

The Empire Life Insurance Company

Condensed Interim Consolidated Financial Statements (unaudited) For the nine months ended September 30, 2024

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The Company's external auditors have not performed a review of these condensed interim unaudited consolidated financial statements of The Empire Life Insurance Company.



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Interim Consolidated Statements of Financial Position

(unaudited, in thousands of Canadian dollars)

As at	Notes	September 30, 2024	December 31, 2023
Assets			
Cash and cash equivalents	3	\$ 180,403	\$ 347,707
Investments	3	9,407,996	8,916,945
Accrued investment income		68,480	49,068
Other assets		50,656	32,193
Reinsurance contracts held assets	6	289,763	281,359
Property and equipment		3,745	13,751
Deferred tax asset		93,680	89,444
Investment in associates	4	80,725	34,891
Intangible assets		60,681	61,511
Goodwill		24,986	24,950
Segregated fund assets	5	9,330,879	8,812,724
Total assets		\$ 19,591,994	\$ 18,664,543
Liabilities			
Insurance contract liabilities, excluding segregated fund account balances	6	\$ 6,812,016	\$ 6,708,434
Reinsurance contracts held liabilities	6	253,440	253,230
Investment contract liabilities, excluding segregated fund account balances	3	578,632	490,020
Accounts payable and other liabilities		95,862	97,318
Subordinated debt	7	399,149	398,897
Current tax liability		63,505	15,780
Total liabilities, excluding segregated fund account balances		8,202,604	7,963,679
Insurance contract liabilities for segregated fund account balances	5,6	9,079,607	8,507,285
Investment contract liabilities for segregated fund account balances	3,5	251,272	305,439
Insurance and investment contract liabilities for segregated fund account balances		9,330,879	8,812,724
Total liabilities		17,533,483	16,776,403
Equity			
Preferred shares	10	100,000	100,000
Common shares	10	985	985
Other equity instruments	10	196,664	196,664
Contributed surplus		19,387	19,387
Retained earnings		1,653,377	1,498,732
Accumulated other comprehensive income		31,824	26,215
Total shareholders' equity		2,002,237	1,841,983
Participating account surplus	12	56,274	46,157
Total equity		2,058,511	1,888,140
Total liabilities and equity		\$ 19,591,994	\$ 18,664,543



Duncan N. R. Jackman

Chairman of the Board



Mark Sylvia

President and Chief Executive Officer

The accompanying notes are an integral part of these interim consolidated financial statements.

Interim Consolidated Statements of Operations

(unaudited, in thousands of Canadian dollars except per share amounts)

	Notes	For the three months ended		For the nine months ended	
		September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Insurance service result					
Insurance revenue	6	\$ 357,408	\$ 337,393	\$ 1,047,735	990,851
Insurance service expenses		(271,066)	(258,417)	(851,725)	(806,230)
Insurance service result		86,342	78,976	196,010	184,621
Net recovery (expense) from reinsurance contracts held	6	(24,757)	(19,214)	(53,047)	(50,752)
Net insurance service result		61,585	59,762	142,963	133,869
Investment and insurance finance result					
Investment income (loss), excluding segregated fund account balances					
Investment income	3	502,023	(547,332)	480,583	(146,598)
Change in investment contracts	3	(18,663)	171	(25,289)	(9,009)
Net investment result, excluding segregated fund account balances	3	483,360	(547,161)	455,294	(155,607)
Insurance finance income (expense), excluding segregated fund account balances					
Insurance contracts	3	(289,195)	478,605	(183,990)	139,054
Reinsurance contracts held	3	24,767	22,155	30,450	10,775
Net insurance finance income (expense), excluding segregated fund account balances		(264,428)	500,760	(153,540)	149,829
Segregated fund account balances net investment and insurance finance result					
Investment income (loss) on investments for segregated fund account balances	3	608,884	(156,423)	1,067,917	197,022
Insurance finance income (expenses) segregated fund account balances	3	(608,884)	156,423	(1,067,917)	(197,022)
Segregated fund account balances net investment and insurance finance result		—	—	—	—
Net investment and insurance finance result	3	218,932	(46,401)	301,754	(5,778)
Other income and expenses					
Fee and other income		8,440	7,673	30,641	21,257
Non-insurance expenses		(27,053)	(26,217)	(80,638)	(68,248)
Interest expenses ⁽¹⁾		(3,878)	(3,880)	(11,552)	(12,766)
Total other income and expenses		(22,491)	(22,424)	(61,549)	(59,757)
Net income (loss) before taxes		258,026	(9,063)	383,168	68,334
Income taxes ⁽¹⁾		(72,489)	3,842	(99,746)	(12,093)
Net income (loss) after taxes		185,537	(5,221)	283,422	56,241
Less: net income (loss) attributable to the participating account		5,450	(2,942)	10,117	1,751
Shareholders' net income (loss)		180,087	(2,279)	273,305	54,490
Less: preferred share dividends declared and distributions on other equity instruments ⁽¹⁾		(2,889)	(2,891)	(8,637)	(8,632)
Common shareholders' net income (loss)		\$ 177,198	\$ (5,170)	\$ 264,668	\$ 45,858
Earnings per share - basic and diluted	9	\$ 179.88	\$ (5.25)	\$ 268.68	\$ 46.55

⁽¹⁾ Amounts have been revised from those previously presented.

The accompanying notes are an integral part of these interim consolidated financial statements.

Interim Consolidated Statements of Comprehensive Income

(unaudited, in thousands of Canadian dollars)

	Notes	For the three months ended		For the nine months ended	
		September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Net income (loss) after taxes⁽¹⁾		\$ 185,537	\$ (5,221)	\$ 283,422	\$ 56,241
Other comprehensive income (loss), net of income taxes:					
Items that will not be reclassified to net income:					
Remeasurements of post-employment benefit liabilities	8	529	(10,912)	5,609	(10,611)
Total other comprehensive income (loss)		529	(10,912)	5,609	(10,611)
Total comprehensive income (loss)		\$ 186,066	\$ (16,133)	\$ 289,031	\$ 45,630
Comprehensive income (loss) attributable to:					
Participating account		\$ 5,450	\$ (2,942)	\$ 10,117	\$ 1,751
Shareholders ⁽¹⁾		180,616	(13,191)	278,914	43,879
Total comprehensive income (loss)		\$ 186,066	\$ (16,133)	\$ 289,031	\$ 45,630

⁽¹⁾ Amounts have been revised from those previously presented.

The accompanying notes are an integral part of these interim consolidated financial statements.

Interim Consolidated Statements of Changes in Equity

(unaudited, in thousands of Canadian dollars)

	Preferred Shares	Common Shares	Other Equity Instruments	Contributed Surplus	Retained Earnings	AOI (AOCL)	Total Shareholders' Equity	Participating Account Surplus	Total Equity
Balance as at January 1, 2023	\$ 100,000	\$ 985	\$ 196,664	\$ 19,387	\$ 1,417,584	\$ 26,787	\$ 1,761,407	\$ 24,055	\$ 1,785,462
For the period of January 1, 2023 to September 30, 2023									
Comprehensive income (loss) ⁽¹⁾					54,490	(10,611)	43,879	1,751	45,630
Preferred share dividends and distributions on other equity instruments ⁽¹⁾					(8,632)		(8,632)		(8,632)
Common share dividends					(56,179)		(56,179)		(56,179)
Balance as at September 30, 2023	100,000	985	196,664	19,387	1,407,263	16,176	1,740,475	25,806	1,766,281
Balance as at January 1, 2024	100,000	985	196,664	19,387	1,498,732	26,215	1,841,983	46,157	1,888,140
For the period of January 1, 2024 to September 30, 2024									
Comprehensive income (loss)					273,305	5,609	278,914	10,117	289,031
Preferred share dividends and distributions on other equity instruments					(8,637)		(8,637)		(8,637)
Common share dividends					(110,023)		(110,023)		(110,023)
Balance as at September 30, 2024	\$ 100,000	\$ 985	\$ 196,664	\$ 19,387	\$ 1,653,377	\$ 31,824	\$ 2,002,237	\$ 56,274	\$ 2,058,511

⁽¹⁾ Amounts have been revised from those previously presented.

The accompanying notes are an integral part of these interim consolidated financial statements.

Interim Consolidated Statements of Cash Flows

(unaudited, in thousands of Canadian dollars)

For the nine months ended	Notes	September 30, 2024	September 30, 2023
Operating activities			
Net income before tax		\$ 383,168	\$ 68,334
Adjustments for:			
Accrued investment income		(19,412)	(11,038)
Depreciation of right-of-use assets		981	1,011
Amortization related to property and equipment and intangible assets		12,424	7,160
Accrued interest on lease liabilities		105	136
Net realized and unrealized loss (gain) on invested assets ⁽¹⁾		(234,383)	221,638
Amortization of subordinated debt issuance costs		252	382
Interest on subordinated debts		11,300	5,701
Share of loss (income) of associates		2,410	(525)
Changes in:			
Other assets		(9,553)	10,844
Accounts payable and other liabilities		(10,668)	(35,255)
Insurance contracts liabilities		103,582	(189,240)
Reinsurance contracts held		(8,194)	31,339
Investment contract liabilities		88,612	87,339
Cash generated from (used for) operating activities		320,624	197,826
Income taxes (paid), net of refunds		(58,267)	(2,324)
Cash provided from (used for) operating activities		262,357	195,502
Investing activities			
Portfolio investments			
Purchases and advances ⁽¹⁾		(1,536,736)	(1,218,216)
Sales and maturities		1,291,940	1,229,848
Sale (purchase) of property and equipment and intangible assets		(3,801)	(13,124)
Dividends from associates		705	463
Investment in associates	4	(48,949)	(4,819)
Cash provided from (used for) investing activities		(296,841)	(5,848)
Financing activities			
Dividends paid to common shareholders	11	(110,023)	(56,179)
Dividends paid to preferred shareholders and distributions from other equity instruments ⁽¹⁾		(8,637)	(8,311)
Redemption of subordinated debt		—	(199,964)
Issuance of subordinated debt		—	199,329
Payment of lease liabilities		(908)	(937)
Interest paid on subordinated debt ⁽¹⁾		(13,252)	(12,766)
Cash provided from (used for) financing activities		(132,820)	(78,828)
Net change in cash and cash equivalents		(167,304)	110,826
Cash and cash equivalents - beginning of period	3	347,707	175,523
Cash and cash equivalents - end of period	3	\$ 180,403	\$ 286,349
Supplementary cash flow information related to operating activities:			
Interest income received		211,908	187,870
Dividend income received		36,950	39,161

⁽¹⁾ Amounts have been revised from those previously presented.

