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 third quarter of 2024 should be read in conjunction with the MD&A for the year ended December 31, 2023, 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 2023 and the previous quarters of 2024. The unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). 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 November 8, 2024.

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.sedarplus.ca.

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 anticipates 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; product 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 compliance risk, model risk, human resources risk, third party risk, technology, information security and business continuity risk; and business and strategic risk, including environmental and social risk, risk with respect to risk with respect to financial strength, capital adequacy risk, risk to competition, risk with respect to distribution channels, risk with respect to changes to applicable income tax legislation, risk with respect to brand, risk with respect to intellectual property and risk with respect to significant ownership of common shares. Please see the section titled "Description of the Business" in E-L Financial's Annual Information Form available at www.sedarplus.ca 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 insurance contract 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 the IFRS Accounting Standards 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 Accounting Standards 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 assets under management, annualized premium sales, gross and net sales for segregated funds and fixed annuities to provide investors with supplemental measures of its operating performance and to highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS Accounting Standards 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 to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and to determine components of management compensation. Empire Life believes that these measures provide information useful to its shareholders and policyholders in evaluating the Empire's underlying financial results.

Annualized premium sales is used as a method of measuring sales volume. It is equal to the premium expected to be received in the first 12 months for all new individual insurance and employee benefit policies sold during the period. For segregated funds and annuity contracts, sales include new and renewal deposits to policy contracts. Net sales in the Wealth Management line reflect the gross sales less the effect of redemptions and surrenders.

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. It represents the total assets of Empire Life and the assets its customers invest in.

The following table provides a reconciliation of assets under management to total assets in Empire Life's financial statements:

(in millions of dollars)	**September 30 2024**	December 31 2023
General fund assets	**$ 10,261**	$ 9,852
Segregated fund assets	**9,331**	8,813
Total Empire Life assets under management	**$ 19,592**	$ 18,665

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 56.6% (December 31, 2023 - 56.6%) interest in a closed-end investment corporation, United Corporations Limited ("United") which is listed on the Toronto Stock Exchange. United is an investment vehicle for long-term growth through investments in common equities. The invested assets and operations of United are consolidated and included in the E-L Corporate segment. In addition, E-L Corporate has two significant investments in associates which includes a 34.9% (December 31, 2023 - 36.6%) interest in Algoma Central Corporation ("Algoma") and a 24.9% (December 31, 2023 - 24.9%) interest in Economic Investment Trust Limited ("Economic"). Algoma and Economic are accounted for using the equity method.

The Company's investment in Empire Life (99.5% interest) is consolidated by E-L Financial. The Empire Life operating segment underwrites life and health insurance policies and provides segregated 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		**Third quarter**			**Year to date**
(millions of dollars)	**2024**	2023	**2024**	2023
Contribution to net income (loss)				
E-L Corporate[1]	**$ 321**	$ (52)	**$ 1,013**	$ 386
Empire Life[1]	**176**	(5)	**263**	46
Net income (loss)	**497**	(57)	**1,276**	432
Other comprehensive (loss) income[1]	**—**	(7)	**9**	(9)
Comprehensive income (loss)	**$ 497**	$ (64)	**$ 1,285**	$ 423

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

E-L Corporate		**Third quarter**			**Year to date**
(millions of dollars)	**2024**	2023	**2024**	2023
Net gain (loss) on investments	**$ 325**	$ (103)	**$ 1,169**	$ 431
Investment and other income	**45**	29	**126**	111
Share of associates income	**45**	4	**65**	23
	415	(70)	**1,360**	565
Expenses	**8**	9	**33**	32
Income taxes	**53**	(5)	**178**	75
Non-controlling interests	**33**	(22)	**136**	72
	94	(18)	**347**	179
Net income (loss)	**321**	(52)	**1,013**	386
Other comprehensive (loss) income, net of taxes[1]	**(1)**	4	**3**	2
Comprehensive income (loss)	**$ 320**	$ (48)	**$ 1,016**	$ 388

Empire Life		**Third quarter**		**Year to date**
(millions of dollars)	**2024**	2023	**2024**	2023
Net insurance service result	**$ 62**	$ 60	**$ 143**	$ 134
Net investment and insurance finance result	**219**	(46)	**302**	(6)
Fee and other income[2]	**8**	8	**31**	21
	289	22	**476**	149
Expenses	**32**	32	**93**	85
Income and other taxes	**72**	(4)	**100**	11
Non-controlling interests and net income (loss) attributable to the participating account	**9**	(1)	**20**	7
	113	27	**213**	103
Net income (loss)	**176**	(5)	**263**	46
Other comprehensive income (loss), net of taxes[1]	**1**	(11)	**6**	(11)
Comprehensive income (loss)	**$ 177**	$ (16)	**$ 269**	$ 35

[1] Net of non-controlling interests and net income attributable to the participating account
[2] Included in non-insurance investment results

E-L Financial reported a consolidated 2024 shareholder's net income of $497 million or $146.56 per common share for the third quarter of 2024 compared to a net loss of $57 million or $17.73 per common share in 2023.

E-L Corporate reported net income of $321 million for the third quarter of 2024 compared to a net loss of $52 million in 2023. The increase in earnings was due to a net gain on investments of $325 million in 2024 compared to a net loss of $103 million for the third quarter of 2023. E-L Corporate's share of associates income and investment and other income also increased during the period. E-L Corporate's global investment portfolio had a pre-tax total return, including dividend income, of 5% for the third quarter of 2024 compared to a pre-tax total return of negative 1% for the same period in the prior year.

Empire Life reported a net income of $176 million for the third quarter of 2024 compared to a net loss of $5 million in 2023. The increase in earnings in the third quarter of 2024 is driven by gains in the net investment and insurance finance result. These gains are due to favourable interest rate movements in the quarter compared to the less favourable interest rate movements from the same period in 2023, as well as the impact of insurance contract liability assumption updates. In 2024, management conducted the annual assumption update in the third quarter, in contrast to the fourth quarter in 2023.

E-L Financial reported a consolidated shareholder's net income of $1,276 million or $375.64 per common share for the first nine months of 2024 compared to $432 million or $121.42 per common share in 2023.

E-L Corporate reported net income of $1,013 million for the first nine months of 2024 compared to $386 million in 2023. The increase in earnings was due to a net gain on investments of $1,169 million in 2024 compared to $431 million for the comparative period in 2023. E-L Corporate's global investment portfolio had a pre-tax total return, including dividend income, of 20% in the first nine months of 2024 compared to a pre-tax total return of 9% for the same period in the prior year.

