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The Canada Life Assurance Company

Consolidated financial statements

Third Quarter Results

For the period ended September 30, 2020

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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CONSOLIDATED STATEMENTS OF EARNINGS *(unaudited)*

(in Canadian $ millions)

	For the three months ended			For the nine months ended	
	September 30 2020	June 30 2020	September 30 2019	**September 30 2020**	September 30 2019
Income					
Premium income					
Gross premiums written	**$ 9,347**	$ 10,616	$ 9,046	**$ 29,943**	$ 29,911
Ceded premiums	**(942)**	(986)	(1,084)	**(2,914)**	(3,988)
Total net premiums	**8,405**	9,630	7,962	**27,029**	25,923
Net investment income (note 5)					
Regular net investment income	**1,199**	1,273	1,156	**3,493**	3,347
Changes in fair value through profit or loss	**663**	5,451	1,923	**3,010**	7,382
Total net investment income	**1,862**	6,724	3,079	**6,503**	10,729
Fee and other income	**789**	753	831	**2,318**	2,487
	11,056	17,107	11,872	**35,850**	39,139
Benefits and expenses					
Policyholder benefits					
Gross	**8,379**	9,060	7,425	**26,088**	25,027
Ceded	**(517)**	(474)	(615)	**(1,718)**	(1,941)
Total net policyholder benefits	**7,862**	8,586	6,810	**24,370**	23,086
Changes in insurance and investment contract liabilities					
Gross	**792**	6,118	2,681	**4,285**	9,767
Ceded	**(18)**	(410)	(122)	**(245)**	(1,125)
Total net changes in insurance and investment contract liabilities	**774**	5,708	2,559	**4,040**	8,642
Policyholder dividends and experience refunds	**251**	493	342	**1,104**	1,113
Total paid or credited to policyholders	**8,887**	14,787	9,711	**29,514**	32,841
Commissions	**450**	470	472	**1,440**	1,439
Operating and administrative expenses	**735**	720	699	**2,215**	2,166
Premium taxes	**116**	115	120	**344**	356
Financing charges	**28**	28	13	**84**	38
Amortization of finite life intangible assets	**38**	39	35	**112**	102
Earnings before income taxes	**802**	948	822	**2,141**	2,197
Income taxes (recovery) (note 13)	**(13)**	70	29	**38**	170
Net earnings before non-controlling interests	**815**	878	793	**2,103**	2,027
Attributable to non-controlling interests	**1**	—	1	**2**	1
Net earnings	**814**	878	792	**2,101**	2,026
Net earnings - participating account	**22**	34	44	**66**	40
Net earnings - common shareholder	**$ 792**	$ 844	$ 748	**$ 2,035**	$ 1,986

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME *(unaudited)*

(in Canadian $ millions)

	For the three months ended			For the nine months ended	
	September 30 2020	June 30 2020	September 30 2019	**September 30 2020**	September 30 2019
Net earnings	**$ 814**	$ 878	$ 792	**$ 2,101**	$ 2,026
Other comprehensive income (loss)					
Items that may be reclassified subsequently to Consolidated Statements of Earnings					
Unrealized foreign exchange gains (losses) on translation of foreign operations	**232**	(353)	(212)	**275**	(698)
Unrealized gains (losses) on available-for-sale assets	**6**	167	65	**235**	245
Income tax (expense) benefit	**(1)**	(26)	(7)	**(40)**	(37)
Realized (gains) losses on available-for-sale assets	**(10)**	(71)	(16)	**(112)**	(36)
Income tax expense (benefit)	**1**	7	1	**10**	2
Non-controlling interests	**—**	—	1	**(1)**	2
Total items that may be reclassified	**228**	(276)	(168)	**367**	(522)
Items that will not be reclassified to Consolidated Statements of Earnings					
Re-measurements on defined benefit pension and other post-employment benefit plans (note 12)	**(41)**	(640)	(56)	**(274)**	(313)
Income tax (expense) benefit	**6**	161	11	**66**	69
Revaluation surplus on transfer to investment properties (note 7)	**11**	—	—	**11**	—
Income tax (expense) benefit	**(1)**	—	—	**(1)**	—
Total items that will not be reclassified	**(25)**	(479)	(45)	**(198)**	(244)
Total other comprehensive income (loss)	**203**	(755)	(213)	**169**	(766)
Comprehensive income	**$ 1,017**	$ 123	$ 579	**$ 2,270**	$ 1,260

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CONSOLIDATED BALANCE SHEETS *(unaudited)*

(in Canadian $ millions)

	September 30 2020	December 31 2019
Assets		
Cash and cash equivalents	**$ 3,155**	$ 3,236
Bonds (note 5)	**99,901**	95,141
Mortgage loans (note 5)	**21,819**	20,716
Stocks (note 5)	**9,482**	10,035
Investment properties (note 5)	**5,850**	5,884
Loans to policyholders	**3,504**	3,383
	143,711	138,395
Funds held by ceding insurers	**8,273**	8,714
Reinsurance assets (note 8)	**8,831**	8,255
Goodwill	**6,409**	6,300
Intangible assets	**2,149**	2,069
Derivative financial instruments	**512**	315
Owner occupied properties	**546**	537
Fixed assets	**301**	310
Other assets	**1,644**	1,662
Premiums in course of collection, accounts and interest receivable	**4,914**	4,079
Current income taxes	**112**	179
Deferred tax assets	**234**	260
Investments on account of segregated fund policyholders (note 9)	**203,855**	199,589
Total assets	**$ 381,491**	$ 370,664
Liabilities		
Insurance contract liabilities (note 8)	**$ 141,043**	$ 135,458
Investment contract liabilities (note 8)	**1,744**	1,656
Debentures and other debt instruments	**770**	751
Preferred shares (note 10)	**1,000**	—
Funds held under reinsurance contracts	**2,184**	2,025
Derivative financial instruments	**1,647**	1,335
Accounts payable	**1,584**	1,816
Other liabilities	**3,812**	3,428
Current income taxes	**281**	366
Deferred tax liabilities	**663**	879
Investment and insurance contracts on account of segregated fund policyholders (note 9)	**203,855**	199,589
Total liabilities	**358,583**	347,303
Equity		
Participating account surplus	**2,858**	2,745
Non-controlling interests	**24**	21
Shareholders' equity		
Share capital (note 10)		
Common shares	**7,884**	8,884
Accumulated surplus	**11,717**	11,411
Accumulated other comprehensive income (loss)	**10**	(112)
Contributed surplus	**415**	412
Total equity	**22,908**	23,361
Total liabilities and equity	**$ 381,491**	$ 370,664

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY *(unaudited)*

(in Canadian $ millions)

	September 30, 2020							
	Share capital	**Contributed surplus**	**Accumulated surplus**	**Accumulated other comprehensive income (loss)**	**Total shareholders' equity**	**Non-controlling interests**	**Participating account surplus**	**Total equity**
Balance, beginning of year	**$ 8,884**	**$ 412**	**$ 11,411**	**$ (112)**	**$ 20,595**	**$ 21**	**$ 2,745**	**$ 23,361**
Net earnings	**—**	**—**	**2,035**	**—**	**2,035**	**2**	**66**	**2,103**
Other comprehensive income	**—**	**—**	**—**	**122**	**122**	**1**	**47**	**170**
	8,884	**412**	**13,446**	**10**	**22,752**	**24**	**2,858**	**25,634**
Dividends to common shareholder	**—**	**—**	**(1,729)**	**—**	**(1,729)**	**—**	**—**	**(1,729)**
Share-based payments	**—**	**3**	**—**	**—**	**3**	**—**	**—**	**3**
Conversion of common shares to preferred share liability (note 10)	**(1,000)**	**—**	**—**	**—**	**(1,000)**	**—**	**—**	**(1,000)**
Balance, end of period	**$ 7,884**	**$ 415**	**$ 11,717**	**$ 10**	**$ 20,026**	**$ 24**	**$ 2,858**	**$ 22,908**