The accompanying notes are an integral part of these interim consolidated financial statements.

Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

1. Description of Company and Summary of Operations

The Empire Life Insurance Company (the Company or Empire Life) was founded in 1923 when it was organized under a provincial charter in Toronto, Ontario. Authorization to continue as a federal corporation was obtained in 1987. The Company underwrites life and health insurance policies and provides segregated funds and annuity products for individuals and groups across Canada. The Company is a 98.3% owned subsidiary of E-L Financial Services Limited (ELFS), which in turn is a 100.0% owned subsidiary of E-L Financial Corporation Limited (E-L). E-L owns, directly and indirectly through ELFS, 99.5% of the common shares of Empire Life. The head office, principal address and registered office of the Company are located at 259 King Street East, Kingston, Ontario, K7L 3A8. Empire Life is a Federally Regulated Financial Institution, regulated by the Office of the Superintendent of Financial Institutions, Canada (OSFI) and subject to regulations in all of the provinces in which it conducts business. Empire Life became a public company on August 5, 2015 and registered as a reporting issuer with the Ontario Securities Commission.

The Company owns 100% of the voting shares and maintains control of its subsidiary, Empire Life Investments Inc. (ELII), which was established in 2011. ELII became a registered Investment Funds Manager on January 5, 2012. The head office for ELII is located at 165 University Avenue, Toronto, Ontario, M5H 3B8.

TruStone Financial Inc. (TSFI), an Empire Life subsidiary, was established in 2022. Empire Life owns 100% of the voting shares and maintains control of its subsidiary. The head office for TSFI is located at 259 King Street East, Kingston, Ontario, K7L 3A8.

These Condensed Interim Consolidated Financial Statements as at and for the three and nine months ended September 30, 2024 were approved by the Company's Board of Directors (the Board) on October 30, 2024.

2. Material Accounting Policies

2.1. Basis of preparation

These unaudited Condensed Interim Consolidated Financial Statements of the Company have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as issued by the International Accounting Standards Board (IASB) and follow the same accounting policies and methods of computation as the most recent annual consolidated financial statements. These Condensed Interim Consolidated Financial Statements do not include all of the disclosures required under International Financial Reporting Standards as issued by the IASB (IFRS Accounting Standards) for annual financial statements and should be read in conjunction with the notes to the Company's audited Consolidated Financial Statements for the year ended December 31, 2023.

All amounts included in the Condensed Interim Consolidated Financial Statements are presented in thousands of Canadian dollars except for per share amounts and where otherwise stated.

2.2. Basis of consolidation

The Company's Condensed Interim Consolidated Financial Statements include the assets, liabilities, results of operations and cash flows of the Company and its subsidiaries. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases. The Financial Statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Inter-company transactions and balances are eliminated on consolidation.

Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

2.3. Estimates, assumptions and judgments

The preparation of the Condensed Interim Consolidated Financial Statements requires management to make estimates, assumptions and judgments that affect the application of accounting policies and the reported amounts of assets and liabilities as at the date of the Condensed Interim Consolidated Financial Statements, and the reported amounts of revenue and expenses during the period. On an on-going basis, management evaluates its critical judgments, estimates, and assumptions in relation to assets, liabilities, revenue and expenses. Actual results may differ from the Company's estimates thereby impacting the Condensed Interim Consolidated Financial Statements. Information on the Company's use of estimates, assumptions and judgments is discussed in Note 2.3 of the Company's audited Consolidated Financial Statements for the year ended December 31, 2023.

2.4. New and amended standards and interpretations

2.4.1. New and amended standards adopted in 2024

Effective January 1, 2024, the Company adopted the following new and amended accounting standards:

IAS 1 Amendments – Classification of liabilities as current or non-current and non-current liabilities with covenants

Narrow-scope amendments to IAS 1 Presentation of Financial Statements were issued in January 2020 to provide clarification over the classification of debt and other liabilities as current or non-current. The amendments aim to promote consistency in the application of the classification requirements when the settlement date is uncertain. In October 2022, the IASB issued a further amendment to clarify that classification of liabilities as current or non-current is only impacted by covenants with which an entity is required to comply on or before the reporting date. This amendment also introduced disclosure requirements for covenants with which an entity must comply after the reporting date. These amendments are effective for annual reporting periods beginning on or after January 1, 2024, and must be applied retrospectively. There were no material impacts to the Company's Condensed Interim Consolidated Financial Statements resulting from these amendments, or changes to loan agreements.

IFRS 16 Amendments – Lease liability in a sale and leaseback

In September 2022, the IASB issued amendments to IFRS 16 Leases to specify how a seller-lessee should apply the subsequent measurement requirements in IFRS 16 to the lease liabilities that arise in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, and must be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. There was no material impact to the Company's Condensed Interim Consolidated Financial Statements resulting from these amendments.

2.4.2. Standards issued but not yet applied

IAS 21 Amendments – Lack of exchangeability

In August 2023, the IASB issued narrow-scope amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates, which address determination of the exchange rate when there is a long-term lack of exchangeability, and introduce additional disclosure requirements when a currency is not exchangeable. The amendments are effective for annual reporting periods beginning on or after January 1, 2025, to be recognized as an adjustment to opening retained earnings on the date of initial adoption. The Company is currently evaluating the impact that this amendment will have on its Consolidated Financial Statements.

Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

IFRS 18 – Presentation and Disclosures in Financial Statements

In April 2024, the IASB issued IFRS 18 Presentation and Disclosures in Financial Statements, which will replace IAS 1. IFRS 18 introduces changes to the structure of the Statement of Operations, and provides enhanced principles for aggregation and disaggregation. The standard also requires disclosures in the financial statements for certain performance measures reported outside of an entity's financial statements (Management-defined Performance Measures). IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, and must be applied retrospectively. The Company is currently evaluating the impact that this standard will have on its Consolidated Financial Statements.

IFRS 9 and IFRS 7 Amendments – Classification and measurement of financial instruments

In May 2024, the IASB issued amendments to IFRS 9 and IFRS 7 relating to classification and measurement of financial instruments. The amendments clarify certain concepts relating to classification of financial assets, and introduce the option for entities to derecognize financial liabilities settled using an electronic payment system before the settlement date when certain criteria are met. The amendments also introduce certain new disclosure requirements for financial instruments measured at fair value through other comprehensive income and amortized cost. These amendments are effective for annual reporting periods beginning on or after January 1, 2026, and must be applied retrospectively. The Company is currently evaluating the impact that this amendment will have on its Consolidated Financial Statements.

3. Financial Instruments

3.1. Summary of cash and cash equivalents and investments

The following table presents the fair value of cash and cash equivalents and investments classified by the fair value hierarchy:

As at	September 30, 2024				December 31, 2023			
	Level 1	Level 2	Level 3	Total FVTPL	Level 1	Level 2	Level 3	Total FVTPL
Assets								
Cash and cash equivalents	\$ 39,706	\$ 140,697	\$ —	\$ 180,403	\$ 68,486	\$ 279,221	\$ —	\$ 347,707
Short-term investments	—	672	—	672	—	4,957	—	4,957
Bonds	—	7,963,512	24,702	7,988,214	—	7,427,458	28,725	7,456,183
Preferred shares	621,460	—	—	621,460	519,359	—	—	519,359
Common shares	550,905	73,164	9,975	634,044	686,225	79,260	11,292	776,777
Derivative assets	3,938	4,773	666	9,377	2,641	11,184	—	13,825
Mortgages	—	93,323	—	93,323	—	98,679	—	98,679
Loans	—	60,906	—	60,906	—	47,165	—	47,165
	\$ 1,216,009	\$ 8,337,047	\$ 35,343	\$ 9,588,399	\$ 1,276,711	\$ 7,947,924	\$ 40,017	\$ 9,264,652
Liabilities								
Investment contract liabilities, excluding segregated fund account balances	\$ —	\$ 578,632	\$ —	\$ 578,632	\$ —	\$ 490,020	\$ —	\$ 490,020
Investment contract liabilities for segregated fund account balances	—	251,272	—	251,272	—	305,439	—	305,439
Derivative liabilities	—	3,057	9,486	12,543	—	672	—	672
	\$ —	\$ 832,961	\$ 9,486	\$ 842,447	\$ —	\$ 796,131	\$ —	\$ 796,131

Level 2 investments use fair values based on quoted prices for similar assets or liabilities in active markets, valuation that is based on significant observable inputs, or inputs that are derived principally from or corroborated with observable market data through correlation or other means. The fair value of mortgages and loans have been calculated by discounting cash flows of each mortgage or loan at a discount rate appropriate to its remaining term to maturity. The discount rates are determined based on regular competitive rate surveys.

Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

Included in Level 3 are investments in notes, common shares and units of certain limited partnerships. The fair value of limited partnership investments are based on fair values determined and reported by the respective investment managers, which are principally based on net asset value (NAV). The Financial Statements used in calculating the NAV are generally audited annually. We review the NAV of the limited partnership investments and perform analysis to ensure the fair value is reasonable.

The classification of a financial instrument into a level is based on the lowest level of input that is significant to the determination of the fair value. There were no transfers between Level 1, Level 2 and Level 3 during the nine months ended September 30, 2024. During the year ended December 31, 2023, there were transfers of \$40,666 from Level 2 to Level 3.

A summary of changes in Level 3 financial instruments measured at Fair Value Through Profit or Loss (FVTPL) for the period is as follows:

As at	September 30, 2024	December 31, 2023
Balance beginning of period	\$ 40,017	\$ —
Transfer-in	—	40,666
Purchases	608	536
Sales	(4,448)	(72)
Net realized and unrealized gain (loss)	(10,320)	(1,113)
Balance end of period	\$ 25,857	\$ 40,017

For additional information on the composition of the Company's invested assets and analysis of the Company's risks arising from financial instruments refer to Note 15 Risk Management.

Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

3.2. Investment income

Net investment result recognized in net income

	For the three months ended		For the nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Net investment result, excluding segregated fund account balances				
Interest and other investment income	\$ 102,837	\$ 103,303	\$ 327,143	\$ 294,884
Change in fair value of investments	399,186	(650,635)	153,440	(441,482)
Investment income (loss), excluding segregated fund account balances	502,023	(547,332)	480,583	(146,598)
Change in investment contracts	(18,663)	171	(25,289)	(9,009)
Net investment result, excluding segregated fund account balances	483,360	(547,161)	455,294	(155,607)
Insurance finance income (expense) from insurance contracts, excluding segregated fund account balances				
Interest accreted	(49,781)	(46,679)	(142,905)	(129,033)
Effect of changes in interest rates and other financial assumptions	(186,848)	490,598	24,688	261,059
Changes in fair value of underlying items in insurance contracts with direct participation features	(52,566)	34,686	(65,773)	7,028
Insurance finance income (expense) from insurance contracts, excluding segregated fund account balances	(289,195)	478,605	(183,990)	139,054
Finance income (expense) from reinsurance contracts held				
Interest accreted	876	1,083	2,821	3,734
Effect of changes in interest rates and other financial assumptions	23,891	21,072	27,629	7,041
Reinsurance finance income (expense) from reinsurance contracts held	24,767	22,155	30,450	10,775
Investment income (loss) related to segregated fund net assets				
Investment income (loss) on investments related to segregated fund net assets, insurance contracts	592,746	(159,381)	1,038,661	189,245
Investment income (loss) on investments related to segregated fund net assets, investment contracts	16,138	2,958	29,256	7,777
Investment income (loss) related to segregated fund net assets	608,884	(156,423)	1,067,917	197,022
Changes in underlying items of the segregated funds				
Insurance finance income (expenses), insurance contracts segregated fund account balances	(592,746)	159,381	(1,038,661)	(189,245)
Change in investment contracts, segregated fund account balances	(16,138)	(2,958)	(29,256)	(7,777)
Changes in underlying items of the segregated funds	(608,884)	156,423	(1,067,917)	(197,022)
Net investment and insurance finance result	\$ 218,932	\$ (46,401)	\$ 301,754	\$ (5,778)

With regards to general fund assets and liabilities, the duration of insurance contract liability cash flows is greater than the assets supporting them. Hence, the liabilities are generally more sensitive to interest rate changes than the assets. Changes in equity values and other non-fixed income assets that are not passed through to policyholders generally have an impact on investment income with no offsetting change in insurance finance income (expense).

Amounts related to Change in investment contracts, which includes deferred annuities and guaranteed annuities, arise from discount rates that include a provision to reflect the Company's own credit risk and an illiquidity adjustment. With regards to contracts measured using the Variable Fee Approach (participating insurance contracts and segregated funds), the change in the underlying items would be recognized both as insurance finance income (or expense) and investment income, with offsetting impacts. For these contracts, changes in the effect of time value of money and financial risk not arising from underlying items adjusts the Contractual Service Margin (CSM) and are not included in the insurance finance income (expense) amounts presented in the table above.

Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

Investment income, excluding segregated fund account balances

	For the three months ended		For the nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Investment income (loss), excluding segregated fund account balances				
Interest and other investment income				
Interest income	\$ 94,644	\$ 90,387	\$ 292,362	\$ 255,042
Dividend income	11,437	12,157	36,950	39,250
Income (loss) from investments in associates	(3,251)	746	(2,410)	525
Other	7	13	241	67
Total interest and other investment income	102,837	103,303	327,143	294,884
Net realized and unrealized gain (loss)	399,186	(650,635)	153,440	(441,482)
Total investment income (loss), excluding segregated fund account balances	\$ 502,023	\$ (547,332)	\$ 480,583	\$ (146,598)

3.3. Derivative financial instruments

The values of derivative instruments are set out in the following table. The use of derivatives is measured in terms of notional principal amounts, which serve as the basis for calculating payments and are generally not actual amounts that are exchanged.

As at	Maturity	September 30, 2024			December 31, 2023		
		Notional principal	Fair value assets	Fair value liabilities	Notional principal	Fair value assets	Fair value liabilities
Foreign currency forwards	Within 1 year	\$ 409,442	\$ 456	\$ 455	\$ 204,756	\$ 6,243	—
Equity options	1-3 years	998,305	4,603	9,486	765,152	2,835	—
Interest rate swaps	Over 5 years	170,000	1,014	1,169	—	—	—
Cross currency swaps	Over 5 years	120,301	3,304	1,433	66,484	4,747	672
Total		\$ 1,698,048	\$ 9,377	\$ 12,543	\$ 1,036,392	\$ 13,825	672

Derivative instruments classified as Level 1 include equity options which are traded on the stock exchange and are valued in accordance with quoted prices on active markets. Derivative instruments classified as Level 2 include over-the-counter foreign currency forward contracts, interest rate swaps, and cross currency swaps, which are valued using market standard techniques such as discounted cash flow pricing models. Valuation inputs may include foreign exchange spot and forward rates, swap interest rate curves, and implied market volatility.

For analysis of the Company's risks arising from financial instruments, refer to Note 15.

3.4. Securities lending

The Company has a securities lending agreement with its custodian. Under this agreement, the custodian may lend securities from the Company's portfolio to other institutions, as approved by the Company, for periods of time. In addition to a fee, the Company receives collateral which exceeds the market value of the loaned securities, which is retained by the Company until the underlying security has been returned to the Company. In the event that any of the loaned securities are not returned to the custodian, at its option the custodian may either restore to the Company securities identical to the loaned securities or it will pay to the Company the value of the collateral up to but not exceeding the market value of the loaned securities on the date on which the loaned securities were to have been returned (Valuation Date) to the custodian. If the collateral is not sufficient to allow the custodian to pay such market value to the Company, the custodian shall indemnify the Company only for the difference between the market value of the securities and the value of such collateral on the Valuation Date. As a result, there is no significant exposure to credit risk associated with this securities lending agreement.

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As at September 30, 2024 and December 31, 2023, the aggregate fair values of the Company's securities loaned and the collateral received were as follows:

As at	September 30, 2024			December 31, 2023		
	General Funds	Segregated Funds	Total	General Funds	Segregated Funds	Total
Value of securities loaned	\$ 1,574,083	\$ 1,820,466	\$ 3,394,549	\$ 1,421,820	\$ 1,479,136	\$ 2,900,956
Value of collateral received	\$ 1,605,584	\$ 1,856,928	\$ 3,462,512	\$ 1,450,283	\$ 1,510,186	\$ 2,960,469

4. Investment in Associates

On June 24, 2024, the Company acquired 39% equity ownership in a distribution agency for cash consideration of \$38,250. The investment is accounted for using the equity method. This transaction supports the Company's commitment to facilitating access to independent financial advice for Canadians.

5. Segregated Funds

5.1. The following table identifies segregated fund assets by category of asset:

As at	September 30, 2024			December 31, 2023		
	Insurance contracts	Investment contracts	Total	Insurance contracts	Investment contracts	Total
Cash	\$ 13,058	\$ 132	\$ 13,190	\$ 9,897	\$ 402	\$ 10,299
Short-term investments	541,513	14,728	556,241	627,676	14,345	642,021
Bonds	1,843,193	100,010	1,943,203	1,690,358	131,286	1,821,644
Common and preferred shares	6,663,164	236,971	6,900,135	6,157,983	253,647	6,411,630
	9,060,928	351,841	9,412,769	8,485,914	399,680	8,885,594
Add other assets	27,208	1,901	29,109	28,734	216	28,950
Less segregated funds held within general fund investments	(8,529)	(102,470)	(110,999)	(7,363)	(94,457)	(101,820)
Total	\$ 9,079,607	\$ 251,272	\$ 9,330,879	\$ 8,507,285	\$ 305,439	\$ 8,812,724

All segregated fund assets are categorized as FVTPL.

5.2. The following table presents the investments of the segregated funds measured on a recurring basis at fair value classified by the fair value hierarchy:

As at	September 30, 2024			December 31, 2023		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Cash	\$ 13,190	\$ —	\$ 13,190	\$ 10,299	\$ —	\$ 10,299
Short-term investments	—	556,241	556,241	—	642,021	642,021
Bonds	—	1,943,203	1,943,203	—	1,821,644	1,821,644
Common and preferred shares	6,900,135	—	6,900,135	6,411,630	—	6,411,630
Total	\$ 6,913,325	\$ 2,499,444	\$ 9,412,769	\$ 6,421,929	\$ 2,463,665	\$ 8,885,594

There were no transfers between Level 1 and Level 2 during the nine months ended September 30, 2024 or during the year ended December 31, 2023. There were no Level 3 investments as at September 30, 2024 or December 31, 2023.

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5.3. The following table presents the change in segregated fund assets:

	For the three months ended		For the nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Segregated fund assets at beginning of period	\$ 8,864,381	\$ 8,666,000	\$ 8,812,724	\$ 8,565,675
Additions to segregated funds:				
Amount received from policyholders	\$ 220,650	\$ 149,096	\$ 761,662	\$ 612,757
Interest	25,181	26,633	76,190	61,828
Dividends	34,883	33,807	107,648	108,263
Other income and (expense)	3,584	6,808	16,141	26,433
Net realized gains on sale of investments	112,018	58,360	254,738	226,172
Net unrealized increase in fair value of investments	433,218	—	613,200	—
Total	829,534	274,704	1,829,579	1,035,453
Deductions from segregated funds:				
Amounts withdrawn or transferred by policyholders	\$ 290,485	\$ 241,864	\$ 1,107,407	\$ 830,500
Net unrealized decrease in fair value of investments	—	282,031	—	225,674
Management fees and other operating costs	67,029	61,561	194,849	188,768
Total	357,514	585,456	1,302,256	1,244,942
Net change in segregated funds held within general fund investments	(5,522)	717	(9,168)	(221)
Segregated fund assets at end of period	\$ 9,330,879	\$ 8,355,965	\$ 9,330,879	\$ 8,355,965

6. Insurance Contracts and Reinsurance Contracts Held Assets/Liabilities

Assets and liabilities

The breakdown of portfolios of insurance contracts and reinsurance contracts held, that are in an asset position and those in a liability position is set out in the table below:

As at	September 30, 2024			December 31, 2023		
	(Assets)	Liabilities	Total	(Assets)	Liabilities	Total
Insurance contracts						
Insurance contracts not measured under PAA, excluding segregated fund account balances	\$ —	\$ 6,417,337	\$ 6,417,337	\$ —	\$ 6,311,068	\$ 6,311,068
Insurance contracts measured under PAA	—	394,679	394,679	—	397,366	397,366
Insurance contracts, excluding segregated fund account balances	—	6,812,016	6,812,016	—	6,708,434	6,708,434
Insurance contracts for segregated fund account balances	—	9,079,607	9,079,607	—	8,507,285	8,507,285
Total insurance contracts	—	15,891,623	15,891,623	—	15,215,719	15,215,719
Less insurance contracts measured under PAA	—	(394,679)	(394,679)	—	(397,366)	(397,366)
Total insurance contracts not measured under PAA	\$ —	\$ 15,496,944	\$ 15,496,944	\$ —	\$ 14,818,353	\$ 14,818,353
Reinsurance contracts held						
Reinsurance contracts held not measured under PAA	\$ (113,400)	\$ 253,440	\$ 140,040	\$ (113,071)	\$ 253,230	\$ 140,159
Reinsurance contracts held measured under PAA	(176,363)	—	(176,363)	(168,288)	—	(168,288)
Total reinsurance contracts held	\$ (289,763)	\$ 253,440	\$ (36,323)	\$ (281,359)	\$ 253,230	\$ (28,129)

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6.1. Analysis by measurement component for insurance contracts

The tables below present a roll-forward of the net asset or liability for insurance contracts issued showing estimates of the present value of expected future cash flows, risk adjustment and CSM. These tables exclude insurance contracts measured using the Premium Allocation Approach (PAA).