Empire Life reported a net income of $263 million for the first nine months of 2024 compared to $46 million for the comparable period in 2023. The increase over the prior year was primarily due to interest rate movements in 2024 and the impact of insurance contract liability assumption changes relative to the comparative period in 2023.

Normal course issuer bid

On March 7, 2024, the Company obtained approval from the TSX to renew its normal course issuer bid ("NCIB") to purchase up to 173,086 common shares between March 12, 2024 and March 11, 2025. 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.

No shares were purchased under the NCIB for the nine months ended September 30, 2024. For the 12 month period ended December 31, 2023, 4,700 shares were purchased under the NCIB at an average price of $900.78 for a total consideration of $4 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:

(millions of dollars, except per share amounts)		**Q3 2024**		Q4 2023		Q3 2023
E-L Financial shareholders' equity	**$**	**8,140**	$	7,114	$	6,705
Less: First preference shares		**(300)**		(300)		(300)
		7,840		6,814		6,405
Adjustments for E-L Corporate's investments in associates not carried at fair value:						
Carrying value		**(441)**		(394)		(433)
Fair value[1]		**429**		394		376
		(12)		—		(57)
Non-controlling interest and deferred tax		**3**		—		16
		(9)		—		(41)
Net equity value	**$**	**7,831**	$	6,814	$	6,364
Common shares[2] outstanding at year end		**3,461,980**		3,461,980		3,552,648
Net equity value per common share[2] [3]	**$**	**2,262.20**	$	1,968.17	$	1,791.68

[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 Q3 2024 and Q4 2023 are lower compared to Q3 2023 due to common shares acquired in 2023 as part of the Company's substantial issuer bid.

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***
	$	%
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
2022	1,785.66	(3.4)
2023	1,968.17	11.1
Year to date		
September 30, 2024	2,262.20	18.6
Compounded annual growth in net equity value per common share*		
2014 - 2023 - 10 years		9.5
1969 - 2023 - Since inception		12.2

* 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:

(millions of dollars, except per share amounts)	**2024**						2023	2022
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Insurance service revenue	**$ 357**	$ 351	$ 339	$ 335	$ 337	$ 328	$ 326	$ 323
Net investment and insurance finance result	**219**	28	55	142	(46)	(7)	47	$ (44)
Fair value change in fair value through profit or loss investments	**325**	214	629	516	(103)	211	323	452
Non-insurance investment and other income	**56**	62	41	40	37	50	46	42
Share of income (loss) of associates	**43**	14	6	(30)	4	9	10	24
Total revenue	**$ 1,000**	$ 669	$ 1,070	$ 1,003	$ 229	$ 591	$ 752	$ 797
Net income (loss)[1]	**$ 497**	$ 232	$ 547	$ 501	$ (57)	$ 184	$ 305	$ 376
Earnings (loss) per common share								
- basic	**$ 146.56**	$ 67.66	$ 161.41	$ 144.61	$ (17.73)	$ 52.07	$ 86.96	$ 107.62
- diluted	**$ 135.13**	$ 62.96	$ 148.72	$ 132.30	$ (17.73)	$ 48.31	$ 80.00	$ 98.80

[1] 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, insurance contract liability discount rates and 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 third quarter of 2024 increased compared to the third quarter of 2023, with fluctuations mainly due to increases in net investment and insurance finance result and the fair value change in fair value through profit and loss investments. Net investment and insurance finance result increased $265 million in the third quarter compared to the same period in 2023. This was mainly due to favourable interest rate movements compared to less favourable interest rate movements in the same period in 2023, as well as the impact of insurance contract liability assumption updates in 2024. The increase in the fair value change in fair value through profit and loss investments movement in the third quarter of 2023, driven by favourable market movements.

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 September 30 (millions of dollars)	E-L Financial (non-consolidated)	United	Empire Life	Consolidation adjustments	**E-L Financial Consolidated**	
					2024	2023
Cash flows from:						
Operating activities	$ 181	$ 8	$ 261	$ (124)	**$ 326**	$ 329
Financing activities	(358)	(56)	(132)	122	**(424)**	(188)
Investing activities	218	63	(297)	2	**(14)**	(73)
Increase (decrease) in cash and cash equivalents	41	15	(168)	—	**(112)**	68
Cash and cash equivalents, beginning of the period	59	34	348	—	**441**	303
Cash and cash equivalents, end of the period	$ 100	$ 49	$ 180	$ —	**$ 329**	$ 371

Cash flows from operating activities for 2024 remained relatively consistent with the prior year. For Empire Life, cash flows from operating activities include premiums, net investment income and fee income. These funds are primarily used to pay policy benefit payments, commissions, operating expenses and policyholder dividends.

Cash used for financing activities increased during the first nine months of 2024 primarily due to the Company's payment of a special cash dividend of $60.00 per common share in the second quarter of 2024 and a repayment of $135 million in borrowings. During 2024, E-L Financial (non-consolidated) and United repaid their $95 million margin loan and $40 million operating credit facility respectively.

Cash flows used for investing activities for the first nine months of 2024 decreased compared to the prior year. Empire Life experienced higher net outflows from higher net purchases of investments during 2024 which was mostly offset by proceeds from higher net sales of investments by E-L Financial (non-consolidated).

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).

Nine months ended September 30 *(millions of dollars)*		**2024**		2023
Cash flows from:				
Operating activities				
Dividends from subsidiaries	**$**	**118**	$	63
Dividends and interest		**81**		84
Expenses and taxes, net of other income		**(18)**		(19)
		181		128
Financing activities				
Cash dividends		**(258)**		(47)
Common share purchases		**—**		(4)
Decrease in margin loan		**(95)**		(55)
Interest paid on borrowings		**(5)**		(5)
Purchases of subsidiary shares		**—**		(1)
		(358)		(112)
Investing activities				
Purchases of investments		**(363)**		(478)
Proceeds from sales of investments		**561**		424
Dividends from associates		**20**		28
		218		(26)
Increase (decrease) in cash and cash equivalents		**41**		(10)
Cash and cash equivalents, beginning of the period		**59**		70
Cash and cash equivalents, end of the period	**$**	**100**	$	60

For the first nine months of 2024, the non-consolidated cash and cash equivalents of E-L Financial increased by $41 million.