	September 30, 2019							
	Share capital	Contributed surplus	Accumulated surplus	Accumulated other comprehensive income (loss)	Total shareholders' equity	Non-controlling interests	Participating account surplus	Total equity
Balance, beginning of year	$ 8,883	$ 409	$ 11,656	$ 267	$ 21,215	$ 21	$ 2,723	$ 23,959
Change in accounting policy	—	—	(93)	—	(93)	—	—	(93)
Revised balance, beginning of year	8,883	409	11,563	267	21,122	21	2,723	23,866
Net earnings	—	—	1,986	—	1,986	1	40	2,027
Other comprehensive income (loss)	—	—	—	(785)	(785)	(2)	19	(768)
	8,883	409	13,549	(518)	22,323	20	2,782	25,125
Dividends to common shareholder	—	—	(2,462)	—	(2,462)	—	—	(2,462)
Share-based payments	—	2	—	—	2	—	—	2
Balance, end of period	$ 8,883	$ 411	$ 11,087	$ (518)	$ 19,863	$ 20	$ 2,782	$ 22,665

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CONSOLIDATED STATEMENTS OF CASH FLOWS *(unaudited)*

(in Canadian $ millions)

	For the nine months ended September 30	
	2020	2019
Operations		
Earnings before income taxes	**$ 2,141**	$ 2,197
Income taxes paid, net of refunds received	**(234)**	(212)
Adjustments:		
Change in insurance and investment contract liabilities	**4,550**	9,473
Change in funds held by ceding insurers	**556**	292
Change in funds held under reinsurance contracts	**144**	106
Change in reinsurance assets	**(261)**	(526)
Changes in fair value through profit or loss	**(3,010)**	(7,382)
Other	**(810)**	(767)
	3,076	3,181
Financing Activities		
Dividends paid on common shares	**(1,729)**	(2,462)
Investment Activities		
Bond sales and maturities	**13,529**	14,936
Mortgage loan repayments	**1,329**	1,328
Stock sales	**3,194**	2,084
Investment property sales	**70**	8
Change in loans to policyholders	**(112)**	(126)
Business acquisitions, net of cash and cash equivalents acquired	**(43)**	—
Sale of business, net of cash and cash equivalents in subsidiary (note 3)	**108**	—
Changes in cash and cash equivalents classified as assets held for sale	**—**	39
Investment in bonds	**(13,756)**	(13,913)
Investment in mortgage loans	**(2,312)**	(2,832)
Investment in stocks	**(3,337)**	(1,677)
Investment in investment properties	**(155)**	(441)
	(1,485)	(594)
Effect of changes in exchange rates on cash and cash equivalents	**57**	(137)
Decrease in cash and cash equivalents	**(81)**	(12)
Cash and cash equivalents, beginning of period	**3,236**	2,911
Cash and cash equivalents, end of period	**$ 3,155**	$ 2,899
Supplementary cash flow information		
Interest income received	**$ 2,814**	$ 2,905
Interest paid	**77**	30
Dividend income received	**233**	209

CONDENSED NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(unaudited)*

(in Canadian $ millions except per share amounts)

1. Corporate Information

Effective January 1, 2020, The Great-West Life Assurance Company (Great-West Life) and its subsidiaries, London Insurance Group Inc., London Life Insurance Company, Canada Life Financial Corporation, and The Canada Life Assurance Company amalgamated into one company (the Amalgamation): The Canada Life Assurance Company (Canada Life or the Company). The December 31, 2019 consolidated annual financial statements of Great-West Life represent the financial results of the Company prior to the Amalgamation. Comparative figures presented by the Company as at and for the three and nine months ended September 30, 2019 are those of Great-West Life.

Canada Life is incorporated and domiciled in Canada. The registered address of the Company is 100 Osborne Street North, Winnipeg, Manitoba, Canada, R3C 1V3. Canada Life is wholly-owned by Great-West Lifeco Inc. (Lifeco). Lifeco is a member of the Power Corporation of Canada (Power Corporation) group of companies and is a subsidiary of Power Corporation.

Canada Life is a leading Canadian insurer, with interests in the life and health insurance, investment, savings and retirement income and reinsurance businesses, primarily in Canada and Europe through its subsidiaries including The Canada Life Group (U.K.) Limited, Canada Life Limited, Irish Life Group Limited (Irish Life), London Reinsurance Group Inc., Toronto College Park Ltd., Quadrus Investment Services Ltd. (Quadrus), GLC Asset Management Group Ltd. (GLC), and GWL Realty Advisors Inc.

The condensed consolidated interim unaudited financial statements (financial statements) of the Company as at and for the three and nine months ended September 30, 2020 were approved by the Board of Directors on November 4, 2020.

2. Basis of Presentation and Summary of Accounting Policies

These financial statements should be read in conjunction with the consolidated annual audited financial statements of Canada Life Financial Corporation for the year ended December 31, 2019 and the notes thereto, available under the Company's profile at www.sedar.com. Comparative amounts presented and disclosed have previously been reported in the consolidated financial statements of Great-West Life, as published on the Company's website at www.canadalife.com.

The financial statements of the Company at September 30, 2020 have been prepared in compliance with the requirements of International Accounting Standard (IAS) 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB) using the same accounting policies and methods of computation followed in the consolidated annual audited financial statements for the year ended December 31, 2019 except as described below.

Operating segments have been identified based on internal reports that are regularly reviewed by the Company’s Chief Executive Officer to allocate resources and assess performance of segments and for which discrete financial information is available. The Company’s operating segments are the participating and shareholder operations of the Company. Effective January 1, 2020, the business units within these segments are Canada, Europe, Capital and Risk Solutions, and Corporate. As a result of strategic operational changes, the Company divided its Europe/Reinsurance business unit into two separate business units - Europe and Capital and Risk Solutions. The realignment resulted in a change to comparative figures within these business units (note 14). Reinsurance, which had previously been reported as part of the Europe/Reinsurance business unit, is reported in the Capital and Risk Solutions business unit. The Company’s other business unit - Corporate - is unchanged. Business activities and transactions that are not associated with the specific business units are attributed to Corporate.

Changes in Accounting Policies

The Company adopted the narrow scope amendments to International Financial Reporting Standards (IFRS) for IFRS 3, *Business Combinations*; IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*; and IAS 39, *Financial Instruments: Recognition and Measurement* and IFRS 7, *Financial Instruments: Disclosures*, effective January 1, 2020. The adoption of these narrow scope amendments did not have a significant impact on the Company’s financial statements.

The Company actively monitors changes in IFRS, both proposed and released, by the IASB for potential impact on the Company. The following sets out standards released and updates to the Company's analysis since the year ended December 31, 2019:

Standard	**Summary of Future Changes**
IFRS 17 - *Insurance Contracts*	In June 2020, the IASB issued amendments to IFRS 17, *Insurance Contracts* (IFRS 17). The amended standard confirmed the effective date for the standard of January 1, 2023. In addition, the IASB confirmed the extension to January 1, 2023 of the exemption for insurers to apply the financial instruments standard, IFRS 9, *Financial Instruments* (IFRS 9), keeping the alignment of the effective dates for IFRS 9 and IFRS 17. IFRS 17 will affect how the Company accounts for its insurance contracts and how it reports financial performance in the Consolidated Statement of Earnings, in particular the timing of earnings recognition for insurance contracts. As a result of the new valuation methodologies required under IFRS 17, the Company expects its insurance contract liabilities to increase upon adoption. The adoption of IFRS 17 will also have a significant impact on how insurance contract results are presented and disclosed in the consolidated financial statements and on regulatory and tax regimes that are dependent upon IFRS accounting values. The Company is also actively monitoring potential impacts on regulatory capital and associated ratios and disclosures. The Company continues to assess all these impacts through its global implementation plan.
IAS 37 - *Provisions, Contingent Liabilities, and Contingent Assets*	In May 2020, the IASB issued amendments to IAS 37, *Provisions, Contingent Liabilities, and Contingent Assets*. The amendments specify which costs should be included when assessing whether a contract will be loss-making. These amendments are effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. The Company is evaluating the impact for the adoption of these amendments.
Annual Improvements 2018-2020 Cycle	In May 2020, the IASB issued *Annual Improvements 2018-2020 Cycle* as part of its ongoing process to efficiently deal with non-urgent narrow scope amendments to IFRS. Two amendments were included in this issue that are applicable for the Company relating to IFRS 9, *Financial Instruments* and IFRS 16, *Leases*. The amendments are effective January 1, 2022. The Company is evaluating the impact for the adoption of these amendments.

