

**REPORT ON E-L FINANCIAL CORPORATION LIMITED**

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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 2022 should be read in conjunction with E-L Financial's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2022, as well as the MD&A and the audited consolidated financial statements which form part of the E-L Financial 2021 Annual Report dated March 3, 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 May 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](http://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](http://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>	<b>March 31</b>	December 31
	<b>2022</b>	2021
General fund assets	\$ 9,440	\$ 10,274
Segregated fund assets	<b>9,046</b>	9,257
Total Empire Life assets	<b>18,486</b>	19,531
Mutual fund assets	<b>108</b>	114
<b>Total assets under management</b>	<b>\$ 18,594</b>	<b>\$ 19,645</b>

## 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	
	2022	2021
<b>Contribution to net (loss) income</b>		
E-L Corporate <sup>(1)</sup>	\$ (274)	\$ 310
Empire Life <sup>(2)</sup>	38	156
<b>Net (loss) income</b>	<b>(236)</b>	466
Other comprehensive loss <sup>(2)</sup>	(86)	(50)
<b>Comprehensive (loss) income</b>	<b>\$ (322)</b>	<b>\$ 416</b>

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

E-L Corporate (millions of dollars)	First quarter	
	2022	2021
Revenue		
Net (loss) gain on investments <sup>(3)</sup>	\$ (462)	\$ 230
Investment and other income	26	40
Share of associates income	3	106
	<b>(433)</b>	376
Operating expenses	10	11
Income taxes	(59)	43
Non-controlling interests	(110)	12
	<b>(159)</b>	66
<b>Net (loss) income</b>	<b>(274)</b>	310
Other comprehensive income, net of taxes <sup>(1)</sup>	—	2
<b>Comprehensive (loss) income</b>	<b>\$ (274)</b>	<b>\$ 312</b>

<b>Empire Life</b> <i>(millions of dollars)</i>	<b>First quarter</b>	
	<b>2022</b>	2021
Revenue		
Net premiums	\$ 243	\$ 225
Net loss on investments <sup>(3)</sup>	(790)	(636)
Investment income	82	80
Fee income	69	66
	<b>(396)</b>	(265)
Benefits and expenses	<b>(453)</b>	(486)
Income and other taxes	16	59
Non-controlling and participating policyholders' interests	3	6
	<b>(434)</b>	(421)
<b>Net income</b>	<b>38</b>	156
Other comprehensive loss, net of taxes <sup>(2)</sup>	<b>(86)</b>	(52)
<b>Comprehensive (loss) income</b>	<b>\$ (48)</b>	\$ 104

<sup>(1)</sup> Net of non-controlling interests

<sup>(2)</sup> Net of non-controlling interests and participating policyholders' amounts

<sup>(3)</sup> 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 \$236 million or \$66.52 per common share for the first quarter of 2022 compared to net income of \$466 million or \$127.90 per common share in 2021.

The net loss for the first quarter of 2022 is primarily due to a net loss on investments within the E-L Corporate segment of \$462 million in 2022 compared to a net gain of \$230 million in the prior year. E-L Corporate's global investment portfolio had pre-tax total return, including dividend income of negative 7% for the first quarter of 2022 compared to a pre-tax total return of positive 5% for the first quarter of 2021.

The Empire Life segment reported net income of \$38 million in the first quarter of 2022 compared to \$156 million for the first quarter of 2021. The decrease in first quarter earnings was primarily a result of a non-recurring release of segregated fund guarantee related policy liabilities which occurred in the first quarter of 2021. Excluding the impact of the release of these policy liabilities, net income in the first quarter of 2022 was lower primarily due to the unfavourable market impact on capital and surplus and lower net income from the Individual Insurance line.

Consolidated comprehensive loss was \$322 million in the first quarter of 2022 or \$90.52 per common share compared to comprehensive income of \$416 million or \$114.05 per common share for the first quarter of 2021. Other comprehensive loss ("OCL") was \$86 million in the first quarter of 2022 compared to \$50 million in 2021. OCL increased in the first quarter of 2022 primarily due to higher unrealized fair value losses on Empire's AFS investments resulting from increases in interest rates and credit spreads during the first quarter of 2022. This was partially offset by a gain on the remeasurement of the post-employment defined benefit plans.

