canada life™

The Canada Life Assurance Company

2020 Annual report

BASIS OF PRESENTATION AND SUMMARY OF ACCOUNTING POLICIES

The consolidated financial statements of the Company, which are the basis for data presented in this report, have been prepared in accordance with International Financial Reporting Standards (IFRS) unless otherwise noted and are presented in millions of Canadian dollars unless otherwise indicated.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This report may contain forward-looking information. Forward-looking information includes statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as “will”, “may”, “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates”, “objective”, “target”, “potential” and other similar expressions or negative versions thereof. These statements include, without limitation, statements about the Company’s operations, business, financial condition, expected financial performance (including revenues, earnings or growth rates), ongoing business strategies or prospects, anticipated global economic conditions and possible future actions by the Company, including statements made with respect to the expected cost (including deferred consideration), benefits, timing of integration activities and revenue and expense synergies of acquisitions and divestitures, expected capital management activities and use of capital, expected dividend levels, expected cost reductions and savings, expected expenditures or investments (including but not limited to investment in technology infrastructure and digital capabilities), the impact of regulatory developments on the Company’s business strategy and growth objectives, the expected impact of the current pandemic health event resulting from the novel coronavirus (“COVID-19”) and related economic and market impacts on the Company’s business operations, financial results and financial condition.

Forward-looking statements are based on expectations, forecasts, estimates, predictions, projections and conclusions about future events that were current at the time of the statements and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, economic factors and the financial services industry generally, including the insurance, mutual fund and retirement solutions industries. They are not guarantees of future performance, and the reader is cautioned that actual events and results could differ materially from those expressed or implied by forward-looking statements. Many of these assumptions are based on factors and events that are not within the control of the Company and there is no assurance that they will prove to be correct. Whether or not actual results differ from forward-looking information may depend on Management’s Discussion and Analysis 1 numerous factors, developments and assumptions, including, without limitation, the severity, magnitude and impact of the COVID-19 pandemic (including the effects of the COVID-19 pandemic and the effects of the governments’ and other businesses’ responses to the COVID-19 pandemic on the economy and the Company’s financial results, financial condition and operations), assumptions around sales, fee rates, asset breakdowns, lapses, plan contributions, redemptions and market returns, customer behaviour (including customer response to new products), the Company’s reputation, market prices for products provided, sales levels, premium income, fee income, expense levels, mortality experience, morbidity experience, policy and plan lapse rates, participant net contribution, reinsurance arrangements, liquidity requirements, capital requirements, credit ratings, taxes, inflation, interest and foreign exchange rates, investment values, hedging activities, global equity and capital markets (including continued access to equity and debt markets), industry sector and individual debt issuers’ financial conditions (including developments and volatility arising from the COVID-19 pandemic, particularly in certain industries that may comprise part of the Company’s investment portfolio), the United Kingdom’s exit (“Brexit”) from the European Union, business competition, impairments of goodwill and other intangible assets, the Company’s ability to execute strategic plans and changes to strategic plans, technological changes, breaches or failure of information systems and security (including cyber attacks), payments required under investment products, changes in local and international laws and regulations, changes in accounting policies and the effect of applying future accounting policy changes, unexpected judicial or regulatory proceedings, catastrophic events, continuity and availability of personnel and third party service providers, the Company’s ability to complete strategic transactions and integrate acquisitions, unplanned material changes to the Company’s facilities, customer and employee relations or credit arrangements, levels of administrative and operational efficiencies, changes in trade organizations, and other general economic, political and market factors in North America and internationally.

The reader is cautioned that the foregoing list of assumptions and factors is not exhaustive, and there may be other factors listed in other filings with securities regulators, including factors set out in the Company’s Management’s Discussion & Analysis for the year ended December 31, 2020 under “Risk Management and Control Practices” and “Summary of Critical Accounting Estimates”, which, along with other filings, is available for review at www.sedar.com. The reader is also cautioned to consider these and other factors, uncertainties and potential events carefully and not to place undue reliance on forward-looking information. Other than as specifically required by applicable law, the Company does not intend to update any forward-looking information whether as a result of new information, future events or otherwise.

CAUTIONARY NOTE REGARDING NON-IFRS FINANCIAL MEASURES

This report contains some non-IFRS financial measures. Terms by which non-IFRS financial measures are identified include, but are not limited to, “base earnings (loss)”, “base earnings (loss (US$)”, “base earnings per common share”, “return on equity”, “base return on equity”, “core net earnings (loss)”, “constant currency basis”, “impact of currency movement”, “premiums and deposits”, “pre-tax operating margin”, “sales”, “assets under management” and “assets under administration”. Non-IFRS financial measures are used to provide management and investors with additional measures of performance to help assess results where no comparable IFRS measure exists. However, non-IFRS financial measures do not have standard meanings prescribed by IFRS and are not directly comparable to similar measures used by other companies. Refer to the “Non-IFRS Financial Measures” section in the Company’s Management’s Discussion & Analysis for the year ended December 31, 2020 for the appropriate reconciliations of these non-IFRS financial measures to measures prescribed by IFRS as well as additional details on each measure.

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About Canada Life

17+ million	Customer relationships
$1.36 billion	Dividends paid out to participating policyholders
33,000+	Advisor relationships supporting our customers
$33+ billion	Benefits paid to customers
16,500+	Employees supporting our customers
$500 billion	Total assets under administration
Over 170 years	Providing financial security needs for Canadians
$14.3 million	Contributed to communities

Canada Life was Canada's first domestic life insurance company. For more than 170 years, our customers across Canada have trusted us to provide for their financial security needs and to deliver on the promises we have made.

On January 1, 2020, Great-West Life, London Life and Canada Life became one company – Canada Life.

Today, Canada Life provides insurance, wealth management, and healthcare benefits products and services.

Committed to our customers in Canada

At Canada Life, we're focused on improving the financial, physical and mental well-being of Canadians.

That commitment is built on the dedication, skill and energy of our employees and financial security advisors and their commitment to our customers and to our communities.

We serve the financial security needs of over 12 million people across Canada and are a leading provider of individual life insurance with nearly three million individual life insurance policies in force.

We are committed to putting the customer first – whether handling policy claims, growing and protecting clients' retirement and investment savings, providing workplace mental health support for employers or helping build strong communities by investing in community projects.

In 2020 our company in Canada:

- Helped families cope with loss, paying out more than $5.8 billion in life and health insurance benefits.
- Provided income for over 82,000 people who became disabled and could no longer work.
- Made over $980 million of annuity payments, helping Canadians fund their retirement with a secure income stream.
- Helped over 27,000 employers provide benefits plans and more than 9,000 employers offer retirement savings plans for their employees.

A leading international insurer

As an international insurer, Canada Life operates not only in Canada but in the United Kingdom (U.K.), Isle of Man, Germany, and in Ireland through Irish Life.

With a regional focus, the company delivers financial security and wellness by reaching a broad range of customers with workplace-delivered advice and solutions. This strategy complements capabilities in advice and wealth management, to serve a wide range of customer needs through strong affiliations with advisor networks across all regions.

Canada Life's approach to investment and asset management helps drive globally diversified and regionally delivered solutions to meet the needs of individual customers and institutional clients. The company's success in bulk annuities and reinsurance solutions for institutional clients is a testament to Canada Life's risk and capital expertise.

Products

In the U.K., Canada Life's core products are guaranteed annuities, investments (including retirement drawdown and pension), individual protection and group insurance. These products are distributed through financial advisors and employee benefit consultants.