Standard	**Summary of Future Changes**
IFRS 16 - *Leases*	In May 2020, the IASB published amendments to IFRS 16, *Leases* amending the standard to provide lessees with an optional exemption from assessing whether a COVID-19-related rent concession is a lease modification. The amendments are effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted. The Company does not anticipate a significant impact on its consolidated financial statements as a result of this amendment.
IAS 39 - *Financial Instruments: Recognition and Measurement*, IFRS 7 - *Financial Instruments: Disclosures*, IFRS 4 - *Insurance Contracts* and IFRS 16 - *Leases*	In August 2020, the IASB published *Interest Rate Benchmark Reform – Phase 2* (with amendments relevant to the Company under IAS 39, IFRS 7, IFRS 4 and IFRS 16). The amendments address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after January 1, 2021, with earlier application permitted. The Company is evaluating the impact for the adoption of these amendments.

Use of Significant Judgments, Estimates and Assumptions

In preparation of these financial statements, management is required to make significant judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, net earnings and related disclosures. Although some uncertainty is inherent in these judgments and estimates, management believes that the amounts recorded are reasonable. Key sources of estimation uncertainty and areas where significant judgments have been made are further described in the relevant accounting policies as described in note 2 of the Company's December 31, 2019 consolidated annual audited financial statements and notes thereto.

Impact of COVID-19 on Significant Judgments, Estimates and Assumptions

Beginning in January 2020, the outbreak of a virus known as COVID-19 and ensuing global pandemic have resulted in travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and significant market uncertainty. In the first quarter of 2020, global financial markets experienced material and rapid declines and significant volatility; however, following March 31, 2020, the markets have experienced recoveries. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 pandemic continues to be unknown at this time, as is the efficacy of the government and central bank interventions.

The results of the Company reflect management's judgments regarding the impact of prevailing global credit, equity and foreign exchange market conditions.

The provision for future credit losses within the Company's insurance contract liabilities relies upon investment credit ratings. The Company's practice is to use third party independent credit ratings where available. Management judgment is required when setting credit ratings for instruments that do not have a third party credit rating. Given rapid market changes, third party credit rating changes may lag developments in the current environment.

The fair value of portfolio investments (note 5), the valuation of goodwill and other intangible assets and the recoverability of deferred tax asset carrying values reflect management’s judgment.

Given the uncertainty surrounding the current environment, the actual financial results could differ from the estimates made in preparation of these financial statements.

3. Disposals and Other Transactions

(a) U.S. Individual Life Insurance and Annuity Business Reinsurance Agreement

On January 24, 2019, Great-West Life & Annuity Insurance Company, a wholly-owned subsidiary of the Company's parent Lifeco, announced that it had entered into an agreement with Protective Life Insurance Company (Protective Life) to sell, via indemnity reinsurance, substantially all of its individual life insurance and annuity business in the United States within the Company's Corporate business unit. The transaction was completed on June 1, 2019.

The liabilities transferred and ceding commission received at the closing of this transaction are subject to future adjustments. In October 2019, Protective Life provided the Company with its listing of proposed adjustments with respect to the liabilities transferred. In December 2019, the Company formally objected to these proposed adjustments. The Master Transaction Agreement requires the parties to attempt to resolve these differences in an informal manner and that process is ongoing. Based on the information presently known, it is difficult to predict the outcome of this matter with certainty, but this matter is not expected to materially impact the consolidated financial position of the Company. This matter is expected to be resolved in the fourth quarter of 2020.

(b) Sale of Irish Progressive Services International Limited

On February 10, 2020, Irish Life announced the sale of Irish Progressive Services International Limited (IPSI), a wholly-owned subsidiary whose principal activity is the provision of outsourced administration services for life assurance companies, to a member of the FNZ group of companies. The transaction was completed on August 4, 2020. The Company recognized a net gain of $94 after-tax in the Consolidated Statements of Earnings that includes a curtailment gain and other restructuring and transaction costs. The carrying value and earnings of the business are immaterial to the Company.

(c) Sale of GLC Asset Management

On August 4, 2020, the Company announced the proposed sale of GLC to Mackenzie Financial Corporation (Mackenzie), an affiliate of the Company. GLC is a wholly-owned subsidiary of Canada Life whose principal activity is the provision of investment management services to Canada Life.

The Company will receive net cash consideration of $145 as a result of the transaction and expects to recognize a gain. The carrying value and earnings of the business are immaterial to the Company. This is a related party transaction, and board of directors of each of the Company and Lifeco established a committee of directors independent of management and Mackenzie to assess, review and consider the proposed terms of the transaction and to make recommendations regarding the transaction to its board of directors. The proposed transaction will be subject to customary closing conditions including receipt of required regulatory approvals and is expected to be completed in the fourth quarter of 2020.

4. Restructuring Expenses

United Kingdom Business Transformation

At September 30, 2020, the Company has a restructuring provision of $28 remaining in other liabilities. The change in the restructuring provision for the United Kingdom Business Transformation is set out below:

	September 30 2020	December 31 2019
Balance, beginning of year	**$ 39**	$ 61
Amounts used	**(11)**	(21)
Changes in foreign exchange rates	**—**	(1)
Balance, end of period	**$ 28**	$ 39

Due to COVID-19, the United Kingdom Business Transformation has been delayed and is expected to be completed by the end of 2021.

5. **Portfolio Investments**

(a) **Carrying values and estimated fair values of portfolio investments are as follows:**

	September 30, 2020		December 31, 2019	
	Carrying value	Fair value	Carrying value	Fair value
Bonds				
Designated fair value through profit or loss (1)	$ 73,797	$ 73,797	$ 69,761	$ 69,761
Classified fair value through profit or loss (1)	1,865	1,865	1,717	1,717
Available-for-sale	9,794	9,794	9,976	9,976
Loans and receivables	14,445	17,090	13,687	15,367
	99,901	102,546	95,141	96,821
Mortgage loans				
Residential				
Designated fair value through profit or loss (1)	1,805	1,805	1,314	1,314
Loans and receivables	7,438	7,972	7,500	7,748
	9,243	9,777	8,814	9,062
Commercial	12,576	13,654	11,902	12,466
	21,819	23,431	20,716	21,528
Stocks				
Designated fair value through profit or loss (1)	9,029	9,029	9,566	9,566
Available-for-sale	13	13	10	10
Available-for-sale, at cost (2)	8	8	41	41
Equity method	432	358	418	410
	9,482	9,408	10,035	10,027
Investment properties	5,850	5,850	5,884	5,884
Total	$ 137,052	$ 141,235	$ 131,776	$ 134,260

(1) A financial asset is designated as fair value through profit or loss on initial recognition if it eliminates or significantly reduces an accounting mismatch. Changes in the fair value of financial assets designated as fair value through profit or loss are generally offset by changes in insurance contract liabilities, since the measurement of insurance contract liabilities is determined with reference to the assets supporting the liabilities.

A financial asset is classified as fair value through profit or loss on initial recognition if it is part of a portfolio that is actively traded for the purpose of earning investment income.

(2) Fair value cannot be reliably measured, therefore the investments are held at cost.

5. Portfolio Investments (cont'd)

(b) Included in portfolio investments are the following:

Carrying amount of impaired investments

	September 30 2020	December 31 2019
Impaired amounts by classification		
Fair value through profit or loss	**$ 9**	$ 5
Available-for-sale	**2**	2
Loans and receivables	**25**	29
Total	**$ 36**	$ 36

The carrying amount of impaired investments includes $11 bonds and $25 mortgage loans at September 30, 2020 ($7 bonds and $29 mortgage loans at December 31, 2019). The above carrying values for loans and receivables are net of allowances of $49 at September 30, 2020 and $51 at December 31, 2019.

(c) Net investment income comprises the following:

For the three months ended September 30, 2020	**Bonds**	**Mortgage loans**	**Stocks**	**Investment properties**	**Other**	**Total**
Regular net investment income:						
Investment income earned	**$ 727**	**$ 185**	**$ 92**	**$ 98**	**$ 54**	**$ 1,156**
Net realized gains (losses)						
Available-for-sale	**11**	**—**	**(1)**	**—**	**—**	**10**
Other classifications[1]	**1**	**7**	**88**	**—**	**—**	**96**
Net allowances for credit losses on loans and receivables	**—**	**(1)**	**—**	**—**	**—**	**(1)**
Other income (expenses)	**—**	**—**	**—**	**(33)**	**(29)**	**(62)**
	739	**191**	**179**	**65**	**25**	**1,199**
Changes in fair value through profit or loss assets:						
Classified fair value through profit or loss	**6**	**—**	**—**	**—**	**—**	**6**
Designated fair value through profit or loss	**118**	**(8)**	**286**	**—**	**233**	**629**
Recorded at fair value through profit or loss	**—**	**—**	**—**	**28**	**—**	**28**
	124	**(8)**	**286**	**28**	**233**	**663**
Total	**$ 863**	**$ 183**	**$ 465**	**$ 93**	**$ 258**	**$ 1,862**

[1] Includes a realized gain on disposal of the shares of IPSI (note 3).