### **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 quarter of 2022, 10,900 common shares were purchased under the NCIB at an average price of \$905.45 per share for a total consideration of \$10 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>	Q1 2022	Q4 2021	Q1 2021
E-L Financial shareholders' equity	\$ 6,820	\$ 7,257	\$ 6,882
Less: First preference shares	(300)	(300)	(300)
	6,520	6,957	6,582
Adjustments for E-L Corporate's investments in associates not carried at fair value:			
Carrying value	(385)	(394)	(346)
Fair value <sup>(1)</sup>	414	412	403
	29	18	57
Non-controlling interest and deferred tax	(4)	(1)	(10)
	25	17	47
Net equity value	\$ 6,545	\$ 6,974	\$ 6,629
Common shares <sup>(2)</sup> outstanding at period end	3,690,734	3,701,634	3,708,734
<b>Net equity value per common share<sup>(2) (3)</sup></b>	<b>\$ 1,773.43</b>	<b>\$ 1,884.08</b>	<b>\$ 1,787.15</b>

<sup>(1)</sup> Based on quoted market prices

<sup>(2)</sup> Common shares includes Series A Convertible Preference Shares

<sup>(3)</sup> See non-GAAP measures

The common shares outstanding for Q1 2022 are lower compared to Q4 and Q1 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*
	\$	%
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
2021	1,884.08	17.1
<b>Year to date</b>		
March 31, 2022	1,773.43	(4.4)
<b>Compounded annual growth in net equity value per common share*</b>		
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			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue								
Net (loss) gain on investments <sup>(1)</sup>	\$ (1,252)	\$ 562	\$ 9	\$ 507	\$ (406)	\$ 629	\$ 221	\$ 1,273
Net premium income	243	241	227	223	225	221	221	202
Investment and other income	176	189	178	184	185	185	173	177
Associates <sup>(2)</sup>	4	15	23	14	107	28	6	29
Total	\$ (829)	\$ 1,007	\$ 437	\$ 928	\$ 111	\$ 1,063	\$ 621	\$ 1,681
Net (loss) income <sup>(3)</sup>	\$ (236)	\$ 278	\$ 168	\$ 241	\$ 466	\$ 510	\$ 201	\$ 452
(Loss) earnings per common share								
- basic	\$ (66.52)	\$ 75.82	\$ 45.47	\$ 65.47	\$ 127.90	\$ 136.42	\$ 52.88	\$ 119.36
- diluted	\$ (66.52)	\$ 68.55	\$ 41.50	\$ 59.33	\$ 114.96	\$ 124.11	\$ 48.71	\$ 108.83

<sup>(1)</sup> Fair value change on FVTPL investments and realized gain (loss) on AFS investments

<sup>(2)</sup> Share of income of associates

<sup>(3)</sup> 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 2022 decreased compared to the prior and first 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 were 8% higher compared to the same period in 2021, primarily due to growth in Empire Life's Group Solutions and Individual Insurance 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 March 31 (millions of dollars)	E-L Financial (non- consolidated)	United	Empire Life	Consolidation adjustments	E-L Financial Consolidated	
					2022	2021
Cash flows from:						
Operating activities	\$ (25)	\$ —	\$ 44	\$ (22)	\$ (3)	\$ 77
Financing activities	(22)	(5)	(23)	21	(29)	181
Investing activities	(165)	12	(75)	1	(227)	(160)
(Decrease) increase in cash and cash equivalents	(212)	7	(54)	—	(259)	98
Cash and cash equivalents, beginning of the period	381	62	193	—	636	428
Cash and cash equivalents, end of the period	\$ 169	\$ 69	\$ 139	\$ —	\$ 377	\$ 526

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.

Cash provided from financing activities was lower than the corresponding period in 2021, primarily due to Empire Life's issuance of Limited Recourse Capital Notes ("LRCN") in the first 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 the first quarter of 2021 reflected Empire Life investing the proceeds from the issuance of the LRCN.