Canada Life offers reinsurance, providing customized risk and capital solutions to institutional clients through offices in the United States, Barbados and Ireland.

The international operations based in the Isle of Man and Ireland offer investment, savings and individual protection products that are sold through financial advisors and private banks in the U.K.

The core products offered by Irish Life in Ireland are savings and investments, individual and group life insurance, health insurance and pension products. These products are distributed through independent brokers, a direct sales force and tied agent bank branches.

Irish Life Health offers individual and corporate health plans, distributed through independent brokers and direct channels.

Canada Life is a subsidiary of Great-West Lifeco Inc., and a member of the Power Corporation group of companies.

Directors' Report to Policyholders

Jeffrey Orr
Chair of the Board

Paul Mahon
President and Chief Executive Officer

At the heart of Canada Life is a solid business foundation, underpinned by trusted advisor and customer relationships built over 170 years.

Across the regions where we operate, we have positioned our business to grow and create policyholder value, all while navigating challenges stemming from the COVID-19 pandemic.

Response to the COVID-19 pandemic

Our top pandemic priority has been the health and safety of our employees, advisors, customers, and communities. We quickly transitioned to 98% of our 16,970 global employees working from home by leveraging technology investments made over several years. Further, we quickly responded to those in need and ensured our actions aligned with government policies to help support individuals, businesses, and the economy.

Leveraging existing strengths

While the pandemic created significant hardship for so many, it has also created opportunities to innovate and position Canada Life for the future.

In Canada, we've seen a marked increase in digital adoption as most of our customers and advisors used tools like SimpleProtect, our online life insurance application. To support this dramatic increase, we leveraged several other sales and service tools to make it easier for advisors and customers to do business with us.

In Ireland, the One Irish Life program delivers an integrated customer experience across products, while our U.K. transformation program continues to build out a differentiated retirement-focused wealth offering to better meet customer needs as they transition to retirement.

Our performance during the pandemic has deepened customer connections and aligned with our efforts to strengthen brand affinity and awareness. Canada Life's "For Life as You Know It" Canadian marketing campaign received strong positive feedback.

Moreover, these advances bolstered our reputation as a choice employer, strengthening our ability to attract and retain talent, as reflected by our best ever employee engagement scores.

Creating value through mergers and acquisitions

Over the past year, we've deployed capital through targeted mergers and acquisitions to support near- and long-term growth and value creation.

In 2020, we elevated our Canadian wealth management strategy through the combination of GLC Asset Management Group with Mackenzie Investments. This transaction provides us with access to greater scale and more diversified investment capabilities.

In Germany, we're nearing completion of our future technology system implementation to support our growth in the growing group pension savings market.

Supporting sustainability & diversity in our communities

Canada Life is committed to promoting financial, physical, and mental well-being; making positive social and environmental contributions to communities through investments, sponsorships, donations and volunteerism; fostering workplace diversity and inclusion; and supporting the transition to a paperless workplace and a low-carbon economy.

We marked two decades of success in the German market with the expansion of our annual #MACHSMOEGLICH (“Make it happen”) fundraiser supporting 120 charities spanning health, education, and humanitarian efforts, among other things.

We’re also proud of the strides we’ve taken in diversity and inclusion this year, including becoming a signatory of the BlackNorth Initiative. As a first step, Canada Life formed a new employee resource group (ERG) for Black and Persons of Colour, alongside its ERGs for Women in Leadership, LGBTQ2+, Indigenous Peoples, Persons with Disabilities and Young Professionals.

A signatory of the Winnipeg Indigenous Accord, Canada Life also continues to focus on the equity and advancement of Indigenous peoples across Canada, including through a funding contribution to the Circles for Reconciliation program.

Furthermore, we’re pleased that our charitable donations and volunteerism across a wide range of regional and national initiatives have helped our communities better navigate pandemic-related challenges.

Benefiting from strong governance

Canada Life believes good corporate governance is important in creating positive outcomes for our stakeholders. We sincerely thank our Directors for their valuable contributions.

At our 2020 Annual Meeting we announced changes to the membership of our Board: Ms. Robin Bienfait, Chief Executive Officer of Emnovate and a Director of Putnam Investments and Empower Retirement, was elected as a Director of Canada Life.

Looking to the future

As our world transitions to a more stable post-pandemic environment, we’ll continue to focus on employee and customer safety. And we’ll continue to drive forward with a focused, strategic approach to growth and value creation from a strong foundation of trusted products and services, market-leading brands, and exceptional people.

Thank you

Our sincere thanks go out to our employees and advisors for their commitment to customers, and to our customers and policyholders for their continued confidence in us. We look forward to continuing to deliver on our promises.

Jeffrey Orr
Chair of the Board

Paul Mahon
President and
Chief Executive Officer

OUR RESPONSE TO COVID-19

- ✓ Extended call centre hours to handle higher call volumes.
- ✓ Extended grace periods for life insurance premiums.
- ✓ Provided mortgage payment deferrals.
- ✓ Enabled customers to connect with healthcare professionals safely via virtual health care apps.
- ✓ Reduced employer health insurance premiums to reflect reduced usage of health and dental services due to mandated closures and business interruptions.
- ✓ Donated approximately $1 million to relief efforts in communities across Canada, the U.K. and Ireland to support food banks, frontline workers, most vulnerable and small businesses.

Financial Highlights (unaudited)

(in Canadian $ millions except per share amounts)

As at and for the years ended December 31	2020	2019
Summary of net earnings attributable to:		
Participating account [(1)]		
Net earnings before policyholder dividend	**$ 1,429**	$ 1,371
Policyholder dividends	**1,362**	1,361
Net earnings – participating account [(1)]	**67**	10
Common shareholder [(2)]	**2,807**	2,692
Net earnings	**$ 2,874**	$ 2,702
Dividends paid per common share	**$ 926.65**	$ 1,181.34
Total premiums and deposits [(3)]	**$ 80,094**	$ 81,897
Fee and other income	**3,133**	3,324
Net policyholder benefits, dividends and experience refunds	**34,774**	33,420
Total assets	**$ 396,290**	$ 370,664
Proprietary mutual funds and institutional assets [(4)]	**74,045**	71,342
Total assets under management [(4)]	**470,335**	442,006
Other assets under administration [(5)]	**29,425**	65,856
Total assets under administration	**$ 499,760**	$ 507,862
Participating account surplus	**$ 2,858**	$ 2,745
Non-controlling interests	**25**	21
Shareholders' equity	**20,174**	20,595
Total equity	**$ 23,057**	$ 23,361
Book value per common share	**$ 8,380**	$ 8,555

(1) The fourth quarter of 2020 results for the participating account include restructuring costs of $18 million related to strategic initiatives in the Canada business unit.

(2) The fourth quarter of 2020 results include a net gain of $143 million related to the sale of GLC Asset Management Group L td. as well as restructuring cost of $34 million related to strategic initiatives in the Canadian line of business. The third quarter of 2020 results include a net gain of $94 million post-tax related to the sale of Irish Progressive Services International Limited (IPSI). The fourth quarter of 2019 results include a net gain on Scottish Friendly transaction of $8 million and the second quarter of 2019 results include a net charge of $65 million relating to the sale, via indemnity reinsurance, of the U.S. individual life insurance and annuity business to Protective Life on June 1, 2019.