For the nine months ended September 30, 2024	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin		Total
			Fair value approach	Post transition	
Insurance contracts at beginning of period					
Insurance contract liabilities, excluding segregated fund account balances	\$ 3,740,020	\$ 1,106,509	\$ 1,376,708	\$ 87,831	\$ 6,311,068
Insurance contract liabilities for segregated fund account balances	8,507,285	—	—	—	8,507,285
Net insurance contracts at beginning of period	12,247,305	1,106,509	1,376,708	87,831	14,818,353
Changes that relate to current services					
CSM recognized for services provided			(123,083)	(8,866)	(131,949)
Change in risk adjustment for non-financial risk for risk expired		(44,066)			(44,066)
Experience adjustments	8,583				8,583
Changes that relate to future services					
Contracts initially recognized in the period	(94,927)	75,989	—	27,255	8,317
Changes in estimates that adjust the CSM	(94,981)	(67,122)	136,649	25,454	—
Changes in estimates that do not adjust the CSM	16,488	(22,802)			(6,314)
Changes that relate to past services					
Adjustments to liabilities for incurred claims	1,268	(5)	—	—	1,263
Insurance service result	(163,569)	(58,006)	13,566	43,843	(164,166)
Insurance finance (income) expense, excluding segregated fund account balances	97,123	45,840	16,431	2,398	161,792
Insurance finance (income) expenses segregated fund account balances	1,038,661				1,038,661
Total changes in the Consolidated Statement of Operations	972,215	(12,166)	29,997	46,241	1,036,287
Cash flows					
Premiums received	638,997				638,997
Claims and other expenses paid	(401,470)				(401,470)
Insurance acquisition cash flows	(128,884)				(128,884)
Total cash flows	108,643				108,643
Movements related to insurance contract liabilities for segregated fund account balances					
Net insurance contracts at end of period	\$ 12,861,824	\$ 1,094,343	\$ 1,406,705	\$ 134,072	\$ 15,496,944
Insurance contracts at end of period					
Insurance contract liabilities, excluding segregated fund account balances	\$ 3,782,217	\$ 1,094,343	\$ 1,406,705	\$ 134,072	\$ 6,417,337
Insurance contract liabilities for segregated fund account balances	9,079,607	—	—	—	9,079,607
Net insurance contracts at end of period	\$ 12,861,824	\$ 1,094,343	\$ 1,406,705	\$ 134,072	\$ 15,496,944

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For the year ended December 31, 2023	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin		Total
			Fair value approach	Post transition	
Insurance contracts at beginning of year					
Insurance contract liabilities, excluding segregated fund account balances	\$ 3,119,542	\$ 935,603	\$ 1,689,215	\$ 47,376	\$ 5,791,736
Insurance contract liabilities for segregated fund account balances	8,278,948	—	—	—	8,278,948
Net insurance contracts at beginning of year	11,398,490	935,603	1,689,215	47,376	14,070,684
Changes that relate to current services					
CSM recognized for services provided			(176,342)	(6,505)	(182,847)
Change in risk adjustment for non-financial risk for risk expired		(53,408)			(53,408)
Experience adjustments	13,568				13,568
Changes that relate to future services					
Contracts initially recognized in the period	(113,487)	95,964	—	37,108	19,585
Changes in estimates that adjust the CSM	116,231	39,324	(163,681)	8,126	—
Changes in estimates that do not adjust the CSM	3,383	(19,951)			(16,568)
Changes that relate to past services					
Adjustments to liabilities for incurred claims	(802)	43	—	—	(759)
Insurance service result	18,893	61,972	(340,023)	38,729	(220,429)
Insurance finance (income) expense, excluding segregated fund account balances	453,336	108,934	27,516	1,726	591,512
Insurance finance (income) expenses segregated fund account balances	711,118				711,118
Total changes in the Consolidated Statement of Operations	1,183,347	170,906	(312,507)	40,455	1,082,201
Cash flows					
Premiums received	872,649				872,649
Claims and other expenses paid	(547,837)				(547,837)
Insurance acquisition cash flows	(176,563)				(176,563)
Total cash flows	148,249				148,249
Movements related to insurance contract liabilities for segregated fund account balances	(482,781)				(482,781)
Net insurance contracts at end of year	\$ 12,247,305	\$ 1,106,509	\$ 1,376,708	\$ 87,831	\$ 14,818,353
Insurance contracts at end of year					
Insurance contract liabilities, excluding segregated fund account balances	\$ 3,740,020	\$ 1,106,509	\$ 1,376,708	\$ 87,831	\$ 6,311,068
Insurance contract liabilities for segregated fund account balances	8,507,285	—	—	—	8,507,285
Net insurance contracts at end of year	\$ 12,247,305	\$ 1,106,509	\$ 1,376,708	\$ 87,831	\$ 14,818,353

Changes in estimates that adjust the CSM related to direct insurance contracts result in an increase of \$162 million. Net of reinsurance contracts held (Note 6.4), the CSM impact is an increase of \$72 million. Included in changes in estimates that adjust the CSM is a \$73 million CSM decrease from assumption updates during the three months ended September 30, 2024. Other drivers are economic experience and insurance experience. A summary of the main assumption updates is as follows:

- Updates to future mortality assumptions result in a CSM decrease of \$10 million for the Individual Insurance product line, and increase of \$8 million for the Wealth Management product line;
- Updates to future attributable maintenance expenses result in a CSM decrease of \$30 million for the Wealth Management product line and \$8 million for Individual Insurance;
- Changes to the illiquidity premium used in discounting segregated fund cash flows for the Wealth Management product line result in a CSM decrease of \$33 million;

In addition, updates were made to the discount rates used for business measured under the General Measurement Model. These updates result in a before-tax net income gain of \$68 million, primarily impacting the Individual Insurance product line. The largest driver of this change is an update to the ultimate risk-free rate from 3.15% to 3.65%.

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6.2. Analysis by remaining coverage and incurred claims for insurance contracts

The table below present a roll-forward of the net asset or liability for all insurance contracts issued showing liabilities for remaining coverage and liability for incurred claims. These tables include insurance contracts measured using the PAA.

For the nine months ended September 30, 2024	Remaining coverage		Incurred claims			Total
	Excluding loss component	Loss component	Contracts not using PAA	Contracts using PAA		
				Estimate of PV of future cash flows	Risk adjustment	
Insurance contracts at beginning of period						
Insurance contract liabilities, excluding segregated fund account balances	\$ 6,133,450	\$ 7,077	\$ 158,049	\$ 375,077	\$ 34,781	\$ 6,708,434
Insurance contract liabilities for segregated fund account balances	8,507,285	—	—	—	—	8,507,285
Net insurance contracts at beginning of period	14,640,735	7,077	158,049	375,077	34,781	15,215,719
Insurance service revenue						
Contracts under fair value approach	(473,045)					(473,045)
Contracts post transition	(574,690)					(574,690)
Insurance service expenses						
Incurred claims and other expenses		(1,330)	345,583	468,882	—	813,135
Amortization of insurance acquisition cash flows	38,899					38,899
Losses and reversal of losses on onerous contracts		2,003	—	—	—	2,003
Adjustments to liabilities for incurred claims		—	1,263	(4,357)	782	(2,312)
Investment components	(81,909)		81,909			—
Insurance service result	(1,090,745)	673	428,755	464,525	782	(196,010)
Insurance finance (income) expense from insurance contracts, excluding segregated fund account balances	160,543	1,249	—	20,100	2,098	183,990
Insurance finance (income) expenses, insurance contracts segregated fund account balances	1,038,661					1,038,661
Total changes in the Consolidated Statement of Operations	108,459	1,922	428,755	484,625	2,880	1,026,641
Cash flows						
Premiums received	1,148,640					1,148,640
Claims and other expenses paid			(401,470)	(502,684)		(904,154)
Insurance acquisition cash flows	(128,884)					(128,884)
Total cash flows	1,019,756		(401,470)	(502,684)		115,602
Movements related to insurance contract liabilities for segregated fund account balances	(466,339)		—			(466,339)
Net insurance contracts at end of period	\$ 15,302,611	\$ 8,999	\$ 185,334	\$ 357,018	\$ 37,661	\$ 15,891,623
Insurance contracts at end of period						
Insurance contract liabilities, excluding segregated fund account balances	\$ 6,223,004	\$ 8,999	\$ 185,334	\$ 357,018	\$ 37,661	\$ 6,812,016
Insurance contract liabilities for segregated fund account balances	9,079,607	—	—	—	—	9,079,607
Net insurance contracts at end of period	\$ 15,302,611	\$ 8,999	\$ 185,334	\$ 357,018	\$ 37,661	\$ 15,891,623