*Non-consolidated cash flows of E-L Financial*

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

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

**Three months ended March 31**

<i>(millions of dollars)</i>	<b>2022</b>	2021
Cash flows from:		
Operating activities		
Dividends from subsidiaries	\$ 20	\$ 2
Dividends and interest	18	32
Expenses and taxes, net of other income	(63)	(8)
	<b>(25)</b>	26
Financing activities		
Cash dividends	(13)	(9)
Share purchases	(9)	—
	<b>(22)</b>	(9)
Investing activities		
Purchases of investments	(435)	(200)
Proceeds from sales of investments	256	121
Dividends from associates	14	36
	<b>(165)</b>	(43)
Decrease in cash and cash equivalents	<b>(212)</b>	(26)
Cash and cash equivalents, beginning of the period	<b>381</b>	171
Cash and cash equivalents, end of period	<b>\$ 169</b>	\$ 145

During 2022, the non-consolidated cash and cash equivalents of E-L Financial decreased by \$212 million.

Operating cash flows for the first quarter of 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 the first quarter of 2022 was due to a \$2.50 per common share quarterly dividend compared to \$1.25 in the prior year, as well as, an increase in the purchase of the Company's common shares under the NCIB program.

The movement in financing 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 novel coronavirus (or COVID-19) continues to impact international business operations, supply chains, travel, commodity prices, consumer confidence and business forecasts. In addition, the outbreak of military hostilities in Ukraine poses additional risks. These factors have led to higher levels of inflation and have created increased uncertainty and volatility which will impact the performance and expected returns of the investment portfolios.

Management is monitoring the developments in equity markets generally, and in connection with the Company's investment portfolios in particular. The duration and impacts of these events cannot currently be determined. 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, 2022, investments - corporate had aggregate investments of \$5.9 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>	<b>March 31 2022</b>	<b>December 31 2021</b>
Preferred shares	\$ 4	\$ 3
Common shares and units		
Canada and U.S.	4,177	4,496
Europe and United Kingdom	900	852
Emerging Markets	475	722
Japan	280	293
Other	48	40
<b>Total</b>	<b>5,880</b>	<b>6,403</b>
<b>Total invested assets</b>	<b>\$ 5,884</b>	<b>\$ 6,406</b>

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

<i>(millions of dollars)</i>	<b>2022</b>	<b>First quarter 2021</b>
Revenue		
Net (loss) gain on investments	\$ (462)	\$ 230
Investment and other income	26	40
Share of associates income	3	106
	<b>(433)</b>	<b>376</b>
Operating expenses	10	11
Income taxes	(59)	43
Non-controlling interests	(110)	12
	<b>(159)</b>	<b>66</b>
<b>Net (loss) income</b>	<b>(274)</b>	<b>310</b>
OCI, net of taxes	—	2
<b>Comprehensive (loss) income</b>	<b>\$ (274)</b>	<b>\$ 312</b>

E-L Corporate reported a net loss of \$274 million in the first quarter of 2022 compared to net income of \$310 million in 2021. For the first quarter of 2022 there was a net loss on investments of \$462 million compared to a gain of \$230 million in 2021. E-L Corporate's global investment portfolio had pre-tax total return, including dividend income of negative 7% for the first quarter of 2022 compared to a positive 5% for the first quarter of 2021.

Investment and other income was lower for the first quarter of 2022 compared to 2021. 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 has been 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 were consistent for the first quarter of 2022 compared to 2021.

### Share of associates income

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

<i>(millions of dollars)</i>	First quarter <sup>(1)</sup>	
	2022	2021
Algoma	\$ (7)	\$ 87
Economic	10	19
	\$ 3	\$ 106

<sup>(1)</sup> Includes a \$12 million impairment reversal (March 31, 2021 - \$103 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. Excluding the impairment reversal, Algoma results for the first quarter of 2022 were consistent with the prior year.

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 pre-tax total return, gross of fees, of negative 3% during the first quarter of 2022 compared to positive 4% in 2021.