(3) In addition to premiums and deposits per the financial statements, the Company includes premium equivalents on self-funded group insurance administrative services only (ASO) contracts and deposits on proprietary mutual funds and institutional accounts to calculate total premiums and deposits (a non-IFRS financial measure). Total premiums and deposits in 2019, excluded the initial ceded premium of $701 million related to the sale, via indemnity insurance, of the U.S. individual life insurance & annuity business. Total premiums and deposits (a non-IFRS financial measure) provides useful information as it is an indicator of top line growth.

(4) Total assets under management (a non-IFRS financial measure) provides an indicator of the size and volume of the overall business of the Company. Services provided in respect of assets under management include the selection of investments, the provision of investment advice and discretionary portfolio management on behalf of clients. This includes internally and externally managed funds where the Company has oversight over the investment policies.

(5) Other assets under administration (a non-IFRS financial measure) includes assets where the Company only provides administration services for which the Company earns fees and other income. These assets are beneficially owned by the clients and the Company does not direct the investing activities. Services provided relating to assets under administration include recordkeeping, safekeeping, collecting investment income, settling of transactions or other administrative services. Administrative services are an important aspect of the overall business of the Company and should be considered when comparing volumes, size and trends.

Financial Reporting Responsibility

The consolidated financial statements are the responsibility of management and are prepared in accordance with International Financial Reporting Standards (IFRS), including the accounting requirements of the Office of the Superintendent of Financial Institutions Canada. The financial information contained elsewhere in the annual report is consistent with that in the consolidated financial statements. The consolidated financial statements necessarily include amounts that are based on management's best estimates. These estimates are based on careful judgments and have been properly reflected in the consolidated financial statements. In the opinion of management, the accounting practices utilized are appropriate in the circumstances and the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its segregated funds and the results of its operations and its cash flows and the changes in assets of its segregated funds in accordance with IFRS, including the requirements of the Office of the Superintendent of Financial Institutions Canada.

In carrying out its responsibilities, management maintains appropriate internal control over financial reporting designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS, including the requirements of the Office of the Superintendent of Financial Institutions Canada.

The consolidated financial statements were approved by the Board of Directors, which has oversight responsibilities with respect to financial reporting. The Board of Directors carries out this responsibility principally through the Audit Committee, which comprises non-management directors. The Audit Committee is charged with, among other things, the responsibility to:

- Review the interim and annual consolidated financial statements and report thereon to the Board of Directors.
- Review internal control procedures.
- Review the independence of the external auditors and the terms of their engagement and recommend the appointment and compensation of the external auditors to the Board of Directors.
- Review other audit, accounting and financial reporting matters as required.

In carrying out the above responsibilities, this Committee meets regularly with management, and with both the Company's external and internal auditors to review their respective audit plans and to review their audit findings. The Committee is readily accessible to external and internal auditors and to the Appointed Actuary.

The Board of Directors of the Company, pursuant to the Insurance Companies Act (Canada), appoints an Actuary who is a Fellow of the Canadian Institute of Actuaries. The Actuary:

- Ensures that the assumptions and methods used in the valuation of policy liabilities are in accordance with accepted actuarial practice, applicable legislation and associated regulations and directives.
- Provides an opinion regarding the appropriateness of the policy liabilities at the balance sheet date to meet all policyholder obligations. Examination of supporting data for accuracy and completeness and analysis of assets for their ability to support the policy liabilities are important elements of the work required to form this opinion.
- Annually analyzes the financial condition of the Company and prepares a report for the Risk Committee of the Board of Directors. The analysis covers a five year period, and tests the projected capital adequacy of the Company, under adverse economic and business conditions.

Deloitte LLP Chartered Professional Accountants, as the Company's external auditors, have audited the consolidated financial statements. The Independent Auditor's Report to the Policyholders and Shareholder is presented following the consolidated financial statements. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary in order to obtain reasonable assurance that the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its segregated funds and the results of its operations and its cash flows and the changes in assets of its segregated funds in accordance with IFRS.

Paul Mahon
President and
Chief Executive Officer

Garry MacNicholas
Executive Vice-President and
Chief Financial Officer

February 10, 2021

Consolidated Statements of Earnings

(in Canadian $ millions)

For the years ended December 31	2020	2019
Income		
Premium income		
Gross premiums written	$ 41,726	$ 40,033
Ceded premiums	(3,888)	(5,237)
Total net premiums	37,838	34,796
Net investment income (note 6)		
Regular net investment income	4,759	4,474
Changes in fair value through profit or loss	4,839	5,672
Total net investment income	9,598	10,146
Fee and other income	3,133	3,324
	50,569	48,266
Benefits and expenses		
Policyholder benefits		
Gross	35,574	34,623
Ceded	(2,269)	(2,664)
Total net policyholder benefits	33,305	31,959
Changes in insurance and investment contract liabilities		
Gross	7,706	7,515
Ceded	(664)	(1,039)
Total net changes in insurance and investment contract liabilities	7,042	6,476
Policyholder dividends and experience refunds	1,469	1,461
Total paid or credited to policyholders	41,816	39,896
Commissions	2,000	1,977
Operating and administrative expenses (note 27)	3,011	2,913
Premium taxes	464	481
Financing charges (note 16)	113	50
Amortization of finite life intangible assets (note 10)	155	139
Restructuring expenses (note 4)	92	–
Earnings before income taxes	2,918	2,810
Income taxes (note 26)	42	107
Net earnings before non-controlling interests	2,876	2,703
Attributable to non-controlling interests (note 19)	2	1
Net earnings	2,874	2,702
Net earnings – participating account (note 18)	67	10
Net earnings – common shareholder	$ 2,807	$ 2,692

Consolidated Statements of Comprehensive Income

(in Canadian $ millions)

For the years ended December 31	2020	2019
Net earnings	**$ 2,874**	$ 2,702
Other comprehensive income		
Items that may be reclassified subsequently to Consolidated Statements of Earnings		
Unrealized foreign exchange (losses) gains on translation of foreign operations	**241**	(323)
Income tax (expense) benefit	**(2)**	–
Unrealized gains (losses) on available-for-sale assets	**248**	157
Income tax (expense) benefit	**(41)**	(21)
Realized (gains) losses on available-for-sale assets	**(125)**	(59)
Income tax expense (benefit)	**12**	3
Non-controlling interests	**(2)**	1
Total items that may be reclassified	**331**	(242)
Items that will not be reclassified to Consolidated Statements of Earnings		
Re-measurements on defined benefit pension and other post-employment benefit plans (note 23)	**(146)**	(157)
Income tax (expense) benefit	**36**	32
Revaluation surplus on transfer to investment properties (note 9)	**11**	–
Income tax (expense) benefit	**(1)**	–
Total items that will not be reclassified	**(100)**	(125)
Total other comprehensive income (loss)	**231**	(367)
Comprehensive income	**$ 3,105**	$ 2,335

Consolidated Balance Sheets

(in Canadian $ millions)