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For the year ended December 31, 2023	Remaining coverage		Incurred claims			Total
	Excluding loss component	Loss component	Contracts not using PAA	Contracts using PAA		
				Estimate of PV of future cash flows	Risk adjustment	
Insurance contracts at beginning of year						
Insurance contract liabilities	\$ 5,611,224	\$ 3,794	\$ 164,380	\$ 332,098	\$ 33,882	\$ 6,145,378
Insurance contract liabilities for segregated fund account balances	8,278,948	—	—	—	—	8,278,948
Net insurance contracts at beginning of year	13,890,172	3,794	164,380	332,098	33,882	14,424,326
Insurance service revenue						
Contracts under fair value approach	(634,813)					(634,813)
Contracts post transition	(690,695)					(690,695)
Insurance service expenses						
Incurred claims and other expenses		(334)	434,736	601,482	—	1,035,884
Amortization of insurance acquisition cash flows	35,524					35,524
Losses and reversal of losses on onerous contracts		3,016	—	—	—	3,016
Adjustments to liabilities for incurred claims		—	—	(1,651)	(1,224)	(2,875)
Investment components	(106,770)		106,770			—
Insurance service result	(1,396,754)	2,682	541,506	599,831	(1,224)	(253,959)
Insurance finance (income) expenses, excluding segregated funds	590,951	601	—	19,717	2,123	613,392
Insurance finance (income) expenses, segregated funds	711,118					711,118
Total changes in the Consolidated Statement of Operations	(94,685)	3,283	541,506	619,548	899	1,070,551
Cash flows						
Premiums received	1,504,592					1,504,592
Claims and other expenses paid			(547,837)	(576,569)		(1,124,406)
Insurance acquisition cash flows	(176,563)					(176,563)
Total cash flows	1,328,029		(547,837)	(576,569)		203,623
Movements related to insurance contract liabilities for segregated fund account balances	(482,781)					(482,781)
Net insurance contracts at end of year	\$ 14,640,735	\$ 7,077	\$ 158,049	\$ 375,077	\$ 34,781	\$ 15,215,719
Insurance contracts at end of year						
Insurance contract liabilities	\$ 6,133,450	\$ 7,077	\$ 158,049	\$ 375,077	\$ 34,781	\$ 6,708,434
Insurance contract liabilities for segregated fund account balances	8,507,285	—	—	—	—	8,507,285
Net insurance contracts at end of year	\$ 14,640,735	\$ 7,077	\$ 158,049	\$ 375,077	\$ 34,781	\$ 15,215,719

6.3. Insurance service revenue

	For the three months ended		For the nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Insurance service revenue				
Contracts not measured under the PAA				
Amounts relating to changes in liabilities for remaining coverage				
CSM recognized for services provided	\$ 45,385	\$ 45,729	\$ 131,949	\$ 139,573
Change in risk adjustment for non-financial risk for risk expired	14,789	13,333	43,943	39,423
Expected claims and other insurance service expenses	115,470	103,844	332,492	309,383
Recovery of insurance acquisition cash flows	10,866	14,182	38,899	26,955
Total	186,510	177,088	547,283	515,334
Contracts measured under the PAA	170,898	160,305	500,452	475,517
Total insurance service revenue	\$ 357,408	\$ 337,393	\$ 1,047,735	\$ 990,851

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6.4. Analysis by measurement component for reinsurance contracts held

The tables below present a roll-forward of the net asset or liability for reinsurance contracts held showing estimates of the present value of future cash flows, risk adjustment and CSM. These tables exclude reinsurance contracts held measured using the PAA.

For the nine months ended September 30, 2024	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin		Total
			Fair value approach	Post transition	
Reinsurance contracts held at beginning of period					
Reinsurance contracts held (assets)	\$ 338,565	\$ (318,235)	\$ (178,218)	\$ 44,817	\$ (113,071)
Reinsurance contracts held liabilities	251,770	(82,399)	83,634	225	253,230
Net reinsurance contracts held at beginning of period	590,335	(400,634)	(94,584)	45,042	140,159
Changes that relate to current services					
CSM recognized for services received			12,998	(4,823)	8,175
Risk adjustment recognized for non-financial risk expired		17,640			17,640
Experience adjustments	11,856				11,856
Changes that relate to future services					
Contracts initially recognized in the period	10,092	(33,629)	—	18,241	(5,296)
Changes in estimates that adjust the CSM	37,921	56,508	(89,330)	(5,099)	—
Changes in estimates that adjust recoveries of losses on onerous underlying contracts	(3,075)	1,844			(1,231)
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM			876	3,278	4,154
Changes that relate to past services					
Changes in amounts recoverable arising from changes in liability for incurred claims	475	—			475
Net recovery (expense) from reinsurance contracts held	57,269	42,363	(75,456)	11,597	35,773
Reinsurance finance (income) expenses	(337)	(19,046)	(3,156)	2,254	(20,285)
Total changes in the Consolidated Statement of Operations	56,932	23,317	(78,612)	13,851	15,488
Cash flows					
Premiums paid	(93,073)				(93,073)
Amounts received	77,466				77,466
Total cash flows	(15,607)				(15,607)
Net reinsurance contracts held at end of period	\$ 631,660	\$ (377,317)	\$ (173,196)	\$ 58,893	\$ 140,040
Reinsurance contracts held at end of period					
Reinsurance contracts held (assets)	\$ 370,697	\$ (352,352)	\$ (192,237)	\$ 60,492	\$ (113,400)
Reinsurance contracts held liabilities	260,963	(24,965)	19,041	(1,599)	253,440
Net reinsurance contracts held at end of period	\$ 631,660	\$ (377,317)	\$ (173,196)	\$ 58,893	\$ 140,040

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For the year ended December 31, 2023	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin		Total
			Fair value approach	Post transition	
Reinsurance contracts held at beginning of year					
Reinsurance contracts held (assets)	\$ 343,690	\$ (264,761)	\$ (249,563)	\$ 20,466	\$ (150,168)
Reinsurance contracts held liabilities	260,297	(79,781)	36,398	142	217,056
Net reinsurance contracts held at beginning of year	603,987	(344,542)	(213,165)	20,608	66,888
Changes that relate to current services					
CSM recognized for services received			22,797	(3,721)	19,076
Risk adjustment recognized for non-financial risk expired		21,510			21,510
Experience adjustments	16,491				16,491
Changes that relate to future services					
Contracts initially recognized in the period	11,442	(45,207)	—	25,000	(8,765)
Changes in estimates that adjust the CSM	(109,634)	10,346	100,461	(1,173)	—
Changes in estimates that adjust recoveries of losses on onerous underlying contracts	4,147	(295)			3,852
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM			1,448	2,568	4,016
Changes that relate to past services					
Changes in amounts recoverable arising from changes in liability for incurred claims	3,781	—			3,781
Net recovery (expense) from reinsurance contracts held	(73,773)	(13,646)	124,706	22,674	59,961
Reinsurance finance (income) expenses	96,785	(42,446)	(6,125)	1,760	49,974
Total changes in the Consolidated Statement of Operations	23,012	(56,092)	118,581	24,434	109,935
Cash flows					
Premiums paid	(127,090)				(127,090)
Amounts received	90,426				90,426
Total cash flows	(36,664)				(36,664)
Net reinsurance contracts held at end of year	\$ 590,335	\$ (400,634)	\$ (94,584)	\$ 45,042	\$ 140,159
Reinsurance contracts held at end of year					
Reinsurance contracts held (assets)	\$ 338,565	\$ (318,235)	\$ (178,218)	\$ 44,817	\$ (113,071)
Reinsurance contracts held liabilities	251,770	(82,399)	83,634	225	253,230
Net reinsurance contracts held at end of year	\$ 590,335	\$ (400,634)	\$ (94,584)	\$ 45,042	\$ 140,159

Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

6.5. Analysis by remaining coverage and incurred claims for reinsurance contracts held

The tables below present a roll-forward of the net asset or liability for all reinsurance contracts held showing (assets) liabilities for remaining coverage and amounts recoverable on incurred claims. These tables include reinsurance contracts held measured using the PAA.

For the nine months ended September 30, 2024	Remaining coverage		Incurred claims			Total
	Excluding loss recovery component	Loss recovery component	Contracts not using PAA	Contracts using PAA	Risk adjustment	
			Estimate of PV of future cash flows			
Reinsurance contracts held (assets) liabilities at beginning of period						
Reinsurance contracts held (assets)	\$ (114,315)	\$ (2,539)	\$ 3,783	\$ (154,192)	\$ (14,096)	\$ (281,359)
Reinsurance contracts held liabilities	284,196	—	(30,966)	—	—	253,230
Net reinsurance contracts held (assets) liabilities at beginning of period	169,881	(2,539)	(27,183)	(154,192)	(14,096)	(28,129)
Allocation of premiums paid						
Contracts under fair value approach	104,394					104,394
Contracts post transition	136,169					136,169
Amounts recoverable from reinsurers						
Amounts recoverable for claims and other expenses incurred in the period		1,216	(76,146)	(117,237)	—	(192,167)
Changes in amounts recoverable from changes in liability for incurred claims			475	6,234	315	7,024
Changes in fulfilment cash flows which relate to onerous underlying contracts		(2,373)				(2,373)
Net recovery (expense) from reinsurance contracts held	240,563	(1,157)	(75,671)	(111,003)	315	53,047
Reinsurance finance (income) expenses	(20,081)	(204)	—	(9,317)	(848)	(30,450)
Total changes in the Consolidated Statement of Operations	220,482	(1,361)	(75,671)	(120,320)	(533)	22,597
Cash flows						
Premiums paid	(225,494)					(225,494)
Amounts received			77,466	117,237		194,703
Total cash flows	(225,494)		77,466	117,237		(30,791)
Net reinsurance contracts held (assets) liabilities at end of period	\$ 164,869	\$ (3,900)	\$ (25,388)	\$ (157,275)	\$ (14,629)	\$ (36,323)
Reinsurance contracts held (assets) liabilities at end of period						
Reinsurance contracts held (assets)	\$ (118,215)	\$ (3,900)	\$ 4,256	\$ (157,275)	\$ (14,629)	\$ (289,763)
Reinsurance contracts held liabilities	283,084	—	(29,644)	—	—	253,440
Net reinsurance contracts held (assets) liabilities at end of period	\$ 164,869	\$ (3,900)	\$ (25,388)	\$ (157,275)	\$ (14,629)	\$ (36,323)

Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

For the year ended December 31, 2023	Remaining coverage		Incurred claims			Total
	Excluding loss recovery component ⁽¹⁾	Loss recovery component	Contracts not using PAA ⁽¹⁾	Contracts using PAA		
				Estimate of PV of future cash flows	Risk adjustment	
Reinsurance contracts held (assets) liabilities at beginning of year						
Reinsurance contracts held (assets)	\$ (147,379)	\$ (2,789)	\$ —	\$ (145,837)	\$ (14,039)	\$ (310,044)
Reinsurance contracts held liabilities	265,171	—	(48,115)	—	—	217,056
Net reinsurance contracts held (assets) liabilities at beginning of year	117,792	(2,789)	(48,115)	(145,837)	(14,039)	(92,988)
Allocation of premiums paid						
Contracts under fair value approach	141,464					141,464
Contracts post transition	157,089					157,089
Amounts recoverable from reinsurers						
Amounts recoverable for claims and other expenses incurred in the period		1,408	(95,943)	(136,325)	—	(230,860)
Changes in amounts recoverable from changes in liability for incurred claims			3,781	1,177	882	5,840
Changes in fulfilment cash flows which relate to onerous underlying contracts		(896)				(896)
Net recovery (expense) from reinsurance contracts held	298,553	512	(92,162)	(135,148)	882	72,637
Reinsurance finance (income) expenses	50,236	(262)	—	(9,532)	(939)	39,503
Total changes in the Consolidated Statement of Operations	348,789	250	(92,162)	(144,680)	(57)	112,140
Cash flows						
Premiums paid	(296,700)					(296,700)
Amounts received			113,094	136,325		249,419
Total cash flows	(296,700)		113,094	136,325		(47,281)
Net reinsurance contracts held (assets) liabilities at end of year	\$ 169,881	\$ (2,539)	\$ (27,183)	\$ (154,192)	\$ (14,096)	\$ (28,129)
Reinsurance contracts held (assets) liabilities at end of year						
Reinsurance contracts held (assets)	\$ (114,315)	\$ (2,539)	\$ 3,783	\$ (154,192)	\$ (14,096)	\$ (281,359)
Reinsurance contracts held liabilities	284,196	—	(30,966)	—	—	253,230
Net reinsurance contracts held (assets) liabilities at end of year	\$ 169,881	\$ (2,539)	\$ (27,183)	\$ (154,192)	\$ (14,096)	\$ (28,129)

⁽¹⁾ Amounts have been revised from those previously presented.

7. Subordinated Debt

The table below presents the obligations included in Subordinated debt.

As at				September 30, 2024	December 31, 2023
	Interest rate	Earliest par call or redemption date	Maturity	Carrying value	Carrying value
Series 2021-1 ⁽¹⁾	2.024 %	September 24, 2026	2031	199,609	199,435
Series 2023-1 ⁽²⁾	5.503 %	January 13, 2028	2033	199,540	199,462
Total Subordinated Debt				\$ 399,149	\$ 398,897
Fair Value				\$ 400,648	\$ 385,674

⁽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.

Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

8. Income Taxes included in Other Comprehensive Income (Loss)

Other comprehensive income (loss) is presented net of income taxes and includes the following income tax amounts.

For the three months ended	September 30, 2024			September 30, 2023		
	Before tax	Tax (provision) recovery	After tax	Before tax	Tax (provision) recovery	After tax
Remeasurements of post-employment benefit liabilities	\$ 718	\$ (189)	\$ 529	\$ (14,822)	\$ 3,910	\$ (10,912)
Total other comprehensive income (loss)	\$ 718	\$ (189)	\$ 529	\$ (14,822)	\$ 3,910	\$ (10,912)

For the nine months ended	September 30, 2024			September 30, 2023		
	Before tax	Tax (provision) recovery	After tax	Before tax	Tax (provision) recovery	After tax
Remeasurements of post-employment benefit liabilities	\$ 7,618	\$ (2,009)	\$ 5,609	\$ (14,413)	\$ 3,802	\$ (10,611)
Total other comprehensive income (loss)	\$ 7,618	\$ (2,009)	\$ 5,609	\$ (14,413)	\$ 3,802	\$ (10,611)

9. Earnings Per Share

Earnings per share (EPS) is calculated by dividing common shareholders' net income by the weighted average number of common shares outstanding. The preferred shares issued (refer to Note 10) do not dilute EPS as the preferred shares are not convertible into common shares.

Details of the calculation of the net income and the weighted average number of shares used in the EPS computations are as follows:

	For the three months ended		For the nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Basic and diluted EPS				
Shareholders' net income (loss) ⁽¹⁾	\$ 180,087	\$ (2,279)	\$ 273,305	\$ 54,490
Less: preferred share dividends declared and distributions on other equity instruments ⁽¹⁾	(2,889)	(2,891)	(8,637)	(8,632)
Common shareholders' net income	177,198	(5,170)	264,668	45,858
Weighted average number of common shares outstanding	985,076	985,076	985,076	985,076
Basic and diluted EPS	\$ 179.88	\$ (5.25)	\$ 268.68	\$ 46.55

⁽¹⁾ Amounts have been revised from those previously presented.

Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

10. Capital Stock

As at	September 30, 2024			December 31, 2023		
	Shares authorized	Shares issued and outstanding	Amount	Shares authorized	Shares issued and outstanding	Amount
Preferred shares - series 3	unlimited	4,000,000	\$ 100,000	unlimited	4,000,000	\$ 100,000
Limited recourse capital notes		200,000	\$ 200,000		200,000	\$ 200,000
Common shares	2,000,000	985,076	\$ 985	2,000,000	985,076	\$ 985

In the fourth quarter of 2017, Empire Life issued to E-L Financial Corporation Limited 4,000,000 Non-Cumulative Rate Reset Preferred Shares, Series 3 (Series 3 Preferred Shares) at \$25 per share. Holders of Series 3 Preferred Shares were entitled to receive fixed non-cumulative quarterly dividends yielding 4.90% annually, as and when declared by the Board of Empire Life, for the initial period ending on and including January 17, 2023. Thereafter, the dividend rate will be reset every five years at a rate equal to the 5-year Government of Canada bond yield plus 3.24%. Holders of Series 3 Preferred Shares will have the right, at their option, to convert their shares into Non-Cumulative Floating Rate Preferred Shares, Series 4 (Series 4 Preferred Shares), subject to certain conditions, on January 17, 2023 and on January 17 every five years thereafter. Holders of the Series 4 Preferred Shares will be entitled to receive non-cumulative quarterly floating dividends, as and when declared by the Board of Empire Life, at a rate equal to the 3-month Government of Canada Treasury Bill yield plus 3.24%.

Empire Life provided notice to E-L Financial Corporation Limited that it did not intend to exercise its right to redeem all or any part of the currently outstanding 4,000,000 Series 3 Preferred Shares of Empire Life on January 17, 2023 and, as a result and subject to certain conditions, the holders of the Series 3 Preferred Shares had the right, at their option, on the Series 3 Conversion Date, to convert all or part of their Series 3 Preferred Shares on a one-for-one basis into Series 4 Preferred Shares. In early 2023, E-L Financial irrevocably elected not to exercise this right. Effective January 18, 2023, holders of Series 3 Preferred Shares are entitled to receive fixed non-cumulative quarterly dividends yielding 6.187% annually, as and when declared by the Board of Empire Life, for the renewal period ending on and including January 17, 2028.

On February 17, 2021, the Company issued \$200 million of Limited Recourse Capital Notes Series 1 (LRCN Series 1) with recourse limited to assets held by a third party trustee in a trust which is consolidated in these Condensed Interim Consolidated Financial Statements. Payments of interest and principal in cash on the LRCN Series 1 are made at the discretion of the Company and non-payment of interest and principal in cash does not constitute an event of default. In the event of a non-payment of interest or principal at the discretion of the Company, or in the event of bankruptcy, insolvency or liquidation of the Company, the sole remedy of note holders shall be the delivery of the holders' proportionate share of the trust assets. In such an event, the delivery of the trust assets will represent the full and complete extinguishment of the Company's obligations under the LRCN Series 1.

The trust assets consist of \$200 million of Empire Life Non-Cumulative 5-year Fixed Rate Reset Preferred Shares, Series 5 which were issued concurrently with the LRCN Series 1 at a rate of \$1,000 per Series 5. Holders of the LRCN Series 1 are entitled to receive semi-annual payments at a rate of 3.625% per annum until April 17, 2026. Thereafter, the yield will reset every five years at a rate equal to the 5-year Government of Canada bond yield plus 3.082%.

Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

11. Dividends

	Dividend declaration date	Shares issued and outstanding	Dividend rate per share	Total dividend (\$ 000's)	Dividend payment date	
Common shareholder dividends						
Common shares	July 31, 2024	985,076	\$ 20.310000	\$ 20,007	September 10, 2024	
	May 3, 2024	985,076	\$ 71.070000	\$ 70,009	June 11, 2024	
	February 28, 2024	985,076	\$ 20.310000	\$ 20,007	April 9, 2024	
	October 26, 2023	985,076	\$ 19.290000	\$ 19,002	December 5, 2023	
	August 4, 2023	985,076	\$ 19.290000	\$ 19,002	September 13, 2023	
	May 9, 2023	985,076	\$ 19.290000	\$ 19,002	June 14, 2023	
	February 23, 2023	985,076	\$ 18.450000	\$ 18,175	April 4, 2023	
	Preferred shareholder dividends					
	Series 3	July 31, 2024	4,000,000	\$ 0.3866875	\$ 1,547	October 17, 2024
May 3, 2024		4,000,000	\$ 0.3866875	\$ 1,547	July 17, 2024	
February 28, 2024		4,000,000	\$ 0.3866875	\$ 1,547	April 17, 2024	
October 26, 2023		4,000,000	\$ 0.3866875	\$ 1,547	January 17, 2024	
August 4, 2023		4,000,000	\$ 0.3866875	\$ 1,547	October 17, 2023	
May 9, 2023		4,000,000	\$ 0.3866875	\$ 1,547	July 17, 2023	
February 23, 2023		4,000,000	\$ 0.3866875	\$ 1,547	April 17, 2023	

On October 30, 2024, the Board approved the following cash dividends:

- \$20,007 (\$20.31 per share) on the issued and outstanding Common Shares, payable on December 5, 2024.
- \$1,547 (\$0.3866875 per share) on the issued and outstanding Series 3 Preferred Shares, payable on January 17, 2025.

Condensed Notes to the Interim Consolidated Financial Statements

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12. Participating Account

The participating account surplus balance is considered to be equity of the Company; however, its distribution is restricted by the Insurance Companies Act. Transfers from the participating account to the shareholders account is contingent upon future payment of dividends to participating policyholders.