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

	March 31, 2022			December 31, 2021		
	Ownership	Carrying value	Fair value	Ownership	Carrying value	Fair value
Algoma	37.4 %	\$ 216	\$ 245	37.4 %	\$ 223	\$ 241
Economic	24.1 %	169	169	24.1 %	171	171
Total		\$ 385	\$ 414		\$ 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 March 31, 2022, 60% (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 5% (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](http://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>	<b>First quarter</b>	
	<b>2022</b>	<b>2021</b>
Empire Life common shareholders’ net income	<b>\$ 38</b>	\$ 157
Non-controlling interests	—	1
<b>Net income, contribution to E-L Financial</b>	<b>\$ 38</b>	\$ 156

  

	<b>Mar 31 2022</b>	<b>Dec 31 2021</b>	<b>Sep 30 2021</b>	<b>Mar 31 2021</b>
<b>Empire Life return on common shareholders’ equity (trailing four quarters)</b>	<b>6.7 %</b>	<b>13.8 %</b>	<b>16.4 %</b>	<b>20.3 %</b>

Empire Life reported first quarter common shareholders’ net income of \$38 million for 2022, compared to a net income of \$157 million for the first quarter of 2021. The decrease in first quarter earnings was primarily a result of a non-recurring release of segregated fund guarantee related policy liabilities which occurred in the first quarter of 2021. Excluding the impact of the release of these policy liabilities, net income in the first quarter of 2022 was lower primarily due to the unfavourable market impact on capital and surplus and lower net income from the Individual Insurance line.

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

<b>For the three months ended March 31</b> <i>(millions of dollars)</i>	<b>Wealth Management</b>		<b>Employee Benefits</b>		<b>Individual Insurance</b>		<b>Capital and Surplus</b>		<b>Total</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Expected profit on in-force business	<b>\$ 36</b>	\$ 29	<b>\$ 7</b>	\$ 6	<b>\$ 12</b>	\$ 13			<b>\$ 55</b>	\$ 48
Impact of new business	<b>(4)</b>	(5)	<b>(2)</b>	(2)	<b>3</b>	7			<b>(2)</b>	—
Experience (losses) gains	<b>(5)</b>	150	<b>(10)</b>	(5)	<b>13</b>	5			<b>(1)</b>	150
Management actions and changes in assumptions	—	(1)	—	—	<b>1</b>	10			<b>1</b>	9
Earnings (loss) on operations before income taxes	<b>27</b>	174	<b>(5)</b>	—	<b>29</b>	35	—	—	<b>52</b>	208
Earnings on surplus	—	—	—	—	—	—	<b>6</b>		—	6
Income (loss) before income tax	<b>27</b>	174	<b>(5)</b>	—	<b>29</b>	35	—	<b>6</b>	<b>51</b>	215
Income taxes	<b>7</b>	45	<b>(1)</b>	—	<b>7</b>	8	<b>(1)</b>	<b>1</b>	<b>11</b>	54
Empire Life’s shareholders’ net income (loss)	<b>\$ 20</b>	\$ 129	<b>\$ (4)</b>	\$ (1)	<b>\$ 22</b>	\$ 27	<b>\$ —</b>	\$ 5	<b>\$ 39</b>	\$ 161
Dividends on preferred shares <sup>(1)</sup>									<b>(1)</b>	(3)
<b>Empire Life common shareholders’ net income</b>									<b>\$ 38</b>	\$ 157

The expected profit on in-force business increased by 15% for the first quarter, primarily driven by higher assets under management in the Wealth Management line.

The impact of new business decreased in the first quarter of 2022, primarily due to lower profit at issue in the Individual Insurance line as a result of lower sales relative to the prior period. 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 (losses) were lower in the first quarter of 2022 as the comparable period in 2021 included a release of the policy liabilities associated with segregated fund guarantees. Experience losses in the first quarter of 2022 included increased expenses in the Wealth Management line from an enhanced commission program on large deposits, and the adverse experience of inflation on Group Solutions pricing, partially offset by favourable experience in the Individual Insurance line from fixed income assets backing liabilities in this line of business.