December 31	2020	2019
Assets		
Cash and cash equivalents (note 5)	**$ 3,105**	$ 3,236
Bonds (note 6)	**100,608**	95,141
Mortgage loans (note 6)	**22,263**	20,716
Stocks (note 6)	**10,464**	10,035
Investment properties (note 6)	**6,267**	5,884
Loans to policyholders	**3,447**	3,383
	146,154	138,395
Funds held by ceding insurers (note 7)	**8,455**	8,714
Reinsurance assets (note 13)	**8,924**	8,255
Goodwill (note 10)	**6,386**	6,300
Intangible assets (note 10)	**2,250**	2,069
Derivative financial instruments (note 28)	**669**	315
Owner occupied properties (note 11)	**555**	537
Fixed assets (note 11)	**292**	310
Other assets (note 12)	**1,711**	1,662
Premiums in course of collection, accounts and interest receivable	**4,525**	4,079
Current income taxes	**87**	179
Deferred tax assets (note 26)	**232**	260
Investments on account of segregated fund policyholders (note 14)	**216,050**	199,589
Total assets	**$ 396,290**	$ 370,664
Liabilities		
Insurance contract liabilities (note 13)	**$ 144,333**	$ 135,458
Investment contract liabilities (note 13)	**1,671**	1,656
Debentures and other debt instruments (note 15)	**768**	751
Preferred shares (note 20)	**1,000**	–
Funds held under reinsurance contracts	**2,174**	2,025
Derivative financial instruments (note 28)	**1,150**	1,335
Accounts payable	**1,493**	1,816
Other liabilities (note 17)	**3,760**	3,428
Current income taxes	**248**	366
Deferred tax liabilities (note 26)	**586**	879
Investment and insurance contracts on account of segregated fund policyholders (note 14)	**216,050**	199,589
Total liabilities	**373,233**	347,303
Equity		
Participating account surplus (note 18)	**2,858**	2,745
Non-controlling interests (note 19)	**25**	21
Shareholders' equity		
Share capital (note 20)		
Common shares	**7,884**	8,884
Accumulated surplus	**11,802**	11,411
Accumulated other comprehensive income (loss) (note 24)	**73**	(112)
Contributed surplus	**415**	412
Total equity	**23,057**	23,361
Total liabilities and equity	**$ 396,290**	$ 370,664

Approved by the Board of Directors:

Jeffrey Orr
Chair of the Board

Paul Mahon
President and Chief Executive Officer

Consolidated Statements of Changes in Equity

(in Canadian $ millions)

	December 31, 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	**–**	**–**	**2,807**	**–**	**2,807**	**2**	**67**	**2,876**
Other comprehensive income	**–**	**–**	**–**	**185**	**185**	**2**	**46**	**233**
	8,884	**412**	**14,218**	**73**	**23,587**	**25**	**2,858**	**26,470**
Dividends to common shareholder	**–**	**–**	**(2,416)**	**–**	**(2,416)**	**–**	**–**	**(2,416)**
Share-based payments (note 22)	**–**	**3**	**–**	**–**	**3**	**–**	**–**	**3**
Conversion of common shares to preferred share liability (note 20)	**(1,000)**	**–**	**–**	**–**	**(1,000)**	**–**	**–**	**(1,000)**
Balance, end of year	**$ 7,884**	**$ 415**	**$ 11,802**	**$ 73**	**$ 20,174**	**$ 25**	**$ 2,858**	**$ 23,057**

	December 31, 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	–	–	2,692	–	2,692	1	10	2,703
Other comprehensive income (loss)	–	–	–	(379)	(379)	(1)	12	(368)
	8,883	409	14,255	(112)	23,435	21	2,745	26,201
Issue shares to parent company (note 20)	1	–	–	–	1	–	–	1
Dividends to common shareholder	–	–	(2,844)	–	(2,844)	–	–	(2,844)
Share-based payments (note 22)	–	3	–	–	3	–	–	3
Balance, end of year	$ 8,884	$ 412	$ 11,411	$ (112)	$ 20,595	$ 21	$ 2,745	$ 23,361

Consolidated Statements of Cash Flows

(in Canadian $ millions)

For the years ended December 31	2020	2019
Operations		
Earnings before income taxes	$ **2,918**	$ 2,810
Income taxes paid, net of refunds received	**(371)**	(256)
Adjustments:		
Change in insurance and investment contract liabilities	**7,506**	7,816
Change in funds held by ceding insurers	**467**	570
Change in funds held under reinsurance contracts	**145**	46
Change in reinsurance assets	**(501)**	(152)
Changes in fair value through profit or loss	**(4,839)**	(5,672)
Other	**(902)**	(527)
	4,423	4,635
Financing Activities		
Issue of common shares	**–**	1
Dividends paid on common shares	**(2,231)**	(2,844)
	(2,231)	(2,843)
Investment Activities		
Bond sales and maturities	**18,530**	20,824
Mortgage loan repayments	**1,945**	1,964
Stock sales	**3,790**	2,778
Investment property sales	**73**	5
Change in loans to policyholders	**(73)**	(131)
Business acquisitions, net of cash and cash equivalents acquired (note 3)	**(43)**	–
Sale of businesses, net of cash and cash equivalents in subsidiaries (note 3)	**96**	–
Cash and cash equivalents related to transfer of business	**–**	(4)
Investment in bonds	**(18,807)**	(20,070)
Investment in mortgage loans	**(3,253)**	(3,645)
Investment in stocks	**(4,142)**	(2,469)
Investment in investment properties	**(481)**	(644)
	(2,365)	(1,392)
Effect of changes in exchange rates on cash and cash equivalents	**42**	(75)
Increase (decrease) in cash and cash equivalents	**(131)**	325
Cash and cash equivalents, beginning of year	**3,236**	2,911
Cash and cash equivalents, end of year	$ **3,105**	$ 3,236
Supplementary cash flow information		
Interest income received	$ **3,797**	$ 3,915
Interest paid	**121**	58
Dividend income received	**318**	291

Notes to Consolidated Financial Statements

(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 year ended December 31, 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 insurance, 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. (LRG), Toronto College Park Ltd., Quadrus Investment Services Ltd. (Quadrus) and GWL Realty Advisors Inc.

The consolidated financial statements (financial statements) of the Company as at and for the year ended December 31, 2020 were approved by the Board of Directors on February 10, 2021.

2. Basis of Presentation and Summary of Accounting Policies

These consolidated 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 consolidated financial statements of the Company have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Consistent accounting policies were applied in the preparation of the consolidated financial statements of the subsidiaries of the Company.

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.

Basis of Consolidation

The consolidated financial statements of the Company were prepared as at and for the year ended December 31, 2020 with comparative information as at and for the year ended December 31, 2019. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The Company has control when it has the power to direct the relevant activities, has significant exposure to variable returns from these activities and has the ability to use its power to affect the variable returns. All intercompany balances and transactions, including income and expenses, profits or losses and dividends, are eliminated on consolidation.

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 market conditions related to global credit, equities, investment properties and foreign exchange, as well as prevailing health and mortality experience.

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 6), the valuation of goodwill and other intangible assets (note 10), the valuation of insurance contract liabilities (note 13) and the recoverability of deferred tax asset carrying values (note 26) 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.