5. Portfolio Investments (cont'd)

For the three months ended September 30, 2019	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	$ 759	$ 181	$ 77	$ 93	$ 92	$ 1,202
Net realized gains						
Available-for-sale	15	—	10	—	—	25
Other classifications	1	1	—	—	—	2
Net allowances for credit losses on loans and receivables	—	—	—	—	—	—
Other income (expenses)	—	—	—	(30)	(43)	(73)
	775	182	87	63	49	1,156
Changes in fair value through profit or loss assets:						
Classified fair value through profit or loss	—	—	—	—	—	—
Designated fair value through profit or loss	1,972	66	212	—	(341)	1,909
Recorded at fair value through profit or loss	—	—	—	14	—	14
	1,972	66	212	14	(341)	1,923
Total	$ 2,747	$ 248	$ 299	$ 77	$ (292)	$ 3,079

For the nine months ended September 30, 2020	**Bonds**	**Mortgage loans**	**Stocks**	**Investment properties**	**Other**	**Total**
Regular net investment income:						
Investment income earned	**$ 2,187**	**$ 557**	**$ 254**	**$ 299**	**$ 183**	**$ 3,480**
Net realized gains						
Available-for-sale	**113**	**—**	**1**	**—**	**—**	**114**
Other classifications[(1)]	**3**	**20**	**88**	**—**	**—**	**111**
Net allowances for credit losses on loans and receivables	**—**	**(10)**	**—**	**—**	**—**	**(10)**
Other income (expenses)	**—**	**—**	**—**	**(94)**	**(108)**	**(202)**
	2,303	**567**	**343**	**205**	**75**	**3,493**
Changes in fair value through profit or loss assets:						
Classified fair value through profit or loss	**77**	**—**	**—**	**—**	**—**	**77**
Designated fair value through profit or loss	**3,570**	**98**	**(714)**	**—**	**136**	**3,090**
Recorded at fair value through profit or loss	**—**	**—**	**—**	**(157)**	**—**	**(157)**
	3,647	**98**	**(714)**	**(157)**	**136**	**3,010**
Total	**$ 5,950**	**$ 665**	**$ (371)**	**$ 48**	**$ 211**	**$ 6,503**

(1) Includes a realized gain on disposal of the shares of IPSI (note 3).

5. Portfolio Investments (cont'd)

For the nine months ended September 30, 2019	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	$ 2,307	$ 538	$ 215	$ 272	$ 193	$ 3,525
Net realized gains						
Available-for-sale	22	—	22	—	—	44
Other classifications	9	12	—	—	—	21
Net allowances for credit losses on loans and receivables	—	(48)	—	—	—	(48)
Other income (expenses)	—	—	—	(84)	(111)	(195)
	2,338	502	237	188	82	3,347
Changes in fair value through profit or loss assets:						
Classified fair value through profit or loss	57	—	—	—	—	57
Designated fair value through profit or loss	6,339	144	1,217	—	(419)	7,281
Recorded at fair value through profit or loss	—	—	—	44	—	44
	6,396	144	1,217	44	(419)	7,382
Total	$ 8,734	$ 646	$ 1,454	$ 232	$ (337)	$ 10,729

Investment income earned comprises income from investments that are classified as available-for-sale, loans and receivables and investments classified or designated as fair value through profit or loss. Investment income from bonds and mortgages includes interest income and premium and discount amortization. Income from stocks includes dividends, distributions from private equity and equity income from the investment in IGM Financial Inc., an affiliated company controlled by Power Corporation. Investment properties income includes rental income earned on investment properties, ground rent income earned on leased and sub-leased land, fee recoveries, lease cancellation income, and interest and other investment income earned on investment properties. Other income includes policyholder loan income, foreign exchange gains and losses, income earned from derivative financial instruments and other miscellaneous income.

6. Financial Instruments Risk Management

The Company has policies relating to the identification, measurement, management, monitoring and reporting of risks associated with financial instruments. The key risks related to financial instruments are credit risk, liquidity risk and market risk (currency, interest rate and equity). The Risk Committee of the Board of Directors is responsible for the oversight of the Company's key risks. The Company's approach to risk management has not substantially changed from that described in the Company's 2019 Annual Report. Certain risks have been outlined below. For a discussion of the Company's risk governance structure and risk management approach, see the "Financial Instruments Risk Management" note in the Company's December 31, 2019 consolidated annual audited financial statements.

The Company has also established policies and procedures designed to identify, measure and report all material risks. Management is responsible for establishing capital management procedures for implementing and monitoring the capital plan. The Board of Directors reviews and approves all capital transactions undertaken by management.

(a) Credit Risk

Credit risk is the risk of financial loss resulting from the failure of debtors to make payments when due.

Concentration of Credit Risk
Concentrations of credit risk arise from exposures to a single debtor, a group of related debtors or groups of debtors that have similar credit risk characteristics in that they operate in the same geographic region or in similar industries. No significant changes have occurred from the year ended December 31, 2019.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet all cash outflow obligations as they come due. The following policies and procedures are in place to manage this risk:

- The Company closely manages operating liquidity through cash flow matching of assets and liabilities and forecasting earned and required yields, to ensure consistency between policyholder requirements and the yield of assets.
- Management closely monitors the solvency and capital positions of its principal subsidiaries opposite liquidity requirements at the holding company. Additional liquidity is available through established lines of credit or via capital market transactions. The Company maintains committed lines of credit with Canadian chartered banks.

(c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market factors which include three types: currency risk, interest rate (including related inflation) risk and equity risk.

Caution Related to Risk Sensitivities
These financial statements include estimates of sensitivities and risk exposure measures for certain risks, such as the sensitivity due to specific changes in interest rate levels projected and market prices as at the valuation date. Actual results can differ significantly from these estimates for a variety of reasons including:

- Assessment of the circumstances that led to the scenario may lead to changes in (re)investment approaches and interest rate scenarios considered,
- Changes in actuarial, investment return and future investment activity assumptions,
- Actual experience differing from the assumptions,
- Changes in business mix, effective income tax rates and other market factors,
- Interactions among these factors and assumptions when more than one changes, and
- The general limitations of the Company's internal models.

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 above. Given the nature of these calculations, the Company cannot provide assurance that the actual impact on net earnings attributed to shareholders will be as indicated.

(i) Currency Risk

Currency risk relates to the Company operating and holding financial instruments in different currencies. For the assets backing insurance and investment contract liabilities that are not matched by currency, changes in foreign exchange rates can expose the Company to the risk of foreign exchange losses not offset by liability decreases. The Company has net investments in foreign operations. The Company's debt obligations are denominated in Canadian dollars and euros. In accordance with IFRS, foreign currency translation gains and losses from net investments in foreign operations, net of related hedging activities and tax effects, are recorded in accumulated other comprehensive income. Strengthening or weakening of the Canadian dollar spot rate compared to the U.S. dollar, British pound and euro spot rates impacts the Company's total equity. Correspondingly, the Company's book value per share and capital ratios monitored by rating agencies are also impacted.

- A 10% weakening of the Canadian dollar against foreign currencies would be expected to increase non-participating insurance and investment contract liabilities and their supporting assets by approximately the same amount resulting in an immaterial change to net earnings. A 10% strengthening of the Canadian dollar against foreign currencies would be expected to decrease non-participating insurance and investment contract liabilities and their supporting assets by approximately the same amount resulting in an immaterial change in net earnings.

(ii) Interest Rate Risk

Interest rate risk exists if asset and liability cash flows are not closely matched and interest rates change causing a difference in value between the asset and liability.

Projected cash flows from the current assets and liabilities are used in the Canadian Asset Liability Method to determine insurance contract liabilities. Valuation assumptions have been made regarding rates of returns on supporting assets, fixed income, equity and inflation. The valuation assumptions use best estimates of future reinvestment rates and inflation assumptions with an assumed correlation together with margins for adverse deviation set in accordance with professional standards. These margins are necessary to provide for possibilities of misestimation and/or future deterioration in the best estimate assumptions and provide reasonable assurance that insurance contract liabilities cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

Testing under a number of interest rate scenarios (including increasing, decreasing and fluctuating rates) is done to assess reinvestment risk.