Operating cash flows for 2024 increased compared with the prior year mainly due to higher dividends received from Empire Life.

Cash flows used for financing activities for 2024 were impacted by the items previously discussed in the consolidated cash flows narrative above.

Cash flows from investing activities in 2024 increased compared to the same period in 2023 as E-L Financial used proceeds from sales of investments to fund the repayment of the margin loan and the special common share dividend paid during the second quarter of 2024. Dividends from associates included a special dividend paid by Algoma during the first quarter of 2023.

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

Analysis of business segments

The remainder of this MD&A discusses the individual results of operations and financial condition of the Company's business segments: E-L Corporate and Empire Life.

E-L CORPORATE

E-L Corporate's operations includes the oversight of investments in global equities held through direct and indirect holdings of common shares, investment funds, closed-end investment companies, a limited partnership and other private companies.

Investments in Economic and Algoma are reported as investments in associates and are discussed below. Investments in equities and fixed income securities held directly by E-L Financial and through United are combined to form "Investments – corporate".

Investments - corporate

Investments - corporate includes investments in equities and short-term fixed-income investments. At September 30, 2024, investments - corporate had aggregate investments of $7.5 billion, comprised primarily of common shares and units of investment funds, compared to aggregate investments at December 31, 2023 of $6.6 billion. The fair value of investments - corporate is summarized in the table below:

(millions of dollars)	**September 30 2024**	December 31 2023
Preferred shares	**$ 2**	$ 1
Common shares and units		
Canada	**1,112**	973
U.S.	**4,316**	3,743
Europe and United Kingdom	**1,279**	1,148
Other	**787**	728
Total	**7,494**	6,592
Total invested assets	**$ 7,496**	$ 6,593

In the normal course of business, investment commitments are outstanding which are not reflected in the consolidated financial statements. As of September 30, 2024, E-L Corporate has $353 million (December 31, 2023 - $254 million) in unfunded commitments in limited partnerships.

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

	Third quarter		**Year to date**	
(millions of dollars)	**2024**	2023	**2024**	2023
Net gain (loss) on investments	**$ 325**	$ (103)	**$ 1,169**	$ 431
Investment and other income	**45**	29	**126**	111
Share of associates income	**45**	4	**65**	23
	415	(70)	**1,360**	565
Expenses	**8**	9	**33**	32
Income taxes	**53**	(5)	**178**	75
Non-controlling interests	**33**	(22)	**136**	72
	94	(18)	**347**	179
Net income (loss)	**321**	(52)	**1,013**	386
(OCL) OCI, net of taxes	**(1)**	4	**3**	2
Comprehensive income (loss)	**$ 320**	$ (48)	**$ 1,016**	$ 388

E-L Corporate reported net income of $321 million in the third quarter of 2024 compared to a net loss of $52 million for the comparative period in 2023. For the third quarter of 2024 there was a net gain on investments of $325 million compared to a net loss of $103 million for the third quarter of 2023. E-L Corporate's global investment portfolio had a pre-tax total return, including dividend income of 5% for the third quarter of 2024 compared to negative 1% for the third quarter of 2023.

During the nine months ended September 30, 2024, E-L Corporate reported net income of $1,013 million compared to $386 million for the comparative period in 2023. The Company's year to date pre-tax total return on investments, including dividend income was 20% for the first nine months of 2024 compared to 9% for the same period in 2023.

Investment and other income increased on both a year to date and quarterly basis compared to 2023. 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.

Operating expenses have remained consistent on both a year to date and quarterly basis compared to the same period in 2023.

Share of associates income

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

	Third quarter		Year to date	
(millions of dollars)	**2024**	2023	**2024**	2023
Algoma	**$ 13**	$ 13	**$ 14**	$ 22
Economic	**32**	(9)	**51**	1
	$ 45	$ 4	**$ 65**	$ 23

Share of associate's income includes impairment reversal for Economic of $10 million (September 30, 2023 - a $7 million impairment write down) for the nine months ended September 30, 2024.

Algoma's net income for the third quarter of 2024 remained consistent with the third quarter of 2023. On a year to date basis Algoma's share of income of associates decreased in 2024 over the same period of 2023 mainly due to lower earnings in the Domestic Dry-Bulk segment. Lower demand for construction materials and salt cargos were the main contributing factors.

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 6% for the third quarter of 2024 compared to nil in 2023. On a year to date basis, Economic's global investment portfolio had a pre-tax total return, gross of fees, of 22% during the first nine months of 2024 compared to 9% in 2023.

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

	September 30, 2024			December 31, 2023		
	Ownership	**Carrying value**	**Fair value**	Ownership	Carrying value	Fair value
Algoma	**34.9 %**	**$ 221**	**$ 209**	36.6 %	$ 211	$ 211
Economic	**24.9 %**	**220**	**220**	24.9 %	183	183
Total		**$ 441**	**$ 429**		$ 394	$ 394

Ownership of Algoma decreased during the year due to common shares issued from the conversion of Algoma's debentures into common shares.

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 sentiment, 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 September 30, 2024, 61% (December 31, 2023 - 59%) of the investment - corporate including cash and cash equivalents was denominated in U.S. dollars, 9% (December 31, 2023 - 9%) in Euros and 4% (December 31, 2023 - 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.sedarplus.ca. Disclosures regarding E-L Corporate's financial instruments, including financial risk management, are included in Notes 3 and 14 to the consolidated financial statements.

Significant Development

On April 16, 2024, the 2024 Canadian federal budget was presented in the House of Commons. This budget will increase the inclusion rate on capital gains for income tax purposes from 1/2 to 2/3 on gains realized on or after June 25, 2024. The Company records income taxes payable on realized investment gains and deferred income tax liabilities on the unrealized appreciation of its investments. Once this change is approved and becomes substantively enacted, the impact of these changes will be reflected in the Company's financial statements and will reduce the net equity value of the Company. As of the current quarter end, this change in the Federal budget has not yet been substantively enacted.

