public health restrictions. Empire Life continues to adjust its operations, where necessary, as government restrictions and measures evolve.

The majority of employees continue to work from home and associated strategies continue to operate effectively. Return to office plans have been designed to be gradual and measured to ensure the health and safety of our employees. Processes are in place to monitor and maintain ongoing system availability, stability and security.

The outbreak of military hostilities in Ukraine poses a risk to the economic outlook. Empire Life is a closely held Canadian-owned life insurance company that only operates in Canada. As a result, Empire Life has little direct exposure to the emerging geopolitical situation but may be impacted by the resulting volatility in financial markets.

Continued economic and political uncertainty may give rise to increased business and strategic risks. In addition, adverse economic conditions often arise in conjunction with volatile and deteriorating market conditions which may have an adverse impact on customer behaviour, sales and future financial results.

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 price changes. 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 and, 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. For the second quarter, Empire Life experienced a gain of \$3 million after tax primarily due to declining Canadian equity markets. This compares to a hedge loss of \$5 million after tax for the comparable period in 2021.

Empire Life's LICAT ratio is also sensitive to stock market volatility, due primarily to liability and capital requirements related to segregated fund guarantees. As of June 30, 2022, Empire Life had \$8.2 billion of

segregated fund assets and liabilities. Of this amount, approximately \$8.0 billion have guarantees. The following table provides a percentage breakdown by type of guarantee:

	June 30 2022	December 31 2021
Percentage of segregated fund liabilities with:		
75% maturity guarantee and a 75% death benefit guarantee	8 %	7 %
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")	42 %	42 %

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 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 sensitivity test. 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 June 30, 2022 and December 31, 2021, 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 June 30, 2022					
Segregated fund guarantees	\$ 4	\$ 4	\$ (15)	\$ (112)	\$ (224)
Other equity risk	22	11	(9)	(16)	(36)
Equity hedge	(6)	(4)	8	22	42
Total	\$ 20	\$ 11	\$ (16)	\$ (106)	\$ (218)
As at December 31, 2021					
Segregated fund guarantees	\$ —	\$ —	\$ (10)	\$ (60)	\$ (189)
Other equity risk	40	19	(18)	(32)	(44)
Equity hedge	(2)	(2)	4	12	27
Total	\$ 38	\$ 18	\$ (24)	\$ (81)	\$ (206)

Sensitivity to equity risk	Increase		Decrease		
	20%	10%	10%	20%	30%
Impact on LICAT					
As at June 30, 2022					
Segregated fund guarantees	15%	7%	(3)%	(8)%	(15)%
Other equity risk	1%	—%	—%	—%	—%
Equity hedge	(2)%	(1)%	1%	1%	2%
Total	14%	6%	(2)%	(7)%	(13)%
As at December 31, 2021					
Segregated fund guarantees	11%	5%	(1)%	(7)%	(16)%
Other equity risk	—%	—%	1%	1%	—%
Equity hedge	(2)%	(1)%	1%	2%	3%
Total	9%	4%	1%	(4)%	(12)%

Empire Life's equity market sensitivity in a 20% and 30% stock market decline increased primarily as a result of poor equity market performance.

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)								
June 30, 2022	\$ 2,651	\$ 1,052	\$ 205	\$ 19	\$ 3,402	\$ 212	\$ 5	\$ 584
December 31, 2021	\$ 2,617	\$ 766	\$ 27	\$ 2	\$ 200	\$ 3	\$ —	\$ 658

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 Guaranteed Minimum Withdrawal Benefit ("GMWB") products. The GMWB withdrawal benefit amount at risk represents the amount that could be paid by Empire Life to GMWB policyholders if the net return on each GMWB policyholder's assets is zero for the remainder of each GMWB policyholder's life, based on life expectancy. As at June 30, 2022, the aggregate amount at risk for all three categories of risk was \$1,283 million. As at December 31, 2021, the aggregate amount at risk for these three categories of risk was \$770 million. For these three categories of risk, the amount at risk is not currently payable. Payment is contingent on future outcomes, including fund performance, deaths, deposits, withdrawals and maturity dates.

The level of policy liabilities and required regulatory capital in the above table is calculated based on the probability that Empire Life will ultimately have to make payment to the segregated fund policyholders for any fund value deficiency that may exist on future payments to GMWB policyholders, or upon future maturity of the segregated fund policies, or upon future death of the segregated fund policyholders.

In addition, Empire Life considers the sensitivity of its LICAT ratio to changes in market interest rates. The impact of an immediate 50 basis point decrease in interest rates and a 50 basis point decrease in

assumed initial reinvestment rate ("IRR") for non-participating insurance business and segregated fund guarantees for June 30, 2022 and December 31, 2021, is shown in the table below. This assumes no change in the ultimate reinvestment rate ("URR").

Sensitivity to market interest rates LICAT:	Impact of 50 bps decrease
June 30, 2022 LICAT total ratio	2%
December 31, 2021 LICAT total ratio	1%