The total provision for interest rate risk considers the Canadian Institute of Actuaries prescribed scenarios:

- At September 30, 2020 and December 31, 2019, the effect of an immediate 1% parallel increase in the yield curve on the prescribed scenarios results in interest rate changes to assets and liabilities that will offset each other with no impact to net earnings.
- At September 30, 2020 and December 31, 2019, the effect of an immediate 1% parallel decrease in the yield curve on the prescribed scenarios results in interest rate changes to assets and liabilities that will offset each other with no impact to net earnings.

The total provision for interest rates is sufficient to cover a broader or more severe set of risks than the minimum arising from the current Canadian Institute of Actuaries prescribed scenarios. The range of interest rates covered by these provisions is set in consideration of long-term historical results and is monitored quarterly with a full review annually.

An immediate 1% parallel shift in the yield curve would not have a material impact on the Company's view of the range of interest rates to be covered by the provisions.

If sustained however, the parallel shift could impact the Company's range of scenarios covered. The following table provides information on the effect of an immediate 1% increase or 1% decrease in the interest rates at both the low and high end of the range of interest rates recognized in the provisions.

The sensitivities in the table include the impact of a parallel shift in ultimate interest rates outlined in actuarial standards.

	September 30, 2020		December 31, 2019	
	1% increase	**1% decrease**	1% increase	1% decrease
Change in interest rates				
Increase (decrease) in non-participating insurance and investment contract liabilities	**$ (304)**	**$ 777**	$ (298)	$ 792
Increase (decrease) in net earnings	**$ 237**	**$ (601)**	$ 229	$ (604)

(iii) Equity Risk

Equity risk is the uncertainty associated with the valuation of assets and liabilities arising from changes in equity markets and other pricing risk. To mitigate pricing risk, the Company has investment policy guidelines in place that provide for prudent investment in equity markets within clearly defined limits. The risks associated with segregated fund guarantees on lifetime Guaranteed Minimum Withdrawal Benefits have been mitigated through a hedging program using equity futures, currency forwards, and interest rate derivatives.

Some insurance and investment contract liabilities with long-tail cash-flows are supported by publicly traded common stocks and investments in other non-fixed income assets, primarily comprised of investment properties, real estate funds, private stocks, and equity release mortgages. The value of the liabilities may fluctuate with changes in the value of the supporting assets. The liabilities for other products such as segregated fund products with guarantees also fluctuate with equity values.

There may be additional market and liability impacts as a result of changes in the value of publicly traded common stocks and other non-fixed income assets that will cause the liabilities to fluctuate differently than the equity values. This means that the relative impact on liabilities of falls in market values increases with larger falls.

The following table provides information on the expected impacts of an immediate 10% or 20% increase or decrease in the value of publicly traded common stocks on insurance and investment contract liabilities and on the shareholder net earnings of the Company. The expected impacts take into account the expected change in hedge assets.

	September 30, 2020				December 31, 2019			
	20% increase	**10% increase**	**10% decrease**	**20% decrease**	20% increase	10% increase	10% decrease	20% decrease
Change in publicly traded common stock values								
Increase (decrease) in non-participating insurance and investment contract liabilities	**$ (33)**	**$ (19)**	**$ 110**	**$ 314**	$ (63)	$ (33)	$ 45	$ 223
Increase (decrease) in net earnings	**$ 27**	**$ 15**	**$ (88)**	**$ (248)**	$ 54	$ 27	$ (39)	$ (182)

The following table provides information on the expected impacts an immediate 5% or 10% increase or decrease in the value of other non-fixed income assets on insurance and investment contract liabilities and on the shareholder net earnings of the Company:

	September 30, 2020				December 31, 2019			
	10% increase	**5% increase**	**5% decrease**	**10% decrease**	10% increase	5% increase	5% decrease	10% decrease
Change in other non-fixed income asset values								
Increase (decrease) in non-participating insurance and investment contract liabilities	**$ (32)**	**$ (3)**	**$ 83**	**$ 208**	$ (74)	$ (32)	$ 35	$ 117
Increase (decrease) in net earnings	**$ 26**	**$ 2**	**$ (63)**	**$ (156)**	$ 60	$ 25	$ (28)	$ (90)

The Canadian Institute of Actuaries Standards of Practice for the valuation of insurance contract liabilities establish limits on the investment return assumptions for publicly traded common stocks and other non-fixed income assets which are generally based on historical returns on market indices. The sensitivities shown in the tables above allow for the impact of changes in these limits following market falls.

The best estimate return assumptions for publicly traded common stocks and other non-fixed income assets are primarily based on long-term historical averages. The following provides information on the expected impacts of a 1% increase or 1% decrease in the best estimate assumptions:

	September 30, 2020		December 31, 2019	
	1% increase	**1% decrease**	1% increase	1% decrease
Change in best estimate return assumptions				
Increase (decrease) in non-participating insurance contract liabilities	**$ (672)**	**$ 871**	$ (645)	$ 752
Increase (decrease) in net earnings	**$ 534**	**$ (683)**	$ 509	$ (585)

7. Fair Value Measurement

The Company's assets and liabilities recorded at fair value have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. Assets and liabilities utilizing Level 1 inputs include actively exchange-traded equity securities, exchange-traded futures, and mutual and segregated funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, government and agency securities, restricted stock, some private bonds, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans. Investment contracts that are measured at fair value through profit or loss are mostly included in the Level 2 category.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds, certain asset-backed securities, some private equities, investments in mutual and segregated funds where there are redemption restrictions, certain over-the-counter derivatives, investment properties and equity release mortgages.

7. Fair Value Measurement (cont'd)

The following presents the Company’s assets and liabilities measured at fair value on a recurring basis by hierarchy level:

	September 30, 2020			
Assets measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 3,155	$ —	$ —	$ 3,155
Financial assets at fair value through profit or loss				
Bonds	—	75,590	72	75,662
Mortgage loans	—	—	1,805	1,805
Stocks	7,850	—	1,179	9,029
Total financial assets at fair value through profit or loss	7,850	75,590	3,056	86,496
Available-for-sale financial assets				
Bonds	—	9,794	—	9,794
Stocks	6	—	7	13
Total available-for-sale financial assets	6	9,794	7	9,807
Investment properties	—	—	5,850	5,850
Funds held by ceding insurers	77	6,203	—	6,280
Derivatives (1)	3	509	—	512
Reinsurance assets	—	141	—	141
Other assets - trading account assets	131	—	—	131
Total assets measured at fair value	$ 11,222	$ 92,237	$ 8,913	$ 112,372
Liabilities measured at fair value				
Derivatives (2)	$ 1	$ 1,646	$ —	$ 1,647
Investment contract liabilities	—	1,744	—	1,744
Total liabilities measured at fair value	$ 1	$ 3,390	$ —	$ 3,391

(1) Excludes collateral received from counterparties of $13.
(2) Excludes collateral pledged to counterparties of $831.

There were no transfers of the Company's assets and liabilities between Level 1 and Level 2 in the period.

7. Fair Value Measurement (cont'd)

	December 31, 2019			
Assets measured at fair value	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 3,236	$ —	$ —	$ 3,236
Financial assets at fair value through profit or loss				
Bonds	—	71,411	67	71,478
Mortgage loans	—	—	1,314	1,314
Stocks	8,889	—	677	9,566
Total financial assets at fair value through profit or loss	8,889	71,411	2,058	82,358
Available-for-sale financial assets				
Bonds	—	9,976	—	9,976
Stocks	6	—	4	10
Total available-for-sale financial assets	6	9,976	4	9,986
Investment properties	—	—	5,884	5,884
Funds held by ceding insurers	216	6,445	—	6,661
Derivatives (1)	—	315	—	315
Reinsurance assets	—	127	—	127
Other assets - trading account assets	135	—	—	135
Total assets measured at fair value	$ 12,482	$ 88,274	$ 7,946	$ 108,702
Liabilities measured at fair value				
Derivatives (2)	$ 3	$ 1,332	$ —	$ 1,335
Investment contract liabilities	—	1,656	—	1,656
Total liabilities measured at fair value	$ 3	$ 2,988	$ —	$ 2,991

(1) Excludes collateral received from counterparties of $38.
(2) Excludes collateral pledged to counterparties of $580.

There were no transfers of the Company's assets and liabilities between Level 1 and Level 2 in the period.