2. Basis of Presentation and Summary of Accounting Policies (cont'd)

Use of Significant Judgments, Estimates and Assumptions

In preparation of these consolidated 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 listed below and discussed throughout the notes to these consolidated financial statements including:

- Management uses judgment to determine the fair value of assets acquired and liabilities assumed in a business combination.
- Management uses independent qualified appraisal services to determine the fair value of investment properties, which utilize judgments and estimates. These appraisals are adjusted by applying management judgments and estimates for material changes in property cash flows, capital expenditures or general market conditions (note 6).
- Management uses internal valuation models which utilize judgments and estimates to determine the fair value of equity release mortgages. These valuations are adjusted by applying management judgments and estimates for material changes in projected asset cash flows, and discount rates (note 6).
- In the determination of the fair value of financial instruments, the Company's management exercises judgment in the determination of fair value inputs, particularly those items categorized within level 3 of the fair value hierarchy (note 9).
- Cash generating units for indefinite life intangible assets and cash generating unit groupings for goodwill have been determined by management as the lowest level that the assets are monitored for internal reporting purposes, which requires management judgment in the determination of the lowest level of monitoring (note 10).
- Management evaluates the future benefit for initial recognition and measurement of goodwill and intangible assets as well as testing the recoverable amounts. The determination of the carrying value and recoverable amounts of the cash generating unit groupings for goodwill and cash generating units for intangible assets relies upon the determination of fair value or value-in-use using valuation methodologies (note 10).
- Judgments are used by management in determining whether deferred acquisition costs and deferred income reserves can be recognized on the Consolidated Balance Sheets. Deferred acquisition costs are recognized if management determines the costs meet the definition of an asset and are incremental and related to the issuance of the investment contract. Deferred income reserves are amortized on a straight-line basis over the term of the policy (notes 12 and 17).
- Management uses judgment to evaluate the classification of insurance and reinsurance contracts to determine whether these arrangements should be accounted for as insurance, investment or service contracts.
- The actuarial assumptions, such as interest rates, inflation, policyholder behaviour, mortality and morbidity of policyholders, used in the valuation of insurance and certain investment contract liabilities under the Canadian Asset Liability Method require significant judgment and estimation (note 13).
- The actuarial assumptions used in determining the expense and benefit obligations for the Company's defined benefit pension plans and other post-employment benefits requires significant judgment and estimation. Management reviews previous experience of its plan members and market conditions including interest rates and inflation rates in evaluating the assumptions used in determining the expense for the current year (note 23).
- The Company operates within various tax jurisdictions where significant management judgments and estimates are required when interpreting the relevant tax laws, regulations and legislation in the determination of the Company's tax provisions and the carrying amounts of its tax assets and liabilities (note 26).
- Management applies judgment in assessing the recoverability of the deferred income tax asset carrying values based on future years' taxable income projections (note 26).
- Legal and other provisions are recognized resulting from a past event which, in the judgment of management, has resulted in a probable outflow of economic resources which would be passed to a third-party to settle the obligation. Management uses judgment to evaluate the possible outcomes and risks in determining the best estimate of the provision at the balance sheet date (note 29).
- The operating segments of the Company are the segments reviewed by the Company's Chief Executive Officer to assess performance and allocate resources within the Company. Management applies judgment in the aggregation of the business units into the Company's operating segments (note 31).
- The Company consolidates all subsidiaries and entities which management determines that the Company controls. Control is evaluated on the ability of the Company to direct the activities of the subsidiary or entity to derive variable returns and management uses judgment in determining whether control exists. Judgment is exercised in the evaluation of the variable returns and in determining the extent to which the Company has the ability to exercise its power to generate variable returns.
- Management uses judgments, such as the determination of whether the Company retains the primary obligation with a client in sub-advisor arrangements. Where the Company retains the primary obligation to the client, revenue and expenses are recorded on a gross basis.
- Within the Consolidated Statements of Cash Flows, purchases and sales of portfolio investments are recorded within investment activities due to management's judgment that these investing activities are long-term in nature.
- 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 rating.

The significant accounting policies are as follows:

(a) Portfolio Investments

Portfolio investments include bonds, mortgage loans, stocks and investment properties. Portfolio investments are classified as fair value through profit or loss, available-for-sale, held-to-maturity, loans and receivables, equity-method investments or as non-financial instruments based on management's intention relating to the purpose and nature of the instrument or characteristics of the investment. The Company has not classified any investments as held-to-maturity.

Investments in bonds and stocks normally actively traded on a public market or where fair value can be reliably measured are either designated or classified as fair value through profit or loss or classified as available-for-sale on a trade date basis. Equity release mortgages are designated as fair value through profit or loss. 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. Fair value through profit or loss investments are recognized at fair value on the Consolidated Balance Sheets with realized and unrealized gains and losses reported in the Consolidated Statements of Earnings. Available-for-sale investments are recognized at fair value on the Consolidated Balance Sheets with unrealized gains and losses recorded in other comprehensive income. Realized gains and losses on available-for-sale investments are reclassified from other comprehensive income and recorded in the Consolidated Statements of Earnings when the investment is sold. Interest income earned on both fair value through profit or loss and available-for-sale bonds is calculated using the effective interest method and is recorded as net investment income in the Consolidated Statements of Earnings.

Investments in stocks where a fair value cannot be measured reliably are classified as available-for-sale and carried at cost. Investments in stocks for which the Company exerts significant influence over but does not control are accounted for using the equity method of accounting. Investments in stocks over which the Company exerts significant influence but does not control include the Company's investment in an affiliated company, IGM Financial Inc. (IGM), a member of the Power Corporation group of companies.

Investments in mortgages and bonds not normally actively traded on a public market are classified as loans and receivables and are carried at amortized cost net of any allowance for credit losses. Interest income earned and realized gains and losses on the sale of investments classified as loans and receivables are recorded in the Consolidated Statements of Earnings and included in net investment income.

Investment properties are real estate held to earn rental income or for capital appreciation. Investment properties are initially measured at cost and subsequently carried at fair value on the Consolidated Balance Sheets. All changes in fair value are recorded as net investment income in the Consolidated Statements of Earnings. Properties held to earn rental income or for capital appreciation that have an insignificant portion that is owner occupied or where there is no intent to occupy on a long-term basis are classified as investment properties. Properties that do not meet these criteria are classified as owner occupied properties. Property that is leased that would otherwise be classified as investment property if owned by the Company is also included within investment properties.

Fair Value Measurement

Financial instrument carrying values necessarily reflect the prevailing market liquidity and the liquidity premiums embedded within the market pricing methods that the Company relies upon.

Fair value movement on the assets supporting insurance contract liabilities is a major factor in the movement of insurance contract liabilities. Changes in the fair value of bonds designated or classified as fair value through profit or loss that support insurance and investment contract liabilities are largely offset by corresponding changes in the fair value of liabilities except when the bond has been deemed impaired.

The following is a description of the methodologies used to value instruments carried at fair value:

Bonds – Fair Value Through Profit or Loss and Available-for-Sale

Fair values for bonds classified and designated as fair value through profit or loss or available-for-sale are determined with reference to quoted market bid prices primarily provided by third-party independent pricing sources. Where prices are not quoted in an active market, fair values are determined by valuation models. The Company maximizes the use of observable inputs when measuring fair value. The Company obtains quoted prices in active markets, when available, for identical assets at the balance sheet date to measure bonds at fair value in its fair value through profit or loss and available-for-sale portfolios.

The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Bonds and Mortgages – Loans and Receivables

For disclosure purposes only, fair values for bonds and mortgages classified as loans and receivables are determined by discounting expected future cash flows using current market rates for similar instruments. Valuation inputs typically include benchmark yields and risk-adjusted spreads based on current lending activities and market activity.

Equity Release Mortgages – Fair Value Through Profit or Loss

There are no market observable prices for equity release mortgages; therefore an internal valuation model is used discounting expected future cash flows and includes consideration of the embedded no-negative equity guarantee. Inputs to the model include market observable inputs such as benchmark yields and risk-adjusted spreads. Non market observable inputs include property growth and volatility rates, expected rates of voluntary redemptions, death, moving to long term care and interest cessation assumptions and the value of the no negative equity guarantee.