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 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:

Financial analysis overview

	Third quarter		Year to date	
(millions of dollars)	**2024**	2023	**2024**	2023
Empire Life common shareholders' net income (loss)	**$ 177**	$ (5)	**$ 265**	$ 46
Non-Controlling interests	**1**	—	**1**	—
Net income (loss) contribution to E-L Financial	**$ 176**	$ (5)	**$ 264**	$ 46

	Sep 30 2024	Jun 30 2024	Mar 31 2024	Dec 31 2023	Sep 30 2023
LICAT total ratio	**154 %**	152 %	157 %	155 %	152 %

Empire Life reported third quarter common shareholders' net income of $177 million for 2024, compared to a net loss of $5 million for the third quarter of 2023. The increase compared to the prior year is due to net investment and insurance finance result gains, driven by improvements in the interest rate environment and the impacts of management assumption updates in the third quarter.

Results by Major Product Line

The following tables provide a summary of Empire Life results segmented by product line for the periods ended September 30, 2024 and September 30, 2023. A discussion of results is provided in the Product Line Results section of the MD&A.

For the three months ended September 30, 2024

(in millions of dollars)	Wealth Management	Group Solutions	Individual Insurance	Capital & Surplus	Total
Insurance revenue	$ 61	$ 171	$ 125	$ —	**$ 357**
Insurance service expenses	(35)	(143)	(93)	—	**(271)**
Insurance service result	26	28	32	—	**86**
Net expense from reinsurance contracts held	—	(11)	(13)	—	**(24)**
Net insurance service result	26	17	19	—	**62**
Investment income (loss), excluding segregated fund account balances					
Investment income	41	9	371	81	**502**
Change in investment contracts	(19)	—	—	—	**(19)**
Net investment result, excluding segregated fund account balances	22	9	371	81	**483**
Insurance finance (expense) income, excluding segregated fund account balances					
Insurance contracts	(13)	(17)	(259)	—	**(289)**
Reinsurance contracts held	—	8	17	—	**25**
Net insurance finance expense, excluding segregated fund account balances	(13)	(9)	(242)	—	**(264)**
Segregated fund account balances net investment and insurance finance result					
Investment income on investments for segregated fund account balances	607	—	2	—	**609**
Insurance finance expenses for segregated fund account balances	(607)	—	(2)	—	**(609)**
Segregated funds account balances net investment and insurance finance result	—	—	—	—	**—**
Net investment and insurance finance result	9	—	129	81	**219**
Other income and expenses					
Fee and other income	—	2	—	6	**8**
Non-insurance expenses	(7)	(6)	(7)	(7)	**(27)**
Interest expenses	—	—	—	(4)	**(4)**
Total other income and expenses	(7)	(4)	(7)	(5)	**(23)**
Net income before taxes	28	13	141	76	**258**
Income taxes					**(72)**
Net income after taxes					**186**
Less: net income attributable to the participating account					**6**
Less: preferred share dividends declared and distributions on other equity instruments					**3**
Empire Life's common shareholder's net income					**177**
Non-controlling interests in net income					**1**
Net income attributable to owners of E-L Financial					**$ 176**

For the three months ended September 30, 2023

(in millions of dollars)	Wealth Management	Group Solutions	Individual Insurance	Capital & Surplus	Total
Insurance revenue	$ 63	$ 160	$ 114	$ —	$ 337
Insurance service expenses	(37)	(142)	(79)	—	(258)
Insurance service result	26	18	35	—	79
Net expense from reinsurance contracts held	—	(6)	(13)	—	(19)
Net insurance service result	26	12	22	—	60
Investment income (loss), excluding segregated fund account balances					
Investment income	(16)	(7)	(448)	(76)	(547)
Change in investment contracts	—	—	—	—	—
Net investment result, excluding segregated fund account balances	(16)	(7)	(448)	(76)	(547)
Insurance finance income (expense), excluding segregated fund account balances					
Insurance contracts	12	3	464	—	479
Reinsurance contracts held	—	(2)	24	—	22
Net insurance finance income (expense), excluding segregated fund account	12	1	488	—	501
Segregated fund account balances net investment and insurance finance result					
Investment income on investments for segregated fund account balances	(157)	—	1	—	(156)
Insurance finance expenses for segregated fund account balances	157	—	(1)	—	156
Segregated funds account balances net finance and investment result	—	—	—	—	—
Net investment and insurance finance result	(4)	(6)	40	(76)	(46)
Other income and expenses					
Fee and other income	—	2	—	6	8
Non-insurance expenses	(7)	(4)	(8)	(8)	(27)
Interest expenses	—	—	—	(6)	(6)
Total other income and expenses	(7)	(2)	(8)	(8)	(25)
Net income (loss) before taxes	15	4	54	(84)	(11)
Income taxes					4
Net income after taxes					(7)
Less: net income attributable to the participating account					(3)
Less: preferred share dividends declared					1
Empire Life's common shareholder's net loss					(5)
Non-controlling interests in net loss					—
Net loss attributable to owners of E-L Financial					$ (5)

For the nine months ended September 30, 2024

(in millions of dollars)	Wealth Management	Group Solutions	Individual Insurance	Capital & Surplus	Total
Insurance revenue	$ 186	$ 500	$ 362	$ —	**$ 1,048**
Insurance service expenses	(106)	(466)	(280)	—	**(852)**
Insurance service result	80	34	82	—	**196**
Net expense from reinsurance contracts held	(1)	(17)	(35)	—	**(53)**
Net insurance service result	79	17	47	—	**143**
Investment income (loss), excluding segregated fund account balances					
Investment income	79	11	305	86	**481**
Change in investment contracts	(25)	—	—	—	**(25)**
Net investment result, excluding segregated fund account balances	54	11	305	86	**456**
Insurance finance (expense) income, excluding segregated fund account balances					
Insurance contracts	(16)	(22)	(146)	—	**(184)**
Reinsurance contracts held	—	10	20	—	**30**
Net insurance finance (expense) income, excluding segregated fund account	(16)	(12)	(126)	—	**(154)**
Segregated fund account balances net investment and insurance finance result					
Investment income on investments for segregated fund account balances	1,065	—	3	—	**1,068**
Insurance finance expenses for segregated fund account balances	(1,065)	—	(3)	—	**(1,068)**
Segregated funds account balances net investment and insurance finance result	—	—	—	—	**—**
Net investment and insurance finance result	38	(1)	179	86	**302**
Other income and expenses					
Fee and other income	1	7	—	23	**31**
Non-insurance expenses	(25)	(17)	(20)	(19)	**(81)**
Interest expenses	—	—	—	(12)	**(12)**
Total other income and expenses	(24)	(10)	(20)	(8)	**(62)**
Net income (loss) before taxes	93	6	206	78	**383**
Income taxes					**(100)**
Net income after taxes					**283**
Less: net income attributable to the participating account					**10**
Less: preferred share dividends declared and distributions on other equity instruments					**8**
Empire Life's common shareholder's net income					**265**
Non-controlling interests in net income					**1**
Net income attributable to owners of E-L Financial					**$ 264**