7. Fair Value Measurement (cont'd)

The following presents additional information about assets and liabilities measured at fair value on a recurring basis and for which the Company has utilized Level 3 inputs to determine fair value:

	September 30, 2020					
	Fair value through profit or loss bonds	**Fair value through profit or loss mortgage loans**	**Fair value through profit or loss stocks[4]**	**Available-for-sale stocks**	**Investment properties**	**Total Level 3 assets**
Balance, beginning of year	$ 67	$ 1,314	$ 677	$ 4	$ 5,884	$ 7,946
Total gains (losses)						
Included in net earnings	1	90	(10)	—	(157)	(76)
Included in other comprehensive income [1]	4	—	—	—	10	14
Purchases	—	—	208	3	155	366
Issues	—	454	—	—	—	454
Sales	—	—	(53)	—	(70)	(123)
Settlements	—	(53)	—	—	—	(53)
Transferred from owner occupied properties[2]	—	—	—	—	28	28
Transfers into Level 3[3]	—	—	357	—	—	357
Transfers out of Level 3[3]	—	—	—	—	—	—
Balance, end of period	$ 72	$ 1,805	$ 1,179	$ 7	$ 5,850	$ 8,913
Total gains (losses) for the period included in net investment income	$ 1	$ 90	$ (10)	$ —	$ (157)	$ (76)
Change in unrealized gains (losses) for the period included in earnings for assets held at September 30, 2020	$ 1	$ 90	$ (9)	$ —	$ (157)	$ (75)

(1) Other comprehensive income includes unrealized gains (losses) on foreign exchange.

(2) As a result of the sale of IPSI, a property with a fair value of $28 was reclassified from owner occupied properties to investment properties. The reclassification resulted in the recognition of revaluation surplus on the transfer to investment properties of $11 and income tax expense of $(1) in the Consolidated Statements of Comprehensive Income.

(3) Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies or the placement of redemption restrictions on investments in mutual and segregated funds. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors or the lifting of redemption restrictions on investments in mutual and segregated funds.

(4) Includes investments in mutual and segregated funds where there are redemption restrictions. The fair value is based on observable, quoted prices.

7. Fair Value Measurement (cont'd)

	December 31, 2019								
	Fair value through profit or loss bonds	Fair value through profit or loss mortgage loans	Fair value through profit or loss stocks[3]	Available-for-sale stocks	Investment properties	Assets held for sale	Total Level 3 assets	Liabilities held for sale	Total Level 3 liabilities
Balance, beginning of year	$ 67	$ 813	$ 404	$ 2	$ 5,215	$ 29	$ 6,530	$ 26	$ 26
Change in accounting policy	—	—	—	—	29	—	29	—	—
Revised balance, beginning of year	67	813	404	2	5,244	29	6,559	26	26
Total gains (losses)									
Included in net earnings	4	109	40	—	37	(2)	188	—	—
Included in other comprehensive income[1]	(4)	(5)	—	—	(36)	(1)	(46)	—	—
Purchases	—	—	298	2	644	—	944	—	—
Issues	—	469	—	—	—	—	469	—	—
Sales	—	—	(65)	—	(5)	(26)	(96)	—	—
Settlements	—	(72)	—	—	—	—	(72)	—	—
Other	—	—	—	—	—	—	—	(26)	(26)
Transfers into Level 3[2]	—	—	—	—	—	—	—	—	—
Transfers out of Level 3[2]	—	—	—	—	—	—	—	—	—
Balance, end of year	$ 67	$ 1,314	$ 677	$ 4	$ 5,884	$ —	$ 7,946	$ —	$ —
Total gains (losses) for the year included in net investment income	$ 4	$ 109	$ 40	$ —	$ 37	$ (2)	$ 188	$ —	$ —
Change in unrealized gains for the year included in earnings for assets held at December 31, 2019	$ 4	$ 105	$ 38	$ —	$ 37	$ —	$ 184	$ —	$ —

(1) Other comprehensive income includes unrealized gains (losses) on foreign exchange.

(2) Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies or the placement of redemption restrictions on investments in mutual and segregated funds. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors or the lifting of redemption restrictions on investments in mutual and segregated funds.

(3) Includes investments in mutual and segregated funds where there are redemption restrictions. The fair value is based on observable, quoted prices.

7. Fair Value Measurement (cont'd)

The following sets out information about significant unobservable inputs used at period-end in measuring assets categorized as Level 3 in the fair value hierarchy:

Type of asset	Valuation approach	Significant unobservable input	Input value	Inter-relationship between key unobservable inputs and fair value measurement
Investment properties	Investment property valuations are generally determined using property valuation models based on expected capitalization rates and models that discount expected future net cash flows. The determination of the fair value of investment property requires the use of estimates such as future cash flows (such as future leasing assumptions, rental rates, capital and operating expenditures) and discount, reversionary and overall capitalization rates applicable to the asset based on current market rates.	Discount rate	Range of 2.8% - 11.9%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.
		Reversionary rate	Range of 4.0% - 6.8%	A decrease in the reversionary rate would result in an increase in fair value. An increase in the reversionary rate would result in a decrease in fair value.
		Vacancy rate	Weighted average of 2.0%	A decrease in the expected vacancy rate would generally result in an increase in fair value. An increase in the expected vacancy rate would generally result in a decrease in fair value.
Mortgage loans - equity release mortgages (fair value through profit or loss)	The valuation approach for equity release mortgages is to use an internal valuation model to determine the projected asset cash flows, including the stochastically calculated cost of the no negative-equity guarantee for each individual loan, to aggregate these across all loans and to discount those cash flows back to the valuation date. The projection is done monthly until expected redemption of the loan either voluntarily or on the death/ entering into long term care of the loanholders.	Discount rate	Range of 3.3% - 4.3%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.

8. Insurance and Investment Contract Liabilities

	September 30, 2020		
	Gross liability	**Reinsurance assets**	**Net**
Insurance contract liabilities	**$ 141,043**	**$ 8,690**	**$ 132,353**
Investment contract liabilities	**1,744**	**141**	**1,603**
Total	**$ 142,787**	**$ 8,831**	**$ 133,956**

	December 31, 2019		
	Gross liability	Reinsurance assets	Net
Insurance contract liabilities	$ 135,458	$ 8,128	$ 127,330
Investment contract liabilities	1,656	127	1,529
Total	$ 137,114	$ 8,255	$ 128,859

9. Segregated Funds

The following presents details of the investments, determined in accordance with the relevant statutory reporting requirements of each region of the Company's operations, on account of segregated fund policyholders:

(a) Investments on account of segregated fund policyholders

	September 30 2020	December 31 2019
Cash and cash equivalents	**$ 15,122**	$ 12,481
Bonds	**33,776**	31,904
Mortgage loans	**2,631**	2,670
Stocks and units in unit trusts	**104,056**	104,330
Mutual funds	**37,042**	36,708
Investment properties [1]	**12,657**	12,986
	205,284	201,079
Accrued income	**344**	322
Other liabilities	**(2,780)**	(2,959)
Non-controlling mutual funds interest	**1,007**	1,147
Total	**$ 203,855**	$ 199,589

[1] Since March 20, 2020, Canada Life has temporarily suspended contributions to, and redemptions and transfers from, its real estate investment funds as the COVID-19 virus has impacted the global property market and made it difficult to value the properties with the same degree of certainty as usual.

(b) Investment and insurance contracts on account of segregated fund policyholders

	For the nine months ended September 30	
	2020	2019
Balance, beginning of year	**$ 199,589**	$ 177,711
Additions (deductions):		
Policyholder deposits	**14,653**	15,601
Net investment income	**782**	696
Net realized capital gains on investments	**3,927**	1,794
Net unrealized capital (losses) gains on investments	**(7,273)**	16,495
Unrealized gains (losses) due to changes in foreign exchange rates	**4,955**	(8,075)
Policyholder withdrawals	**(12,874)**	(13,887)
Change in General Fund investment in Segregated Fund	**235**	126
Net transfer from General Fund	**1**	19
Non-controlling mutual funds interest	**(140)**	240
Assets held for sale	**—**	147
Total	**4,266**	13,156
Balance, end of period	**$ 203,855**	$ 190,867

9. Segregated Funds (cont'd)

(c) Investments on account of segregated fund policyholders by fair value hierarchy level (note 7)

	September 30, 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments on account of segregated fund policyholders (1)	**$ 128,341**	**$ 64,061**	**$ 13,763**	**$ 206,165**

(1) Excludes other liabilities, net of other assets, of $2,310.