Gains from management actions and changes in assumptions were lower than the comparable quarter in 2021 as trading gains from asset liability matching improvements in the Individual Insurance line from the prior period did not recur in the current period.

Earnings on surplus declined for the first quarter, primarily due market impacts which caused realized losses on Available for Sale ("AFS") assets compared to realized gains on AFS assets for the same period in 2021, partially offset by lower realized losses on assets valued as FVTPL.

### 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 2022 and 2021. A discussion of results is provided in the Product Line section of the MD&A.

Three months ended March 31 (millions of dollars)	Wealth Management		Group Solutions		Individual Insurance		Capital & Surplus		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>Revenue</b>										
Net premiums	\$ 23	\$ 23	\$ 109	\$ 96	\$ 111	\$ 106	\$ —	\$ —	\$ 243	\$ 225
Fee income	65	63	4	3	—	—	—	—	69	66
Investment income	8	10	1	1	58	54	16	16	83	80
Net loss on investments <sup>(1)</sup>	(45)	(18)	(11)	(6)	(724)	(607)	(11)	(6)	(789)	(636)
	51	78	104	94	(556)	(447)	5	10	(396)	(265)
<b>Expenses</b>										
Benefits and expenses	24	(96)	105	91	(588)	(487)	5	3	(454)	(488)
Income and other taxes	7	45	2	3	9	11	—	1	18	60
	31	(51)	107	94	(579)	(476)	5	4	(436)	(428)
<b>Net income (loss) after tax</b>	<b>\$ 20</b>	<b>\$ 129</b>	<b>\$ (3)</b>	<b>\$ (1)</b>	<b>\$ 23</b>	<b>\$ 29</b>	<b>\$ 6</b>	<b>\$ 6</b>	<b>\$ 40</b>	<b>\$ 163</b>
Participating policyholders' portion									1	2
Dividends on preferred shares									1	3
Empire Life's common shareholders' net income									38	157
Non-controlling interests in net income									—	1
<b>Net income attributable to owners of E-L Financial</b>									<b>\$ 38</b>	<b>\$ 156</b>

<sup>(1)</sup> Includes fair value change on FVTPL investments and realized gains on AFS investments

**Product line results - Wealth Management**

<b>Key Operating Results</b> <i>(millions of dollars)</i>	<b>First quarter</b>	
	<b>2022</b>	<b>2021</b>
<b>Fixed Annuities</b>		
Assets under management	\$ 798	\$ 912
Gross sales	23	23
Net sales	(1)	(13)
<b>Segregated Funds</b>		
Assets under management	\$ 9,046	\$ 8,654
Gross sales	262	269
Net sales	(30)	(101)
Fee income	64	62
<b>Net income after tax</b>	<b>\$ 20</b>	<b>\$ 129</b>

Fixed annuities assets under management were 13% lower relative to the same period in 2021. Gross sales in the first quarter were consistent with the same period in 2021.

Segregated fund assets under management are higher relative to the same period in 2021, reflecting the contribution of sales performance and positive market performance within the funds. For the first quarter of 2022, gross sales were 2% lower than the same period in 2021.

Segregated fund fee income was 3% higher compared to the first quarter of 2021 as higher average assets impacted fee revenues. Fee income from segregated funds is calculated daily for most products.

This line had net income of \$20 million for the quarter compared to a net income of \$129 million for the first quarter in 2021, primarily as a result of the non-recurring release of segregated fund guarantee related policy liabilities in 2021. 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**

<b>Key Operating Results</b> <i>(millions of dollars)</i>	<b>First quarter</b>	
	<b>2022</b>	<b>2021</b>
Core	\$ 15	\$ 19
Other	7	6
Annualized premium sales	\$ 23	\$ 26
Net premiums sales	\$ 109	\$ 96
<b>Net loss after tax</b>	<b>\$ (4)</b>	<b>\$ (1)</b>

Total annualized premium sales decreased in the first 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 first quarter increased by 12% 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 employee benefits market where price competition continues for all major product lines.