For the nine months ended September 30, 2023

(in millions of dollars)	Wealth Management	Group Solutions	Individual Insurance	Capital & Surplus	Total
Insurance revenue	$ 177	$ 476	$ 338	$ —	$ 991
Insurance service expenses	(109)	(449)	(248)	—	(806)
Insurance service result	68	27	90	—	185
Net recovery (expense) from reinsurance contracts held	1	(12)	(40)	—	(51)
Net insurance service result	69	15	50	—	134
Investment income (loss), excluding segregated fund account balances					
Investment income	5	(1)	(124)	(27)	(147)
Change in investment contracts[1]	(9)	—	—	—	(9)
Net investment result, excluding segregated fund account balances	(4)	(1)	(124)	(27)	(156)
Insurance finance (expense) income, excluding segregated fund account balances					
Insurance contracts	(1)	(1)	141	—	139
Reinsurance contracts held	—	1	10	—	11
Net insurance finance expense, excluding segregated fund account balances	(1)	—	151	—	150
Segregated fund account balances net investment and insurance finance result					
Investment income on investments for segregated fund account balances	197	—	—	—	197
Insurance finance expenses for segregated fund	(197)	—	—	—	(197)
Segregated funds account balances net investment and insurance finance result	—	—	—	—	—
Net investment and insurance finance result	(5)	(1)	27	(27)	(6)
Other income and expenses					
Fee and other income	1	6	(1)	15	21
Non-insurance expenses	(23)	(14)	(12)	(19)	(68)
Interest expenses	—	—	—	(18)	(18)
Total other income and expenses	(22)	(8)	(13)	(22)	(65)
Net income before taxes	42	6	64	(49)	63
Income taxes					(11)
Net income after taxes					52
Less: net income attributable to the participating account					2
Less: preferred share dividends declared					4
Empire Life's common shareholder's net income					46
Non-controlling interests in net income					—
Net income attributable to owners of E-L Financial					$ 46

Empire Life's shareholders' net income in the third quarter increased $182 million relative to the third quarter of 2023, driven by gains in Empire Life's net investment and insurance finance result. These gains are due to favourable interest rate movements in the quarter compared to the less favourable interest rate movements from the same period in 2023, as well as the impact of insurance contract liability assumption updates. In 2024, management conducted the annual assumption update in the third quarter, in contrast

to the fourth quarter in 2023.

Net insurance service result increased $2 million in the third quarter, compared to the same period in 2023. Contributing factors include higher net insurance service results in the Group Solutions product line, driven by favourable assumption updates on life and long-term disability products, which were offset by unfavourable mortality experience in the Individual Insurance product line.

Net investment and insurance finance result increased $265 million in the third quarter compared to the same period in 2023. This was mainly due to favourable interest rate movements compared to less favourable interest rate movements in the same period in 2023, as well as the impact of insurance contract liability assumption updates. Net investment gains from non-fixed income assets also supported the favourable third quarter result, driven by favourable market movements.

Total other income and expenses for the third quarter was a net expense of $23 million, consistent with the same period in 2023.

Year-to-date Empire Life's shareholders' net income of $265 million was a $219 million increase compared to the first nine months of 2023. The change over prior year was primarily due to favourable interest rate movements in the third quarter of 2024, driving net investment and insurance finance result gains, compared to losses experienced in the third quarter of 2023 due to unfavourable interest rate movements.

Net insurance service result over the first nine months in 2024 increased $9 million compared to the same period in the prior year, primarily due to higher net insurance service results in our Wealth Management line, which was partially offset by adverse mortality experience in our Individual Insurance product lines.

Net investment and insurance finance result increased $308 million year-to-date in 2024 compared to the same period in 2023. This was due to the improved interest rate environment and the impacts of management assumption updates.

The year-to-date total other income and expenses was a net expense of $62 million, a $2 million increase over the first three quarters of 2023. The change reflects higher non-insurance operating expenses which were partially offset by gains in fee and other income due to disposal of property and equipment.

Product Line Results - Wealth Management

(in millions of dollars)	Third quarter 2024	Third quarter 2023	Year to date 2024	Year to date 2023
Fixed annuities				
Assets under management[1]	**$ 997**	$ 839	**$ 997**	$ 839
Gross sales[1]	**46**	74	**161**	163
Net sales[1][2]	**15**	51	**69**	89
Segregated funds				
Assets under management[1]	**$ 9,312**	$ 8,356	**$ 9,312**	$ 8,356
Gross sales[1]	**210**	141	**643**	562
Net sales[1]	**(68)**	(109)	**(384)**	(218)

[1] See Non-GAAP measures section

[2] Amounts have been revised from those previously presented.

(in millions of dollars)	Third quarter 2024	Third quarter 2023	Year to date 2024	Year to date 2023
Net insurance service result	**$ 26**	$ 26	**$ 79**	$ 69
Net investment and insurance finance result	**9**	(4)	**38**	(5)
Fee and other income	**—**	—	**1**	1
Non-insurance operating expenses	**(7)**	(7)	**(25)**	(23)
Net income before taxes	**$ 28**	$ 15	**$ 93**	$ 42

Fixed annuities assets under management were 19% higher relative to the third quarter of 2023. Assets under management for fixed annuities are higher this period compared to 2023, as we are now seeing the positive impact of strong 2023 sales reflected in assets under management. Gross sales in the third quarter were 38% lower than the same period in 2023 due to the declining interest rate environment which has drawn customer demand away from GIC and Annuity products, resulting in lower net sales compared to the third quarter of 2023.

Segregated fund assets under management were 11% higher in 2024 relative to the same period in 2023, reflecting favourable market movements, partially offset by net outflows. For the third quarter of 2024, gross sales of segregated funds were 49% higher than the same period in 2023 due in part to the launch of several new segregated funds at the end of the second quarter of 2024, and customer preferences shifting away from fixed annuity products back to segregated funds.