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Investments on account of segregated fund policyholders (1)	$ 128,220	$ 60,103	$ 13,988	$ 202,311

(1) Excludes other liabilities, net of other assets, of $2,722.

During the first nine months of 2020, certain foreign stock holdings valued at $2,484 have been transferred from Level 1 to Level 2 ($153 were transferred from Level 1 to Level 2 at December 31, 2019) primarily based on the Company's change in use of inputs in addition to quoted prices in active markets for certain foreign stock holdings. Level 2 assets include those assets where fair value is not available from normal market pricing sources, where inputs are utilized in addition to quoted prices in active markets and where the Company does not have access to the underlying asset details within an investment fund.

The following presents additional information about the Company's investments on account of segregated fund policyholders for which the Company has utilized Level 3 inputs to determine fair value:

	September 30, 2020	December 31, 2019		
	Total(1)	Investments on account of segregated fund policyholders	Investments on account of segregated fund policyholders held for sale	Total
Balance, beginning of year	**$ 13,988**	$ 13,235	$ 9	$ 13,244
Change in accounting policy	**—**	136	—	136
Revised balance, beginning of year	**13,988**	13,371	9	13,380
Total gains (losses) included in segregated fund investment income	**71**	141	(1)	140
Purchases	**120**	760	—	760
Sales	**(451)**	(284)	(8)	(292)
Transfers into Level 3	**35**	—	—	—
Transfers out of Level 3	**—**	—	—	—
Balance, end of period	**$ 13,763**	$ 13,988	$ —	$ 13,988

(1) At September 30, 2020, there were no investments on account of segregated fund policyholders held for sale.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

10. Share Capital

	For the nine months ended September 30			
	2020		2019	
	Number	**Carrying value**	Number	Carrying value
Classified as liabilities:				
Preferred shares				
Class A, Series 6, 6.25% Cumulative First Preferred Shares (1)	**40,000,000**	**$ 1,000**	—	$ —
Classified as equity:				
Preferred shares				
Class A, Series 1, Non-Cumulative	**18,000**	**$ —**	—	$ —
Common shares				
Balance, beginning of year	**2,407,385**	**$ 8,884**	2,407,240	$ 8,883
Common shares converted to preferred share liability (1)	**—**	**(1,000)**	—	—
Common shares donated by parent and cancelled	**(1)**	**—**	—	—
Balance, end of period	**2,407,384**	**$ 7,884**	2,407,240	$ 8,883

(1) As part of the Amalgamation (note 1), on January 1, 2020 the Company issued the Class A preferred shares Series 6 to Lifeco. The Class A preferred shares Series 6 of the Company have an aggregate redemption amount of $1,000 at $25.00 per share, an annual 6.25% cumulative dividend rate, payable quarterly, a mandatory redemption date of January 1, 2045, and are classified as liabilities. Dividends on the preferred shares classified as liabilities are recorded in financing charges.

11. Capital Management

(a) Policies and Objectives

Managing capital is the continual process of establishing and maintaining the quantity and quality of capital appropriate for the Company and ensuring capital is deployed in a manner consistent with the expectations of the Company's stakeholders. For these purposes, the Board considers the key stakeholders to be the Company's shareholders, policyholders and holders of subordinated liabilities in addition to the relevant regulators in the various jurisdictions where the Company and its subsidiaries operate.

The Company manages its capital on both a consolidated basis as well as at the individual operating subsidiary level. The primary objectives of the Company's capital management strategy are:

- to maintain the capitalization of its regulated operating subsidiaries at a level that will exceed the relevant minimum regulatory capital requirements in the jurisdictions in which they operate;
- to maintain strong credit and financial strength ratings of the Company ensuring stable access to capital markets; and
- to provide an efficient capital structure to maximize shareholders' value in the context of the Company's operational risks and strategic plans.

The capital planning process is the responsibility of the Company's Chief Financial Officer. The capital plan is approved by the Company's Board of Directors on an annual basis. The Board of Directors reviews and approves all capital transactions undertaken by management.

The target level of capitalization for the Company and its subsidiaries is assessed by considering various factors such as the probability of falling below the minimum regulatory capital requirements in the relevant operating jurisdiction, the views expressed by various credit rating agencies that provide financial strength and other ratings to the Company, and the desire to hold sufficient capital to be able to honour all policyholder and other obligations of the Company with a high degree of confidence.

(b) Regulatory Capital

In Canada, the Office of the Superintendent of Financial Institutions (OSFI) has established a regulatory capital adequacy measurement for life insurance companies incorporated under the Insurance Companies Act (Canada) and their subsidiaries.

The Life Insurance Capital Adequacy Test (LICAT) Ratio compares the regulatory capital resources of a company to its required capital, defined by OSFI, as the aggregate of all defined capital requirements. The total capital resources are provided by the sum of Available Capital, Surplus Allowance and Eligible Deposits. The following provides a summary of the LICAT information and ratios for Canada Life:

	September 30 2020	December 31 2019
Tier 1 Capital	**$ 11,400**	$ 11,952
Tier 2 Capital	**4,787**	3,637
Total Available Capital	**16,187**	15,589
Surplus Allowance & Eligible Deposits	**13,788**	12,625
Total Capital Resources	**$ 29,975**	$ 28,214
Required Capital	**$ 22,803**	$ 20,911
Total LICAT Ratio (OSFI Supervisory Target = 100%) [(1)]	**131 %**	135 %

(1) Total Ratio (%) = (Total Capital Resources / Required Capital)

Other foreign operations and foreign subsidiaries of the Company are required to comply with local capital or solvency requirements in their respective jurisdictions.

12. Pension Plans and Other Post-Employment Benefits

The total pension plans and other post-employment benefits expense included in operating expenses and other comprehensive income are as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	**2020**	2019
Pension plans				
Service costs	**$ 43**	$ 38	**$ 128**	$ 114
Net interest costs	**3**	5	**13**	15
Curtailment[1]	**(9)**	(1)	**(10)**	(2)
	37	42	**131**	127
Other post-employment benefits				
Net interest costs	**3**	3	**8**	9
Pension plans and other post-employment benefits expense - Consolidated Statements of Earnings	**40**	45	**139**	136
Pension plans - re-measurements				
Actuarial loss	**160**	208	**348**	929
Return on assets greater than assumed	**(97)**	(166)	**(84)**	(630)
Change in the asset ceiling	**(26)**	13	**(10)**	(16)
Pension plans re-measurement loss	**37**	55	**254**	283
Other post-employment benefits - re-measurements				
Actuarial loss	**4**	1	**20**	30
Pension plans and other post-employment benefits re-measurements - other comprehensive loss	**41**	56	**274**	313
Total pension plans and other post-employment benefits expense including re-measurements	**$ 81**	$ 101	**$ 413**	$ 449

[1] Includes a curtailment gain recognized on disposal of shares of IPSI (note 3).

The following sets out the weighted average discount rate used to re-measure the defined benefit obligation for pension plans and other post-employment benefits at the following dates:

	September 30		June 30		December 31	
	2020	2019	2020	2019	2019	2018
Weighted average discount rate	**2.3 %**	2.3 %	2.4 %	2.5 %	2.6 %	3.3 %

13. Income Taxes

(a) Income Tax Expense

Income tax expense (recovery) consists of the following:

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	**2020**	2019
Current income taxes	**$ 71**	$ 43	**$ 124**	$ 174
Deferred income taxes	**(84)**	(14)	**(86)**	(4)
Total income tax expense (recovery)	**$ (13)**	$ 29	**$ 38**	$ 170

(b) Effective Income Tax Rate

The effective income tax rates are generally lower than the Company's statutory income tax rate of 26.75% due to benefits related to non-taxable investment income and lower income tax in certain foreign jurisdictions.

The overall effective income tax rate for the three months ended September 30, 2020 was negative 1.6% compared to 3.5% for the three months ended September 30, 2019. The effective income tax rate for the three months ended September 30, 2020 is lower than the effective income tax rate for the three months ended September 30, 2019 primarily due to changes in certain tax estimates as well as the non-taxable gain on the disposal of the shares of IPSI. The effective income tax rate for the shareholder account for the three months ended September 30, 2020 was 1.5% compared to 4.7% for the three months ended September 30, 2019.