Net loss for the first quarter increased compared to 2021 primarily due to unfavourable claims experience for life and health benefits.

**Product line results - Individual Insurance**

<b>Key Operating Results</b> <i>(millions of dollars)</i>	<b>First quarter</b>	
	<b>2022</b>	<b>2021</b>
<b>Shareholders'</b>		
Annualized premium sales	\$ 6	\$ 10
Net premiums	74	73
Net income after tax	22	27
<b>Policyholders'</b>		
Annualized premium sales	\$ 4	\$ 5
Net premiums	37	33
Net income after tax	1	2
<b>Net income after tax</b>	<b>\$ 23</b>	<b>\$ 29</b>

Shareholders' annualized premium sales decreased by 38% in the first quarter compared to the same period in 2021, primarily from slower sales of Empire Life's term products. Policyholders' annualized premium sales decreased 4% in the first quarter. Shareholders' net premiums were 1% 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 \$22 million for the first quarter of 2022 compared to \$27 million for the same period in 2021. In the first quarter of 2022, Individual Life sales were less than the first quarter of 2021 and there was poor mortality and lapse experience.

**Results - Capital and Surplus**

<i>(millions of dollars)</i>	<b>First quarter</b>	
	<b>2022</b>	<b>2021</b>
Income from investments	\$ 7	\$ 17
Losses on hedging instrument	(2)	(8)
Interest and other expenses	(5)	(3)
Earnings before income taxes	—	6
Income taxes	—	1
Net income after tax shareholders' portion	\$ —	\$ 5
<b>Net income after tax</b>	<b>\$ —</b>	<b>\$ 6</b>

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 decreased in the first quarter of 2022 in the capital and surplus segment primarily due to realized losses 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. In addition, Empire Life experienced lower losses on the hedging program (discussed in the Risk Management section) in the first quarter of 2022 compared to the first quarter of 2021, 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 Empire Life's outstanding subordinated debt, preferred shares and limited recourse capital notes are as follows:

(millions of dollars)	Date Issued	Earliest redemption date	Yield	Face amounts as at	
				March 31 2022	December 31 2021
Series 2017-1 <sup>(1)</sup>	September 2017	March 15, 2023	3.664 %	\$ 200	\$ 200
Series 2021-1 <sup>(2)</sup>	September 2021	September 24, 2026	2.024 %	\$ 200	\$ 200

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

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

(millions of dollars)	Date Issued	Earliest redemption date	Yield	As at	
				March 31 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	June 3, 2021
Issuer Rating	A	Stable	June 3, 2021
Subordinated Debt	A(low)	Stable	June 3, 2021
Preferred Shares	Pfd-2	Stable	June 3, 2021
Limited Recourse Capital Notes	BBB(high)	Stable	June 3, 2021

## 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%. Office of the Superintendent of Financial Institutions Canada ("OSFI") has established supervisory target levels of 70% for Core and 100% for Total capital.

As of March 31, 2022, the Total Ratio and Core Ratio decreased from December 31, 2021 primarily due to the increase in goodwill and intangible assets from Empire Life's recent acquisition and amalgamation of the companies in its new subsidiary TruStone Financial Inc.

LICAT (millions of dollars)	Mar 31 2022	Dec 31 2021	Sep 30 2021	Jun 30 2021	Mar 31 2021
<b>Available capital</b>					
Tier 1	\$ 1,775	\$ 1,898	\$ 1,820	\$ 1,805	\$ 1,908
Tier 2	573	591	853	658	664
<b>Total</b>	<b>\$ 2,348</b>	<b>\$ 2,489</b>	<b>\$ 2,673</b>	<b>\$ 2,463</b>	<b>\$ 2,572</b>
<b>Surplus allowance and eligible deposits</b>	<b>\$ 1,074</b>	<b>\$ 1,115</b>	<b>\$ 1,162</b>	<b>\$ 1,170</b>	<b>\$ 1,121</b>
<b>Base solvency buffer</b>	<b>\$ 2,410</b>	<b>\$ 2,508</b>	<b>\$ 2,561</b>	<b>\$ 2,536</b>	<b>\$ 2,503</b>
<b>LICAT Total Ratio</b>	<b>142 %</b>	<b>144 %</b>	<b>150 %</b>	<b>143 %</b>	<b>148 %</b>
<b>LICAT Core Ratio</b>	<b>105 %</b>	<b>107 %</b>	<b>103 %</b>	<b>103 %</b>	<b>108 %</b>