Net income for the third quarter increased $13 million, compared to the same period in 2023. This improvement in quarterly earnings was due to gains in net investment and insurance finance results, driven by the impacts of discount rate assumption updates and the impact of interest rate movements on assets underlying Empire Life's fixed annuity products in the quarter. The net insurance service result showed stable results quarter over quarter.

Product line results - Group Solutions

(in millions of dollars)	Third quarter 2024	Third quarter 2023[2]	Year to date 2024	Year to date 2023
Annualized premium sales				
Core	**$ 18**	$ 14	**$ 52**	$ 35
Other	**7**	7	**30**	20
Total annualized premium sales[1]	**$ 25**	$ 21	**$ 82**	$ 55

[1] See Non-GAAP measures section

[2] Amounts have been revised from those previously presented

(in millions of dollars)	Third quarter 2024	Third quarter 2023	Year to date 2024	Year to date 2023
Insurance revenue	**$ 171**	$ 160	**$ 500**	$ 476
Net insurance service result	**$ 17**	$ 12	**$ 17**	$ 15
Net investment and insurance finance result	**—**	(6)	**(1)**	(1)
Fee and other income	**2**	2	**7**	6
Non-insurance operating expenses	**(6)**	(4)	**(17)**	(14)
Net income before taxes	**$ 13**	$ 4	**$ 6**	$ 6

Total annualized premium sales increased 19% in the third quarter compared to the same period in 2023. This increase was primarily due to improved sales through Group Solutions' core distribution partners.

Insurance revenue increased 7% in the third quarter compared to the same periods in 2023, primarily due to organic growth in specialty partnerships.

Net income before taxes increased by $9 million for the quarter, compared to the same period in 2023, which was primarily due to favourable insurance contract liability assumption updates on life and long-term disability ("LTD") products, and improved Net investment and insurance finance result due to favourable interest rate changes.

Product line results - Individual Insurance

(in millions of dollars)	Third quarter 2024	Third quarter 2023	Year to date 2024	Year to date 2023
Shareholders'				
Shareholders' annualized premium sales[1]	**$ 9**	$ 10	**$ 31**	$ 30
Net income before taxes[2]	**138**	52	**197**	63
Policyholders'				
Policyholders' annualized premium sales[1]	**$ 4**	$ 3	**$ 11**	$ 11
Net income before taxes[2]	**3**	2	**9**	1

[1] See Non-GAAP measures section

[2] Amounts have been revised from those previously presented

(in millions of dollars)	Third quarter 2024	Third quarter 2023	Year to date 2024	Year to date 2023
Net insurance service result	**$ 19**	$ 22	**$ 47**	$ 50
Net investment and insurance finance result	**129**	40	**179**	27
Fee and other income	**—**	—	**—**	(1)
Non-insurance operating expenses	**(7)**	(8)	**(20)**	(12)
Net income before taxes	**$ 141**	$ 54	**$ 206**	$ 64

Shareholders' annualized premium sales decreased 10% in the third quarter compared to the same period in 2023, due to increasing competition for non-participating term insurance products.

Shareholders' net income before taxes for the third quarter of 2024 increased $86 million in 2024 compared to 2023, driven by increases in the Individual Insurance net investment and insurance finance result. Net investment and insurance finance results improved by $89 million in the quarter compared to 2023 due to discount rate assumption updates and gains on non-fixed income assets. Unfavourable mortality experience contributed to the $3 million lower net insurance service result in the third quarter compared to the same period in 2023.

Results - Capital and Surplus

	Third quarter		Year to date	
(in millions of dollars)	**2024**	2023	**2024**	2023
Net investment results	**$ 81**	$ (76)	**$ 86**	$ (27)
Other income and expenses[1]	**(5)**	(6)	**(8)**	(17)
Net income (loss) before taxes	**$ 76**	$ (82)	**$ 78**	$ (44)

[1] Amounts have been revised from those previously presented

Net income before taxes in the Capital and Surplus segment increased $158 million in the third quarter compared to the prior period loss, driven by gains in the net investment result. These gains were due to favourable interest rate movements in the third quarter of 2024 relative to unfavourable interest rate movements experienced in the same quarter in 2023.

The year to date increase over prior year is primarily due to the strong net investment result gains in the third quarter. Empire Life also realized some modest gains in other income and expenses related to the disposal of Property and equipment, which offset increased non-insurance operating expenses.

Results - Net Contractual Service Margin

	Third quarter		Year to date	
(Amounts are net of reinsurance contracts held, in millions of dollars)	**2024**	2023	**2024**	2023
Net contractual service margin, beginning of period	**$ 1,483**	$ 1,528	**$ 1,415**	$ 1,544
Impact of new insurance business	**16**	13	**45**	48
Interest accretion[1]	**6**	6	**18**	20
Insurance experience[2]	**3**	(5)	**(1)**	(10)
Economic experience[1][2]	**32**	65	**150**	89
Assumption updates[2]	**(73)**	—	**(77)**	(1)
CSM recognized for services provided	**(41)**	(40)	**(124)**	(123)
Net contractual service margin, end of period	**$ 1,426**	$ 1,567	**$ 1,426**	$ 1,567

[1] Amounts have been revised from those previously presented.
[2] Insurance experience, economic experience and assumption updates are components of changes in estimates that adjust the CSM. Insurance experience represents the current period impacts of insurance experience, resulting in a change in future cash flows that adjust CSM. Economic experience represents the changes in the effect of time value of money and financial risk relating to contracts measured using the Variable Fee Approach ("VFA") for the Wealth Management and Individual Insurance product lines. Assumption updates represent the future period impacts of changes in fulfilment cash flows that adjust CSM.

The net contractual service margin ("CSM") for the third quarter of 2024 was $1,426 million, a decrease of $57 million in the quarter, and an increase of $68 million from December 31, 2023, largely driven by:

- Assumption updates: The annual actuarial assumption updates were completed in the third quarter of 2024 which led to a $73 million decrease in the CSM balance. Further details are provided in the following section.
- Economic experience: The positive impact of equity market returns in the third quarter on our segregated fund products led to an increase in the CSM balance which was slightly offset by decreasing interest rates.
- New insurance business: Traditional non-participating term and whole life insurance sales make up the majority of the new business CSM total for the quarter.

- CSM amortization: Remains relatively consistent quarter to quarter.