Participating policyholders share in the returns of the underlying items. The entire participating fund is considered as the underlying. The fair value of the underlying items as at September 30, 2024 is \$1,160,679 (December 31, 2023 \$1,040,923).

The following table sets out the composition and fair value of the underlying assets supporting the Company's participating account at the reporting date.

As at	September 30, 2024	December 31, 2023
Underlying assets supporting the participating account		
Cash and cash equivalents	\$ 47,443	\$ 53,337
Bonds	729,212	660,889
Preferred shares	127,758	107,777
Common shares	191,939	170,313
Derivative assets	639	1,676
Mortgages	14,654	14,997
Other	49,034	31,934
Total underlying assets supporting the participating account	\$ 1,160,679	\$ 1,040,923
Components of participating account		
Insurance contracts and reinsurance contracts held net assets (liabilities)	\$ 1,104,405	\$ 994,766
Participating account surplus	56,274	46,157
Total	\$ 1,160,679	\$ 1,040,923

13. Segmented Information

The Company operates in the Canadian life insurance industry and follows a product line management approach for internal reporting and decision making. A description of the reporting segment is as follows:

- The Wealth Management product line includes segregated funds, guaranteed interest rate annuities and annuities providing income for life.
- The Group Solutions product line offers group benefit plans to employers for medical, dental, disability, and life insurance coverage of their employees.
- The Individual Insurance product line includes both non-participating and participating individual life and health insurance products.
- Capital and Surplus is made up of assets held in the shareholders' equity, the participating account surplus, and other corporate items not allocated to other segments.

Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

Operating results are segmented into three product lines along with the Company's capital and surplus as follows:

For the three months ended September 30, 2024	Wealth Management	Group Solutions	Individual Insurance	Capital & Surplus	Total
Insurance service result					
Insurance revenue	\$ 60,766	\$ 170,898	\$ 125,744	\$ —	\$ 357,408
Insurance service expenses	(35,105)	(143,262)	(92,699)	—	(271,066)
Insurance service result	25,661	27,636	33,045	—	86,342
Net recovery (expense) from reinsurance contracts held	(411)	(11,006)	(13,340)	—	(24,757)
Net insurance service result	25,250	16,630	19,705	—	61,585
Investment and insurance finance result					
Investment income (loss), excluding segregated fund account balances					
Investment income	40,778	9,075	371,582	80,588	502,023
Change in investment contracts	(18,663)	—	—	—	(18,663)
Net investment result, excluding segregated fund account balances	22,115	9,075	371,582	80,588	483,360
Insurance finance income (expense), excluding segregated fund account balances					
Insurance contracts	(12,850)	(17,046)	(259,299)	—	(289,195)
Reinsurance contracts held	374	7,822	16,571	—	24,767
Net insurance finance income (expense), excluding segregated fund account balances	(12,476)	(9,224)	(242,728)	—	(264,428)
Segregated fund account balances net investment and insurance finance result					
Investment income (loss) on investments for segregated fund account balances	606,932	—	1,952	—	608,884
Insurance finance income (expenses) segregated fund account balances	(606,932)	—	(1,952)	—	(608,884)
Segregated fund account balances net investment and insurance finance result	—	—	—	—	—
Net investment and insurance finance result	9,639	(149)	128,854	80,588	218,932
Other income and expenses					
Fee and other income	185	1,970	18	6,267	8,440
Non-insurance expenses	(6,597)	(5,416)	(7,334)	(7,706)	(27,053)
Interest expenses	—	—	—	(3,878)	(3,878)
Total other income and expenses	(6,412)	(3,446)	(7,316)	(5,317)	(22,491)
Net income (loss) before taxes	\$ 28,477	\$ 13,035	\$ 141,243	\$ 75,271	\$ 258,026
Income taxes					(72,489)
Net income (loss) after taxes					\$ 185,537

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(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

For the three months ended September 30, 2023	Wealth Management	Group Solutions	Individual Insurance	Capital & Surplus	Total
Insurance service result					
Insurance revenue	\$ 63,085	\$ 160,305	\$ 114,003	\$ —	337,393
Insurance service expenses	(36,998)	(142,375)	(79,044)	—	(258,417)
Insurance service result	26,087	17,930	34,959	—	78,976
Net recovery (expense) from reinsurance contracts held	121	(5,512)	(13,823)	—	(19,214)
Net insurance service result	26,208	12,418	21,136	—	59,762
Investment and insurance finance result					
Investment income (loss), excluding segregated fund account balances					
Investment income	(16,347)	(6,861)	(448,346)	(75,778)	(547,332)
Change in investment contracts	171	—	—	—	171
Net investment result, excluding segregated fund account balances	(16,176)	(6,861)	(448,346)	(75,778)	(547,161)
Insurance finance income (expense), excluding segregated fund account balances					
Insurance contracts	12,218	3,290	463,097	—	478,605
Reinsurance contracts held	(184)	(1,851)	24,190	—	22,155
Net insurance finance income (expense), excluding segregated fund account balances	12,034	1,439	487,287	—	500,760
Segregated fund account balances net investment and insurance finance result					
Investment income (loss) on investments for segregated fund account balances	(156,848)	—	425	—	(156,423)
Insurance finance income (expenses) segregated fund account balances	156,848	—	(425)	—	156,423
Segregated fund account balances net investment and insurance finance result	—	—	—	—	—
Net investment and insurance finance result	(4,142)	(5,422)	38,941	(75,778)	(46,401)
Other income and expenses					
Fee and other income	278	1,712	112	5,571	7,673
Non-insurance expenses	(7,443)	(4,667)	(6,161)	(7,946)	(26,217)
Interest expenses ⁽¹⁾	—	—	—	(3,880)	(3,880)
Total other income and expenses	(7,165)	(2,955)	(6,049)	(6,255)	(22,424)
Net income (loss) before taxes	\$ 14,901	\$ 4,041	\$ 54,028	\$ (82,033)	(9,063)
Income taxes ⁽¹⁾					3,842
Net income (loss) after taxes					\$ (5,221)

⁽¹⁾ Amounts have been revised from those previously presented.

Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

For the nine months ended September 30, 2024	Wealth Management	Group Solutions	Individual Insurance	Capital & Surplus	Total
Insurance service result					
Insurance revenue	\$ 186,216	\$ 500,452	\$ 361,067	\$ —	\$ 1,047,735
Insurance service expenses	(106,203)	(466,403)	(279,119)	—	(851,725)
Insurance service result	80,013	34,049	81,948	—	196,010
Net recovery (expense) from reinsurance contracts held	(1,031)	(17,273)	(34,743)	—	(53,047)
Net insurance service result	78,982	16,776	47,205	—	142,963
Investment and insurance finance result					
Investment income (loss), excluding segregated fund account balances					
Investment income	79,075	10,934	304,762	85,812	480,583
Change in investment contracts	(25,289)	—	—	—	(25,289)
Net investment result, excluding segregated fund account balances	53,786	10,934	304,762	85,812	455,294
Insurance finance income (expense), excluding segregated fund account balances					
Insurance contracts	(15,955)	(22,222)	(145,813)	—	(183,990)
Reinsurance contracts held	498	10,168	19,784	—	30,450
Net insurance finance income (expense), excluding segregated fund account balances	(15,457)	(12,054)	(126,029)	—	(153,540)
Segregated fund account balances net investment and insurance finance result					
Investment income (loss) on investments for segregated fund account balances	1,064,863	—	3,054	—	1,067,917
Insurance finance income (expenses) segregated fund account balances	(1,064,863)	—	(3,054)	—	(1,067,917)
Segregated fund account balances net investment and insurance finance result	—	—	—	—	—
Net investment and insurance finance result	38,329	(1,120)	178,733	85,812	301,754
Other income and expenses					
Fee and other income	864	6,579	143	23,055	30,641
Non-insurance expenses	(25,436)	(16,184)	(20,404)	(18,614)	(80,638)
Interest expenses	—	—	—	(11,552)	(11,552)
Total other income and expenses	(24,572)	(9,605)	(20,261)	(7,111)	(61,549)
Net income (loss) before taxes	\$ 92,739	\$ 6,051	\$ 205,677	\$ 78,701	\$ 383,168
Income taxes					(99,746)
Net income (loss) after taxes					\$ 283,422

Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

For the nine months ended September 30, 2023	Wealth Management	Group Solutions	Individual Insurance	Capital & Surplus	Total
Insurance service result					
Insurance revenue	\$ 177,097	\$ 475,517	\$ 338,237	\$ —	\$ 990,851
Insurance service expenses	(109,446)	(449,150)	(247,634)	—	(806,230)
Insurance service result	67,651	26,367	90,603	—	184,621
Net recovery (expense) from reinsurance contracts held	682	(11,874)	(39,560)	—	(50,752)
Net insurance service result	68,333	14,493	51,043	—	133,869
Investment and insurance finance result					
Investment income (loss), excluding segregated fund account balances					
Investment income	5,074	(1,409)	(123,280)	(26,983)	(146,598)
Change in investment contracts	(9,009)	—	—	—	(9,009)
Net investment result, excluding segregated fund account balances	(3,935)	(1,409)	(123,280)	(26,983)	(155,607)
Insurance finance income (expense), excluding segregated fund account balances					
Insurance contracts	(1,482)	(1,451)	141,987	—	139,054
Reinsurance contracts held	189	565	10,021	—	10,775
Net insurance finance income (expense), excluding segregated fund account balances	(1,293)	(886)	152,008	—	149,829
Segregated fund account balances net investment and insurance finance result					
Investment income (loss) on investments for segregated fund account balances	196,597	—	425	—	197,022
Insurance finance income (expenses) segregated fund account balances	(196,597)	—	(425)	—	(197,022)
Segregated fund account balances net investment and insurance finance result	—	—	—	—	—
Net investment and insurance finance result	(5,228)	(2,295)	28,728	(26,983)	(5,778)
Other income and expenses					
Fee and other income	735	5,714	180	14,628	21,257
Non-insurance expenses	(21,908)	(12,064)	(15,440)	(18,836)	(68,248)
Interest expenses ⁽¹⁾	—	—	—	(12,766)	(12,766)
Total other income and expenses	(21,173)	(6,350)	(15,260)	(16,974)	(59,757)
Net income (loss) before taxes	\$ 41,932	\$ 5,848	\$ 64,511	\$ (43,957)	\$ 68,334
Income taxes ⁽¹⁾					(12,093)
Net income (loss) after taxes					\$ 56,241

⁽¹⁾ Amounts have been revised from those previously presented.