Stocks – Fair Value Through Profit or Loss and Available-for-Sale

Fair values for stocks traded on an active market are generally determined by the last bid price for the security from the exchange where it is principally traded. Fair values for stocks for which there is no active market is typically based upon alternative valuation techniques such as discounted cash flow analysis, review of price movement relative to the market and utilization of information provided by the underlying investment manager. The Company maximizes the use of observable inputs when measuring fair value. The Company obtains quoted prices in active markets, when available, for identical assets at the balance sheet date to measure stocks at fair value in its fair value through profit or loss and available-for-sale portfolios.

Investment Properties

Fair values for investment properties are determined using independent qualified appraisal services and include management adjustments for material changes in property cash flows, capital expenditures or general market conditions in the interim period between appraisals. The determination of the fair value of investment property requires the use of estimates including 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 conditions. Investment property under construction is valued at fair value if such values can be reliably determined; otherwise they are recorded at cost.

Impairment

Investments are reviewed regularly on an individual basis to determine impairment status. The Company considers various factors in the impairment evaluation process, including, but not limited to, the financial condition of the issuer, specific adverse conditions affecting an industry or region, decline in fair value not related to interest rates, bankruptcy or defaults, and delinquency in payments of interest or principal.

Investments are deemed to be impaired when there is objective evidence that timely collection of future cash flows can no longer be reliably estimated. The fair value of an investment is not a definitive indicator of impairment, as it may be significantly influenced by other factors including the remaining term to maturity and liquidity of the asset; however, market price is taken into consideration when evaluating impairment.

For impaired mortgages and bonds classified as loans and receivables, provisions are established or write-offs made to adjust the carrying value to the net realizable amount. Wherever possible, the fair value of collateral underlying the loans or observable market price is used to establish the net realizable value. For impaired available-for-sale bonds recorded at fair value, the accumulated loss recorded in accumulated other comprehensive income is reclassified to net investment income. Impairments on available-for-sale debt instruments are reversed if there is objective evidence that a permanent recovery has occurred. All gains and losses on bonds classified or designated as fair value through profit or loss are recorded in net investment income, therefore, in the event of an impairment, the reduction will be recorded in net investment income.

Securities Lending

The Company engages in securities lending through its securities custodians as lending agents. Loaned securities are not derecognized, and continue to be reported within invested assets, as the Company retains substantial risks and rewards and economic benefits related to the loaned securities.

(b) Transaction Costs

Transaction costs are expensed as incurred for financial instruments classified as fair value through profit or loss. Transaction costs for financial assets classified as available-for-sale or loans and receivables are added to the value of the instrument at acquisition and taken into net earnings using the effective interest method. Transaction costs for financial liabilities classified as other than fair value through profit or loss are included in the value of the instrument issued and taken into net earnings using the effective interest method.

(c) Cash and Cash Equivalents

Cash and cash equivalents comprise cash, current operating accounts, overnight bank and term deposits with maturities of three months or less held for the purpose of meeting short-term cash requirements. Net payments in transit and overdraft bank balances are included in other liabilities.

(d) Trading Account Assets

Trading account assets consist of investments in open ended investment companies and sponsored unit-trusts, which are carried at fair value based on the net asset value of these funds. Investments in these assets are included in other assets on the Consolidated Balance Sheets with realized and unrealized gains and losses reported in the Consolidated Statements of Earnings.

(e) Debentures and Other Debt Instruments and Capital Trust Securities

Debentures and other debt instruments and capital trust securities are initially recorded on the Consolidated Balance Sheets at fair value and subsequently carried at amortized cost using the effective interest method with amortization expense recorded in financing charges in the Consolidated Statements of Earnings. These liabilities are derecognized when the obligation is cancelled or redeemed.

(f) Other Assets and Other Liabilities

Other assets, which include prepaid expenses, deferred acquisition costs, finance leases receivable, right-of-use assets and miscellaneous other assets, are measured at cost or amortized cost. Other liabilities, which include deferred income reserves, bank overdraft, lease liabilities and other miscellaneous liabilities are measured at cost or amortized cost.

Provisions are recognized within other liabilities when the Company has a present obligation, either legal or constructive, resulting from a past event, and in management's judgment, it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount. The amount recognized for provisions are management's best estimate at the balance sheet date. The Company recognizes a provision for restructuring when a detailed formal plan for the restructuring has been established and that the plan has raised a valid expectation in those affected that the restructuring will occur.

Pension and other post-employment benefits also included within other assets and other liabilities are measured in accordance with note 2(x).

(g) Disposal Group Classified As Held For Sale

Disposal groups are classified as held for sale when the carrying amount will be recovered through a sale transaction rather than continuing use. The fair value of a disposal group is measured at the lower of its carrying amount and fair value less costs to sell. Individual assets and liabilities in a disposal group not subject to these measurement requirements include financial assets, investment properties and insurance contract liabilities. These assets and liabilities are measured in accordance with the relevant accounting policies described for those assets and liabilities included in this note before the disposal group as a whole is measured to the lower of its carrying amount and fair value less cost to sell. Any impairment loss for the disposal group is recognized as a reduction to the carrying amount for the portion of the disposal group under the measurement requirements for IFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations*.

Disposal group assets and liabilities classified as held for sale are presented separately on the Company's Consolidated Balance Sheets. Gains and losses from disposal groups held for sale are presented separately in the Company's Consolidated Statements of Earnings.

(h) Derivative Financial Instruments

The Company uses derivative products as risk management instruments to hedge or manage asset, liability and capital positions, including fee and investment income. The Company's policy guidelines prohibit the use of derivative instruments for speculative trading purposes.

The Company includes disclosure of the maximum credit risk, future credit exposure, credit risk equivalent and risk weighted equivalent in note 28 as prescribed by the Office of the Superintendent of Financial Institutions (OSFI) in Canada.

All derivatives including those that are embedded in financial and non-financial contracts that are not closely related to the host contracts are recorded at fair value on the Consolidated Balance Sheets. The method of recognizing unrealized and realized fair value gains and losses depends on whether the derivatives are designated as hedging instruments. For derivatives that are not designated as hedging instruments, unrealized and realized gains and losses are recorded in net investment income in the Consolidated Statements of Earnings. For derivatives designated as hedging instruments, unrealized and realized gains and losses are recognized according to the nature of the hedged item.

2. Basis of Presentation and Summary of Accounting Policies (cont'd)

Derivatives are valued using market transactions and other market evidence whenever possible, including market based inputs to models, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. When models are used, the selection of a particular model to value a derivative depends on the contractual terms of, and specific risks inherent in, the instrument, as well as the availability of pricing information in the market. The Company generally uses similar models to value similar instruments. Valuation models require a variety of inputs, including contractual terms, market prices and rates, yield curves, credit curves, measures of volatility, prepayment rates and correlations of such inputs.

To qualify for hedge accounting, the relationship between the hedged item and the hedging instrument must meet several strict conditions on documentation, probability of occurrence, hedge effectiveness and reliability of measurement. If these conditions are not met, the relationship does not qualify for hedge accounting treatment and both the hedged item and the hedging instrument are reported independently as if there was no hedging relationship.

Where a hedging relationship exists, the Company documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. This process includes linking derivatives that are used in hedging transactions to specific assets and liabilities on the Consolidated Balance Sheets or to specific firm commitments or forecasted transactions. The Company also assesses, both at the hedge's inception and on an ongoing basis, whether derivatives that are used in hedging transactions are effective in offsetting changes in fair values or cash flows of hedged items. Hedge effectiveness is reviewed quarterly through correlation testing. Hedge accounting is discontinued when the hedging no longer qualifies for hedge accounting.