Results - Impact of Insurance Contract Liability Assumption Updates

Impacts from the update of insurance contract liability assumptions for the quarter ended September 30, 2024 (Amounts are net of reinsurance contracts held, in millions of dollars)	Net income (loss) before taxes	Net CSM
Components of insurance contract liability assumption updates		
Discount rates	**$ 68**	$ (30)
Mortality	**(4)**	(2)
Expense	**(1)**	(38)
Other	**15**	(3)
Total change from the update of insurance contract liability assumptions	**$ 78**	$ (73)

In the third quarter management updated several assumptions that affect the measurement of insurance contract liabilities and reinsurance contracts held. These updates are primarily related to discount rates, mortality rates, and expenses. In 2023 management conducted the annual assumption updates in the fourth quarter.

For further details on the updates to insurance contract liability assumptions, refer to Note 10. Analysis by measurement component for insurance contracts of our unaudited interim condensed consolidated financial statements for the quarter ended September 30, 2024.

Financial Instruments

Empire Life holds an investment portfolio that is actively managed to optimize yield, quality and liquidity while ensuring it is both diversified and duration-matched to our future obligations. Cash flows arising from these financial instruments are intended to match the liquidity requirements of Empire Life's insurance and investment contract liabilities, within the limits prescribed by Empire Life. Empire Life is subject to credit and market risk on these financial instruments.

Credit risk on these financial instruments could result in a financial loss should the other party fail to discharge an obligation. This credit risk is derived primarily from investments in bonds, debentures, preferred shares, short-term investments and mortgages. Empire Life manages credit risk by applying its investment guidelines established by the Investment Committee of the Board of Directors. The investment guidelines establish minimum credit ratings for issuers of bonds, debentures and preferred share investments, and provide for concentration limits by issuer of such debt instruments. Management reviews credit quality relative to investment purchases and monitors the credit quality of invested assets over time. Management reports regularly to the Investment Committee of Empire Life's Board on the credit risk to which the portfolio is exposed.

Empire Life manages market risk exposure mainly through investment limits and oversight of its in-house investment managers and external investment firms by the Chief Investment Officer, Asset Management Committee and Investment Committee of the Board. The Investment Committee actively monitors the portfolio and asset mix. Empire Life has a semi-static hedging program as part of its approach to managing this risk.

Empire Life manages credit risk with respect to derivatives by applying limits and credit rating restrictions established by the Investment Committee in its investment guidelines, which set out permitted derivatives and permitted uses for derivatives, as well as limits to the use of these instruments. In particular, no leverage is permitted in the use of derivatives and strict counterparty credit restrictions are imposed.

For additional information on our financial instruments, refer to Note 4 Investments - insurance in the unaudited interim condensed consolidated financial statements for the quarter ended September 30, 2024.

Sources of capital

Empire Life has issued private and public securities to strengthen its capital position and fund new business growth. The securities outstanding are summarized in the following table:

(in millions of dollars)	As at	
	September 30 2024	December 31 2023
Subordinated debentures	**$ 399**	$ 399
Equity		
Preferred shares and other equity instruments	**$ 297**	$ 297
Common shares	**1**	1
Total Equity	**$ 298**	$ 298

Details of Empire Life's outstanding subordinated debentures are as follows:

(in millions of dollars)	Date Issued	Earliest Redemption Date	Yield	As at **September 30 2024**	December 31 2023
Series 2021-1 [1]	September 2021	September 24, 2026	2.024%	**$ 200**	$ 199
Series 2023-1 [2]	January 2023	January 13, 2028	5.503%	**$ 200**	$ 199

[1] Series 2021-1 Subordinated 2.024% unsecured debentures due 2031. From September 24, 2026, interest is payable at 0.67% over CORRA plus 0.32138 credit adjustment spread.
[2] Series 2023-1 Subordinated 5.503% unsecured debentures due 2033. From January 13, 2028, interest is payable at 2.26% over CORRA.

Details of Empire Life's outstanding preferred shares and other equity instruments are as follows:

(in millions of dollars)	Date Issued	Earliest Redemption Date	Yield	As at **September 30 2024**	December 31 2023
Preferred shares, Series 3	November 2017	January 17, 2028	6.187 %	**$ 100**	$ 100
Limited Recourse Capital Notes, Series 1	February 2021	April 17, 2026	3.625 %	**$ 197**	$ 197

Security rating

The securities issued by Empire Life are rated by DBRS Limited ("Morningstar DBRS"). Morningstar DBRS completed its annual rating review of Empire Life in the second quarter of 2024. Morningstar DBRS confirmed all credit ratings and updated Empire Life's trend to Positive from Stable.

Evaluation type	**Rating**	**Trend**	**Date of last rating action**
Financial strength rating	A	Positive	May 24, 2024
Issuer rating	A	Positive	May 24, 2024
Subordinated debt	A (low)	Positive	May 24, 2024
Preferred shares	Pfd-2	Positive	May 24, 2024
Limited Recourse Capital Notes	BBB (high)	Positive	May 24, 2024

Regulatory capital

The Life Insurance Capital Adequacy Test ("LICAT") measures the capital adequacy of an insurer and is one of several indicators used by the Office of the Superintendent of Financial Institutions ("OSFI") to assess an insurer's financial condition. 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 ratio.

LICAT	**Sep 30**	Jun 30	Mar 31	Dec 31	Sep 30
(in millions of dollars)	**2024**	2024	2023	2023	2023
Available capital					
Tier 1	**$ 2,206**	$ 2,091	$ 2,222	$ 2,135	$ 2,190
Tier 2	**737**	705	683	714	626
Total	**$ 2,943**	$ 2,796	$ 2,905	$ 2,849	$ 2,816
Surplus allowance and eligible deposits	**$ 654**	$ 645	$ 638	$ 651	$ 561
Base solvency buffer	**2,334**	2,261	2,254	2,252	2,228
LICAT total ratio	**154 %**	152 %	157 %	155 %	152 %
LICAT core ratio	**114 %**	112 %	118 %	115 %	116 %

Empire Life maintained a strong LICAT position that is well above target levels in the third quarter of 2024. Empire Life's total and core LICAT ratios increased in the third quarter compared to the previous quarter, due to favourable earnings in the period, driven by net investment gains. During the year movement in total available capital related to acquisitions made and the payment of an additional dividend to common shareholders.