The overall effective income tax rate for the nine months ended September 30, 2020 was 1.8% compared to 7.7% for the nine months ended September 30, 2019. The effective income tax rate for the nine months ended September 30, 2020 is lower than the effective income tax rate for the nine months ended September 30, 2019 primarily due to changes in certain tax estimates as well as an increase in the amount of income subject to lower rates in jurisdictions outside of Canada partially offset by lower non-taxable investment income. The effective income tax rate for the shareholder account for the nine months ended September 30, 2020 was 3.2% compared to 10.6% for the nine months ended September 30, 2019.

The overall effective income tax rate for the three months ended September 30, 2020 was negative 1.6% compared to 7.4% for the three months ended June 30, 2020. The effective income tax rate for the three months ended September 30, 2020 is lower than the effective income tax rate for the three months ended June 30, 2020 primarily due to higher non-taxable investment income, an increase in the amount of income subject to lower rates in jurisdictions outside of Canada as well as the non-taxable gain on the disposal of the shares of IPSI partially offset by changes in certain tax estimates. The effective income tax rate for the shareholder account for the three months ended September 30, 2020 was 1.5% compared to 7.0% for the three months ended June 30, 2020.

14. Segmented Information

Consolidated Net Earnings

For the three months ended September 30, 2020

	Shareholder					Participating	
	Canada	Europe[1]	Capital and Risk Solutions[1]	Corporate	Total	Total	Total Company
Income							
Total net premiums	$ 2,072	$ 534	$ 4,470	$ 152	$ 7,228	$ 1,177	$ 8,405
Net investment income							
Regular net investment income	288	389	67	14	758	441	1,199
Changes in fair value through profit or loss	96	103	55	6	260	403	663
Total net investment income	384	492	122	20	1,018	844	1,862
Fee and other income	430	342	3	14	789	—	789
	2,886	1,368	4,595	186	9,035	2,021	11,056
Benefits and expenses							
Paid or credited to policyholders	1,944	594	4,378	155	7,071	1,816	8,887
Other [2]	625	399	53	19	1,096	205	1,301
Financing charges	—	—	2	26	28	—	28
Amortization of finite life intangible assets	17	13	—	5	35	3	38
Earnings (loss) before income taxes	300	362	162	(19)	805	(3)	802
Income taxes (recovery)	45	14	(6)	(41)	12	(25)	(13)
Net earnings before non-controlling interests	255	348	168	22	793	22	815
Non-controlling interests	—	1	—	—	1	—	1
Net earnings	255	347	168	22	792	22	814
Net earnings - participating policyholder	—	—	—	—	—	22	22
Net earnings - common shareholder	$ 255	$ 347	$ 168	$ 22	$ 792	$ —	$ 792

(1) Effective January 1, 2020, the Company divided its Europe/Reinsurance business unit into two business units: Europe, and Capital and Risk Solutions (note 2).
(2) Includes commissions, operating and administrative expenses, and premium taxes.

14. Segmented Information (cont'd)

For the three months ended September 30, 2019

	Shareholder					Participating	
	Canada	Europe[1]	Capital and Risk Solutions[1]	Corporate	Total	Total	Total Company
Income							
Total net premiums	$ 2,478	$ 647	$ 4,084	$ (397)	$ 6,812	$ 1,150	$ 7,962
Net investment income							
Regular net investment income	328	315	69	23	735	421	1,156
Changes in fair value through profit or loss	211	1,268	226	6	1,711	212	1,923
Total net investment income	539	1,583	295	29	2,446	633	3,079
Fee and other income	432	382	2	15	831	—	831
	3,449	2,612	4,381	(353)	10,089	1,783	11,872
Benefits and expenses							
Paid or credited to policyholders	2,461	1,873	4,253	(396)	8,191	1,520	9,711
Other [2]	604	391	47	25	1,067	224	1,291
Financing charges	—	—	3	10	13	—	13
Amortization of finite life intangible assets	17	11	—	4	32	3	35
Earnings before income taxes	367	337	78	4	786	36	822
Income taxes (recovery)	70	25	(10)	(48)	37	(8)	29
Net earnings before non-controlling interests	297	312	88	52	749	44	793
Non-controlling interests	—	1	—	—	1	—	1
Net earnings	297	311	88	52	748	44	792
Net earnings - participating policyholder	—	—	—	—	—	44	44
Net earnings - common shareholder	$ 297	$ 311	$ 88	$ 52	$ 748	$ —	$ 748

[1] Effective January 1, 2020, the Company divided its Europe/Reinsurance business unit into two business units: Europe, and Capital and Risk Solutions. The realignment resulted in a change to comparative figures within these business units. The adjustment had no impact on the net earnings or cash flows of the Company (note 2).

[2] Includes commissions, operating and administrative expenses, and premium taxes.

14. *Segmented Information (cont'd)*

For the nine months ended September 30, 2020

	Shareholder					Participating	
	Canada	**Europe[1]**	**Capital and Risk Solutions[1]**	**Corporate**	**Total**	**Total**	**Total Company**
Income							
Total net premiums	$ 6,120	$ 2,253	$ 13,993	$ 1,166	$ 23,532	$ 3,497	$ 27,029
Net investment income							
Regular net investment income	923	1,037	208	46	2,214	1,279	3,493
Changes in fair value through profit or loss	1,172	1,092	239	29	2,532	478	3,010
Total net investment income	2,095	2,129	447	75	4,746	1,757	6,503
Fee and other income	1,251	1,015	8	44	2,318	—	2,318
	9,466	5,397	14,448	1,285	30,596	5,254	35,850
Benefits and expenses							
Paid or credited to policyholders	6,583	3,359	13,833	1,175	24,950	4,564	29,514
Other [2]	1,900	1,252	146	55	3,353	646	3,999
Financing charges	—	—	8	76	84	—	84
Amortization of finite life intangible assets	53	37	—	14	104	8	112
Earnings (loss) before income taxes	930	749	461	(35)	2,105	36	2,141
Income taxes (recovery)	121	(7)	4	(50)	68	(30)	38
Net earnings before non-controlling interests	809	756	457	15	2,037	66	2,103
Non-controlling interests	—	2	—	—	2	—	2
Net earnings	809	754	457	15	2,035	66	2,101
Net earnings - participating policyholder	—	—	—	—	—	66	66
Net earnings - common shareholder	$ 809	$ 754	$ 457	$ 15	$ 2,035	$ —	$ 2,035

(1) Effective January 1, 2020, the Company divided its Europe/Reinsurance business unit into two business units: Europe, and Capital and Risk Solutions (note 2).
(2) Includes commissions, operating and administrative expenses, and premium taxes.

14. Segmented Information (cont'd)

For the nine months ended September 30, 2019

	Shareholder					Participating	
	Canada	Europe[1]	Capital and Risk Solutions[1]	Corporate	Total	Total	Total Company
Income							
Total net premiums	$ 6,579	$ 2,755	$ 12,926	$ 258	$ 22,518	$ 3,405	$ 25,923
Net investment income							
Regular net investment income	938	896	211	80	2,125	1,222	3,347
Changes in fair value through profit or loss	2,009	2,935	624	56	5,624	1,758	7,382
Total net investment income	2,947	3,831	835	136	7,749	2,980	10,729
Fee and other income	1,263	1,162	7	55	2,487	—	2,487
	10,789	7,748	13,768	449	32,754	6,385	39,139
Benefits and expenses							
Paid or credited to policyholders	7,762	5,652	13,328	360	27,102	5,739	32,841
Other [2]	1,873	1,199	148	77	3,297	664	3,961
Financing charges	—	—	8	30	38	—	38
Amortization of finite life intangible assets	47	35	—	13	95	7	102
Earnings (loss) before income taxes	1,107	862	284	(31)	2,222	(25)	2,197
Income taxes (recovery)	228	99	1	(93)	235	(65)	170
Net earnings before non-controlling interests	879	763	283	62	1,987	40	2,027
Non-controlling interests	—	1	—	—	1	—	1
Net earnings	879	762	283	62	1,986	40	2,026
Net earnings - participating policyholder	—	—	—	—	—	40	40
Net earnings - common shareholder	$ 879	$ 762	$ 283	$ 62	$ 1,986	$ —	$ 1,986

(1) Effective January 1, 2020, the Company divided its Europe/Reinsurance business unit into two business units: Europe, and Capital and Risk Solutions. The realignment resulted in a change to comparative figures within these business units. The adjustment had no impact on the net earnings or cash flows of the Company (note 2).

(2) Includes commissions, operating and administrative expenses, and premium taxes.

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