Derivatives not designated as hedges for accounting purposes

For derivative investments not designated as accounting hedges, changes in fair value are recorded in net investment income.

Fair value hedges

For fair value hedges, changes in fair value of both the hedging instrument and the hedged risk are recorded in net investment income and consequently any ineffective portion of the hedge is recorded immediately in net investment income.

The Company currently uses foreign exchange forward contracts designated as fair value hedges.

Cash flow hedges

For cash flow hedges, the effective portion of the changes in fair value of the hedging instrument is recorded in the same manner as the hedged item while the ineffective portion is recognized immediately in net investment income. Gains and losses that accumulate in other comprehensive income are recorded in net investment income in the same period the hedged item affects net earnings. Gains and losses on cash flow hedges are immediately reclassified from other comprehensive income to net investment income if and when it is probable that a forecasted transaction is no longer expected to occur.

The Company currently has no instruments designated as cash flow hedges.

Net investment hedges

For net investment hedges, the effective portion of changes in the fair value of the hedging instrument are recorded in other comprehensive income while the ineffective portion is recognized immediately in net investment income. The unrealized foreign exchange gains (losses) on the instruments are recorded within accumulated other comprehensive income and will be reclassified into net earnings when the Company disposes of the foreign operation.

The Company currently uses foreign exchange forward contracts designated as net investment hedges.

(i) Embedded Derivatives

An embedded derivative is a component of a host contract that modifies the cash flows of the host contract in a manner similar to a derivative, according to a specified interest rate, financial instrument price, foreign exchange rate, underlying index or other variable. Embedded derivatives are treated as separate contracts and are recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract and the host contract is not itself recorded at fair value through the Consolidated Statements of Earnings. Embedded derivatives that meet the definition of an insurance contract are accounted for and measured as an insurance contract.

(j) Foreign Currency Translation

The Company operates with multiple functional currencies. The Company's consolidated financial statements are presented in Canadian dollars as this presentation is most meaningful to financial statement users. For those subsidiaries with different functional currencies, exchange rate differences arising from the translation of monetary items that form part of the net investment in the foreign operation are recorded in unrealized foreign exchange gains (losses) on translation of foreign operations in other comprehensive income.

For the purpose of presenting consolidated financial statements, assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet dates and all income and expense items are translated at an average of daily rates. Unrealized foreign currency translation gains and losses on translation of the Company's net investment in its foreign operations are presented separately as a component of other comprehensive income. Unrealized gains and losses will be recognized proportionately in net investment income in the Consolidated Statements of Earnings when there has been a disposal of the investment in the foreign operations.

Foreign currency translation gains and losses on foreign currency transactions of the Company are included in net investment income.

(k) Loans to Policyholders

Loans to policyholders are classified as loans and receivables and measured at amortized cost. Loans to policyholders are shown at their unpaid principal balance and are fully secured by the cash surrender values of the policies. Carrying value of loans to policyholders approximates their fair value.

(l) Reinsurance Contracts

The Company, in the normal course of business, is a user of reinsurance in order to limit the potential for losses arising from certain exposures and a provider of reinsurance. Assumed reinsurance refers to the acceptance of certain insurance risks by the Company underwritten by another company. Ceded reinsurance refers to the transfer of insurance risk, along with the respective premiums, to one or more reinsurers who will share the risks. To the extent that assuming reinsurers are unable to meet their obligations, the Company remains liable to its policyholders for the portion reinsured. Consequently, allowances are made for reinsurance contracts which are deemed uncollectible.

Reinsurance contracts are insurance contracts and undergo the classification as described within the Insurance and Investment Contract Liabilities section of this note. Assumed reinsurance premiums, commissions and claim settlements, as well as the reinsurance assets associated with insurance and investment contracts, are accounted for in accordance with the terms and conditions of the underlying reinsurance contract. Reinsurance assets are reviewed for impairment on a regular basis for any events that may trigger impairment. The Company considers various factors in the impairment evaluation process, including but not limited to, collectability of amounts due under the terms of the contract. The carrying amount of a reinsurance asset is adjusted through an allowance account with any impairment loss being recorded in the Consolidated Statements of Earnings.

Any gains or losses on buying reinsurance are recognized in the Consolidated Statements of Earnings immediately at the date of purchase in accordance with the Canadian Asset Liability Method.

Assets and liabilities related to reinsurance are reported on a gross basis on the Consolidated Balance Sheets. The amount of liabilities ceded to reinsurers is estimated in a manner consistent with the claim liability associated with reinsured risks.

(m) Funds Held by Ceding Insurers/Funds Held Under Reinsurance Contracts

On the asset side, funds held by ceding insurers are assets that would normally be paid to the Company but are withheld by the cedant to reduce potential credit risk. Under certain forms of reinsurance contracts it is customary for the cedant to retain amounts on a funds withheld basis supporting the insurance or investment contract liabilities ceded. For the funds withheld assets where the underlying asset portfolio is managed by the Company, the credit risk is retained by the Company. The funds withheld balance where the Company assumes the credit risk is measured at the fair value of the underlying asset portfolio with the change in fair value recorded in net investment income. See note 7 for funds held by ceding insurers that are managed by the Company. Other funds held by ceding insurers are general obligations of the cedant and serve as collateral for insurance contract liabilities assumed from cedants. Funds withheld assets on these contracts do not have fixed maturity dates, their release generally being dependent on the run-off of the corresponding insurance contract liabilities.

On the liability side, funds held under reinsurance contracts consist mainly of amounts retained by the Company from ceded business written on a funds withheld basis. The Company withholds assets related to ceded insurance contract liabilities in order to reduce credit risk.

(n) Business Combinations, Goodwill and Intangible Assets

Business combinations are accounted for using the acquisition method. The Company identifies and classifies, in accordance with the Company's accounting policies, all assets acquired and liabilities assumed as at the acquisition date. Goodwill represents the excess of purchase consideration over the fair value of net assets of the acquired subsidiaries of the Company. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

Intangible assets represent finite life and indefinite life intangible assets of acquired subsidiaries of the Company and software acquired or internally developed by the Company. Finite life intangible assets include the value of technology/software, certain customer contracts and distribution channels. These finite life intangible assets are amortized over their estimated useful lives, typically ranging between 3 and 30 years.

Indefinite life intangible assets include brands and trademarks, certain customer contracts and the shareholders' portion of acquired future participating account profits. Amounts are classified as indefinite life intangible assets when based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Company. The identification of indefinite life intangible assets is made by reference to relevant factors such as product life cycles, potential obsolescence, industry stability and competitive position. Following initial recognition, indefinite life intangible assets are measured at cost less accumulated impairment losses.

Impairment Testing

Goodwill and indefinite life intangible assets, including those resulting from an acquisition during the year, are tested for impairment annually or more frequently if events indicate that impairment may have occurred. Intangible assets that were previously impaired are reviewed at each reporting date for evidence of reversal. In the event that certain conditions have been met, the Company would be required to reverse the impairment loss or a portion thereof.

Goodwill has been allocated to cash generating unit groupings, representing the lowest level that the assets are monitored for internal reporting purposes. Goodwill is tested for impairment by comparing the carrying value of each cash generating unit grouping to its recoverable amount. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Intangible assets have been allocated to cash generating units, representing the lowest level that the assets are monitored for internal reporting purposes.

Intangible assets with an indefinite useful life are reviewed annually to determine if there are indicators of impairment. If indicators of impairment have been identified, a test for impairment is performed and recognized as necessary. Impairment is assessed by comparing the carrying values of the assets to their recoverable amounts. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of the asset's fair value less costs of disposal and value-in-use.