Risk Management

Empire Life is a financial institution offering wealth management, group solutions and individual insurance products. Empire Life is exposed to a number of risks as a result of its business activities. Effective risk management is critical to the overall profitability, competitive market positioning and long-term financial viability of Empire Life. While all risks cannot necessarily be eliminated or known with certainty, the goal of Empire Life's risk management program is to ensure that risk-taking activities are aligned with its strategy, in order to achieve business goals and deliver acceptable shareholder returns.

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 the market prices, interest rates, assets, liabilities and business mix in place as at the respective calculation dates. The sensitivities are calculated independently for each risk variable, generally assuming that all other risk variables remain constant. The sensitivities do not take into account indirect effects such as potential impacts on goodwill impairments or valuation allowances on deferred tax assets. The sensitivities are provided for the consolidated entity. Actual results can differ materially from these estimates for a variety of reasons, including differences in the pattern or distribution of market shocks, the interaction between these risk factors, model errors, or changes in other assumptions such as business mix, effective tax rates, policyholder behaviour and other market variables relative to those underlying the calculation of the sensitivities. 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, CSM, Equity and capital sensitivities. Given the nature of these calculations, Empire Life cannot provide assurance that the actual impact will be consistent with the estimates provided. Changes in risk variables in excess of the ranges illustrated may result in other than proportionate impacts.

Market Risk

Empire Life has equity market risk related to its segregated fund products and from equity assets backing life insurance contract liabilities and surplus. Empire Life maintains a semi-static hedging program. The objective of the hedging program is to partially protect Empire Life from regulatory capital (LICAT) ratio declines that might result from adverse stock market price changes. The hedging program may employ derivatives positions including put options and futures. The extent of derivatives used is monitored and managed on an ongoing basis, giving consideration to equity market risk and the level of available capital.

There can be volatility in Empire Life's statement of operations from this hedging program. Based on current equity market levels, Empire Life has required capital for LICAT purposes as well as liabilities on the statement of financial position related to segregated fund guarantees. Some net income volatility can result from the hedging instruments, as gains or losses are not directly offset by changes in the value of other assets and liabilities exposed to equity risk. For the quarter ended September 30, 2024, Empire Life experienced a net loss before taxes of $3.9 million on the hedging program, due to realized losses on the portfolio investments. This compares to a hedge loss of $0.8 million before taxes over the same period in 2023.

Empire Life's LICAT ratio is also sensitive to stock market volatility, primarily due to liability and capital requirements related to segregated fund guarantees. As of September 30, 2024, Empire Life had $9.3 billion of segregated fund assets and liabilities. Of this amount, approximately $9.1 billion have guarantees. The following table provides a percentage breakdown by type of guarantee.

	September 30 2024	December 31 2023
Percentage of segregated fund liabilities with:		
75% maturity guarantee and a 75% death benefit guarantee	**11 %**	9 %
75% maturity guarantee and a 100% death benefit guarantee	**43 %**	43 %
100% maturity and death benefit guarantee (with a minimum of 15 years between deposit and maturity date)	**7 %**	7 %
Guaranteed minimum withdrawal benefit ("GMWB")	**39 %**	41 %
Total	**100 %**	100 %

All Empire Life's 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 framework includes the use of various constraints that provide a partial cushion against impacts. As a result, the sensitivity impacts are often non-linear or asymmetric. In addition, the contractual service margin provides a significant offset to potential impacts in the segregated fund guarantee liability. This significantly reduces the net income impacts from changes in interest rates or stock market levels.

Empire Life also has equity market risk related to its equity assets backing life insurance contract liabilities and surplus. In the first quarter of 2024, we updated our asset mix, reducing exposure to equity risk. As at

September 30, 2024 and December 31, 2023, the sensitivity of Empire Life shareholders' net income resulting from changes in equity market prices is provided in the following table:

Sensitivity to equity risk	**Increase**		**Decrease**	
(in millions of dollars)	**20%**	**10%**	**10%**	**20%**
As at September 30, 2024				
Net income and equity	**$ 19**	**$ 10**	**$ (4)**	**$ (2)**
CSM	**183**	**97**	**(111)**	**(241)**
As at December 31, 2023				
Net income and equity	$ 43	$ 21	$ (19)	$ (32)
CSM	187	100	(116)	(254)

Based on stock market levels as at September 30, 2024 and December 31, 2023, the sensitivity of Empire Life's LICAT Total ratio resulting from stock market increases and decreases on equity market prices is provided in the following table:

Sensitivity to equity risk	**Increase**		**Decrease**	
Impact on LICAT	**20%**	**10%**	**10%**	**20%**
Segregated fund guarantees	**15%**	**8%**	**—%**	**(4)%**
Other equity risk	**1%**	**—%**	**—%**	**—%**
Equity hedge	**—%**	**—%**	**—%**	**(1)%**
As at September 30, 2024	**16%**	**8%**	**—%**	**(5)%**
Segregated fund guarantees	13%	5%	(1)%	(11)%
Other equity risk	1%	—%	—%	(1)%
Equity hedge	(2)%	(1)%	1%	1%
As at December 31, 2023	12%	4%	—%	(11)%

The amount at risk related to segregated fund maturity guarantees and segregated fund death benefit guarantees, and the resulting insurance contract 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**			
(millions of dollars)	**Fund value**	**Amount at risk**	**Fund value**	**Amount at risk**	**Fund value**	**Amount at risk**	**Insurance Contract liabilities**	**LICAT capital**
September 30, 2024	**$ 2,329**	**$ 680**	**$ 9**	**$ 1**	**$ 80**	**$ 1**	**$ 117**	**$ 393**
December 31, 2023	$ 2,557	$ 952	$ 44	$ 2	$ 1,101	$ 12	$ 102	$ 422

The first six columns of the above table show amounts associated with 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. At September 30, 2024, the aggregate amount at risk for all three categories of risk was $682 million. At December 31, 2023, the aggregate amount at risk for these three categories of risk was $966 million. For these three categories of risk, the amount at risk is not currently payable, as payment is contingent on future outcomes, including fund performance, deaths, deposits, withdrawals and maturity dates.

The level of insurance contract 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 a 50 basis point parallel shift in interest rates for September 30, 2024 and December 31, 2023, is shown in the table below. No change to credit spreads is assumed.

Sensitivity to market interest rates LICAT	Impact of 50 bps decrease
September 30, 2024 LICAT total ratio	**4%**
December 31, 2023 LICAT total ratio	2%