## **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 is undergoing a strong recovery 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. Some challenges do remain on the supply side. These factors have led to large increases in inflation which has triggered re-assessment of policy setting in many central banks, including Canada. COVID risks remain, but many countries are now saying they will treat 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 Empire Life 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, but does not have policy liabilities on the statement of financial position related to segregated fund guarantees. Therefore, a by-product of hedging LICAT exposure is net income volatility, as the gains or losses from hedging instruments are not necessarily offset by changes in policy liabilities related to segregated fund guarantee risk. The equity risk hedging program provides some relief in adverse scenarios, but may incur losses in positive scenarios. For the first quarter, Empire Life experienced a loss of \$2 million after tax primarily due to rising Canadian equity markets. This compares to a hedge loss of \$6 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 March 31, 2022, Empire Life had \$9.1 billion of segregated fund assets and liabilities. Of this amount, approximately \$8.7 billion have guarantees. The following table provides a percentage breakdown by type of guarantee:

	<b>March 31 2022</b>	December 31 2021
<b>Percentage of segregated fund liabilities with:</b>		
75% maturity guarantee and a 75% death benefit guarantee	7 %	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 March 31, 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%
<b>As at March 31, 2022</b>					
Segregated fund guarantees	\$ —	\$ —	\$ (7)	\$ (46)	\$ (163)
Other equity risk	34	16	(15)	(27)	(36)
Equity hedge	(2)	(2)	4	12	28
<b>Total</b>	<b>\$ 31</b>	<b>\$ 15</b>	<b>\$ (18)</b>	<b>\$ (61)</b>	<b>\$ (172)</b>

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
<b>Total</b>	<b>\$ 38</b>	<b>\$ 18</b>	<b>\$ (24)</b>	<b>\$ (81)</b>	<b>\$ (206)</b>

Sensitivity to equity risk Impact on LICAT	Increase		Decrease		
	20%	10%	10%	20%	30%
<b>As at March 31, 2022</b>					
Segregated fund guarantees	14%	8%	(1)%	(7)%	(15)%
Other equity risk	—%	—%	1%	1%	1%
Equity hedge	(2)%	(1)%	1%	2%	3%
<b>Total</b>	<b>13%</b>	<b>7%</b>	<b>1%</b>	<b>(4)%</b>	<b>(11)%</b>

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%
<b>Total</b>	<b>9%</b>	<b>4%</b>	<b>1%</b>	<b>(4)%</b>	<b>(12)%</b>

Empire Life's equity market sensitivity in a 20% and 30% stock market decline decreased primarily as a result of the increase in interest rates during the first quarter of 2022.

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

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

Segregated Funds ( <i>millions of dollars</i> )	Withdrawal Benefit > Fund Value		Maturity Guarantee > Fund Value		Death Benefit > Fund Value		Policy Liabilities	LICAT Capital
	Fund Value	Amount at Risk	Fund Value	Amount at Risk	Fund Value	Amount at Risk		
<b>March 31, 2022</b>	\$ 2,626	\$ 823	\$ 92	\$ 4	\$ 1,781	\$ 26	\$ —	\$ 582
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 March 31, 2022, the aggregate amount at risk for all three categories of risk was \$854 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 March 31, 2022 and December 31, 2021, is shown in the table below. This assumes no change in the ultimate reinvestment rate ("URR").

<b>Sensitivity to market interest rates LICAT:</b>	<b>Impact of 50 bps decrease</b>
<b>March 31, 2022 LICAT total ratio</b>	<b>2%</b>
December 31, 2021 LICAT total ratio	3%