Assets are segmented into three product lines along with the Company's capital and surplus as follows:

As at September 30, 2024	Wealth Management	Group Solutions	Individual Insurance	Capital & Surplus	Total
Assets excluding segregated funds	\$ 972,175	\$ 413,142	\$ 6,168,827	\$ 2,706,971	\$ 10,261,115
Segregated funds	9,312,078	—	18,801	—	9,330,879
Total assets	\$ 10,284,253	\$ 413,142	\$ 6,187,628	\$ 2,706,971	\$ 19,591,994

As at December 31, 2023	Wealth Management	Group Solutions	Individual Insurance	Capital & Surplus	Total
Assets excluding segregated funds	\$ 996,530	\$ 388,145	\$ 5,976,494	\$ 2,490,650	\$ 9,851,819
Segregated funds	8,794,810	—	17,914	—	8,812,724
Total assets	\$ 9,791,340	\$ 388,145	\$ 5,994,408	\$ 2,490,650	\$ 18,664,543

While specific general fund assets are nominally matched against specific types of general fund liabilities or held in the shareholders' equity and participating account surplus, all general fund assets are available to pay all general fund liabilities, if required. Segregated fund assets are not available to pay liabilities of the general fund.

Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

14. Capital Management

The Company manages its capital in order to meet the requirements of the Life Insurance Capital Adequacy Test (LICAT) guideline, the capital framework issued by the OSFI. Under this framework, the Company's capital adequacy is measured as a ratio of available capital plus surplus allowance and eligible deposits divided by a base solvency buffer. OSFI has established a Supervisory Target Total Ratio of 100% and a Supervisory Target Core Ratio of 70%. As at December 31, 2023 and September 30, 2024, the Company was in compliance with the applicable regulatory capital ratios.

15. Risk Management

The Company is exposed to risks arising from its investing activities and its insurance operations. The Risk Management section of the 2023 Annual Report describes the Company's enterprise risk management framework including the principal risks and associated risk management strategies for the risks that management considers to be most significant in terms of likelihood, and the potential adverse impact on the Company: market, liquidity, credit and product.

15.1. Caution related to sensitivities

In the sections that follow, the Company 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 calculation dates. The sensitivities are calculated independently for each risk variable, 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. 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 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 the Company'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 the Company's future Net income, CSM, Equity and capital sensitivities. Given the nature of these calculations, the Company 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.

Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

15.2. Market risk

The Company's most significant market risks are equity risk and interest rate risk. Foreign exchange risk, liquidity risk, credit risk, concentration of credit risk and product risk have not changed materially since December 31, 2023. Information related to market sensitivities should be read in conjunction with the information contained in the Risk Management section of the Company's 2023 Annual Report.

Equity risk

The impacts, in millions of Canadian dollars, of one-time changes in equity markets are found below:

As at September 30, 2024		CSM				Profit or loss and Equity			
(in millions of Canadian dollars)	10% Increase	10% Decrease	20% Increase	20% Decrease	10% Increase	10% Decrease	20% Increase	20% Decrease	
Insurance and reinsurance contracts held	\$ 97	\$ (111)	\$ 183	\$ (241)	\$ (30)	\$ 31	\$ (62)	\$ 57	
Financial assets (equities)	—	—	—	—	40	(35)	81	(59)	
Total	\$ 97	\$ (111)	\$ 183	\$ (241)	\$ 10	\$ (4)	\$ 19	\$ (2)	

As at December 31, 2023		CSM				Profit or loss and Equity			
(in millions of Canadian dollars)	10% Increase	10% Decrease	20% Increase	20% Decrease	10% Increase	10% Decrease	20% Increase	20% Decrease	
Insurance and reinsurance contracts held	\$ 100	\$ (116)	\$ 187	\$ (254)	\$ (28)	\$ 26	\$ (56)	\$ 49	
Financial assets (equities)	—	—	—	—	49	(45)	99	(81)	
Total	\$ 100	\$ (116)	\$ 187	\$ (254)	\$ 21	\$ (19)	\$ 43	\$ (32)	

Interest rate risk

The impacts, in millions of Canadian dollars, of one-time changes in interest rates are found below:

As at September 30, 2024		CSM				Profit or loss and Equity			
(in millions of Canadian dollars)	50 bps Increase	50 bps Decrease	100 bps Increase	100 bps Decrease	50 bps Increase	50 bps Decrease	100 bps Increase	100 bps Decrease	
Insurance and reinsurance contracts held	\$ 50	\$ (61)	\$ 90	\$ (134)	\$ 291	\$ (331)	\$ 548	\$ (705)	
Financial assets (debt instruments)	—	—	—	—	(351)	392	(665)	828	
Total	\$ 50	\$ (61)	\$ 90	\$ (134)	\$ (60)	\$ 61	\$ (117)	\$ 123	

As at December 31, 2023		CSM				Profit or loss and Equity			
(in millions of Canadian dollars)	50 bps Increase	50 bps Decrease	100 bps Increase	100 bps Decrease	50 bps Increase	50 bps Decrease	100 bps Increase	100 bps Decrease	
Insurance and reinsurance contracts held	\$ 64	\$ (78)	\$ 117	\$ (168)	\$ 303	\$ (342)	\$ 569	\$ (729)	
Financial assets (debt instruments)	—	—	—	—	(323)	360	(612)	760	
Total	\$ 64	\$ (78)	\$ 117	\$ (168)	\$ (20)	\$ 18	\$ (43)	\$ 31	

Glossary of Terms (unaudited)

Accumulated Other Comprehensive Income (AOCI)

A separate component of shareholders' equity and policyholders' account which includes remeasurement of post-employment benefit liabilities. These items have been recognized in comprehensive income but excluded from net income.

Active Market

An active market is a market in which the items traded are homogeneous, willing buyers and sellers can normally be found at any time and prices are available to the public.

Canadian Institute of Actuaries (CIA)

The CIA is the qualifying and governing body of the actuarial profession in Canada. The CIA develops and upholds rigorous standards, shares its risk management expertise, and advances actuarial science to improve lives in Canada and around the world. Its more than 6,000 members apply their knowledge of math, statistics, data analytics, and business in providing services and advice of the highest quality to help Canadian people and organizations face the future with confidence.

Canadian Life and Health Insurance Association (CLHIA)

The Canadian Life and Health Insurance Association (CLHIA) is an organization representing life insurance and health insurance providers in Canada. The association develops guidelines, voluntarily and proactively, to respond to emerging issues and to ensure consumer interests are protected.

Chartered Professional Accountants of Canada (CPA Canada)

Canada's not-for-profit association for Chartered Professional Accountants (CPA) provides information and guidance to its members, students and capital markets. Working in collaboration with its provincial member organizations, CPA Canada supports the setting of accounting, auditing and assurance standards for business, not-for-profit organizations and government, and develops and delivers education programs.

Contractual Service Margin (CSM)

A component of the carrying amount of the asset or liability for a group of insurance contracts representing the unearned profit the entity will recognize as it provides insurance contract services under the insurance contracts in the group.

Effective Interest Method

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Expected Credit Loss (ECL)

An expected loss amount as a result of credit deterioration of the party that has been issued the credit.

Fair Value Through Profit or Loss (FVTPL)

Invested assets are classified as financial instruments at FVTPL if they are held for trading, or if they are designated by management under the fair value option.

Fulfilment Cash Flows (FCF)

An explicit, unbiased and probability-weighted estimate (ie expected value) of the present value of the future cash outflows minus the present value of the future cash inflows that will arise as the entity fulfills insurance contracts, including a risk adjustment for non-financial risk.

Glossary of Terms (unaudited)

International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) (IFRS Accounting Standards)

Refers to the international accounting standards that were adopted in Canada, effective January 1, 2011; these are now Canadian Generally Accepted Accounting Principles (CGAAP) for publicly accountable enterprises.

Life Insurance Capital Adequacy Test (LICAT)

The LICAT measures the capital adequacy of an insurer and is one of several indicators used by OSFI to assess an insurer's financial condition. The LICAT Ratio is the ratio of eligible capital to the base solvency buffer, each as calculated under OSFI's published guidelines.

Other Comprehensive Income (OCI), Other Comprehensive Loss (OCL)

Remeasurements of post-employment benefit liabilities are recorded as OCI or OCL. These remeasurements will not be reclassified to net income and will remain in AOCI.

Office of the Superintendent of Financial Institutions Canada (OSFI)

The mandate of OSFI is to regulate and supervise federally regulated financial institutions and pension plans in Canada to contribute to public confidence in the financial system.

Participating Policies

The participating account includes all policies issued by the Company that entitle its policyholders to participate in the profits of the participating account. The Company has discretion as to the amount and timing of dividend payments which take into consideration the continuing solvency of the participating account.

Return on Common Shareholders' Equity (ROE)

A profitability measure that presents the net income available to common shareholders as a percentage of the average capital deployed to earn the income.

Risk Adjustment (RA)

The compensation an entity requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as the entity fulfills insurance contracts.

Empire Life Condensed Interim Consolidated Financial Statements

Established in 1923 and a subsidiary of E-L Financial Corporation Limited, The Empire Life Insurance Company provides individual and group life and health insurance, investment and retirement products.

Our mission is to make it simple, fast and easy for Canadians to get the products and services they need to build wealth, generate income, and achieve financial security.

Follow us on social media @EmpireLife or visit empire.ca for more information, including current ratings and financial results.

Transfer Agent and Registrar

TSX Trust Company
301 - 100 Adelaide Street West
Toronto, Ontario M5H 4H1
Phone 416-682-3860
Toll Free 800-387-0825
www.tsxtrust.com

Reporting Procedure for Accounting and Auditing Matters

If you have a complaint regarding accounting, internal controls or auditing matters or a concern regarding questionable accounting or auditing matters, you should submit your written complaint or concern to:

Mr. Peter Levitt
The Empire Life Insurance Company
259 King Street East
Kingston, ON, K7L 3A8
Email: peter@levittadvisory.ca
Phone: 647-236-1064

You may submit your complaint or concern anonymously. Your submission will be kept confidential and will be treated in accordance with the Company's policy for reporting accounting and auditing matters.

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