Finite life intangible assets are reviewed annually to determine if there are indicators of impairment and assess whether the amortization periods and methods are appropriate. If indicators of impairment have been identified, a test for impairment is performed and then the amortization of these assets is adjusted or impairment is recognized as necessary.

(o) Revenue Recognition

Premiums for all types of insurance contracts, and contracts with limited mortality or morbidity risk, are generally recognized as revenue when due and collection is reasonably assured.

Interest income on bonds and mortgages is recognized and accrued using the effective interest method.

Dividend income is recognized when the right to receive payment is established. This is the ex-dividend date for listed stocks, and usually the notification date or date when the shareholders have approved the dividend for private equity instruments.

Investment property income includes rents earned from tenants under lease agreements and property tax and operating cost recoveries. Rental income leases with contractual rent increases and rent-free periods are recognized on a straight-line basis over the term of the lease.

Fee income includes fees earned from management of segregated fund assets, proprietary mutual fund assets, record-keeping, fees earned on administrative services only Group health contracts, commissions and fees earned from management services. Fee and other income is recognized on the transfer of services to customers for the amount that reflects the consideration expected to be received in exchange for those services promised.

The Company has sub-advisor arrangements where the Company retains the primary obligation with the client; as a result, fee income earned is reported on a gross basis with the corresponding sub-advisor expense recorded in operating and administrative expenses.

(p) Owner Occupied Properties and Fixed Assets

Property held for own use and fixed assets are carried at cost less accumulated depreciation, disposals and impairments. Depreciation is expensed to write-off the cost of assets, over their estimated useful lives, using the straight-line method, on the following bases:

Owner occupied properties	15 – 20 years
Furniture and fixtures	5 – 10 years
Other fixed assets	3 – 10 years

Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted if necessary.

(q) Deferred Acquisition Costs

Included in other assets are deferred acquisition costs related to investment contracts and service contracts. These are recognized as assets if the costs are incremental and incurred due to the contract being issued and are primarily amortized on a straight-line basis over the term of the contract, not to exceed 20 years.

(r) Segregated Funds

Segregated fund assets and liabilities arise from contracts where all financial risks associated with the related assets are borne by policyholders and are presented separately on the Consolidated Balance Sheets. The assets and liabilities are set equal to the fair value of the underlying asset portfolio. Investment income and changes in fair value of the segregated fund assets are offset by a corresponding change in the segregated fund liabilities.

(s) Insurance and Investment Contract Liabilities

Contract Classification

When significant insurance risk exists, the Company's products are classified at contract inception as insurance contracts, in accordance with IFRS 4, *Insurance Contracts* (IFRS 4). Significant insurance risk exists when the Company agrees to compensate policyholders or beneficiaries of the contract for specified uncertain future events that adversely affect the policyholder and whose amount and timing is unknown. Refer to note 13 for discussion of insurance risk.

In the absence of significant insurance risk, the contract is classified as an investment contract or service contract. Investment contracts with discretionary participating features are accounted for in accordance with IFRS 4 and investment contracts without discretionary participating features are accounted for in accordance with IAS 39, *Financial Instruments: Recognition & Measurement*. The Company has not classified any contracts as investment contracts with discretionary participating features.

Investment contracts may be reclassified as insurance contracts after inception if insurance risk becomes significant. A contract that is classified as an insurance contract at contract inception remains as such until all rights and obligations under the contract are extinguished or expire.

Investment contracts are contracts that carry financial risk, which is the risk of a possible future change in one or more of the following: interest rate, commodity price, foreign exchange rate, or credit rating. Refer to note 8 for discussion of Financial Instruments Risk Management.

Measurement

Insurance contract liabilities represent the amounts required, in addition to future premiums and investment income, to provide for future benefit payments, policyholder dividends, commission and policy administrative expenses for all insurance and annuity policies in force with the Company. The Appointed Actuaries of the Company's subsidiary companies are responsible for determining the amount of the liabilities to make appropriate provisions for the Company's obligations to policyholders. The Appointed Actuaries determine the liabilities for insurance contracts using generally accepted actuarial practices, according to the standards established by the Canadian Institute of Actuaries. The valuation uses the Canadian Asset Liability Method. This method involves the projection of future events in order to determine the amount of assets that must be set aside currently to provide for all future obligations and involves a significant amount of judgment.

In the computation of insurance contract liabilities, valuation assumptions have been made regarding rates of mortality/morbidity, investment returns, levels of operating expenses, rates of policy termination and rates of utilization of elective policy options or provisions. The valuation assumptions use best estimates of future experience together with a margin for adverse deviation. These margins are necessary to provide for possibilities of mis-estimation 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.

Investment contract liabilities are measured at fair value determined using discounted cash flows utilizing the yield curves of financial instruments with similar cash flow characteristics.

(t) Deferred Income Reserves

Included in other liabilities are deferred income reserves relating to investment contracts. These are amortized on a straight-line basis to recognize the initial policy fees over the policy term, not to exceed 20 years.

(u) Participating Account

The shareholder portion of participating earnings represents, as restricted by law, a portion of net earnings before policyholder dividends of the participating account. The actual payment of the shareholder portion of participating earnings is legally determined as a percentage of policyholder dividends paid. The participating operations and the participating balance sheets are presented as combined or consolidated in the operations in the Company's financial statements.

The Canada Life participating account is comprised of two main subdivisions. The liabilities for participating policies issued or assumed by Canada Life prior to demutualization are held in closed block sub-accounts. These liabilities for guaranteed and other non-guaranteed benefits are determined using best estimate assumptions. If at any time the value of the assets allocated to these policies were, in the opinion of the Appointed Actuary, less than the assets required in the long term to support the liabilities of these policies and the future reasonable expectations of the policyholders, assets having a sufficient value to rectify the situation would be transferred first from the additional ancillary sub-accounts maintained in the participating account for this purpose and then, if the deficiency is expected to be permanent, from the shareholder account. Any such transfers from the shareholder account would be recorded as an expense to shareholder net earnings.

The second main subdivision comprises the open block sub-accounts containing all liabilities in respect of new participating policies issued on or after demutualization. On demutualization, $50 of seed capital was transferred from shareholder surplus to the participating account. The seed capital amount, together with a reasonable rate of return, may be transferred to the shareholder account if the seed capital is no longer required to support the new participating policies. Transfers of seed capital to the shareholder account would be returns of capital and would be recorded as adjustments to shareholder surplus. A reasonable rate of return on seed capital will be recognized as income in the shareholder account and as an expense in the participating account when paid. To date all seed capital has been repaid except for $19 (U.S. $15).

(v) Income Taxes

The income tax expense for the period represents the sum of current income tax and deferred income tax. Income tax is recognized as an expense or income in profit or loss except to the extent that it relates to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the income tax is also recognized outside profit or loss.

Current Income Tax

Current income tax is based on taxable income for the year. Current income tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the taxation authorities using the tax rates that have been enacted or substantively enacted at the balance sheet date in each respective jurisdiction. Current income tax assets and current income tax liabilities are offset if a legally enforceable right exists to offset the recognized amounts and the entity intends either to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

A provision for tax treatment uncertainties which meet the probable threshold for recognition is measured using either the most likely amount or the expected value, depending upon which method provides the better prediction of the resolution of the uncertainty. The provision for tax uncertainties will be classified as current or deferred based on how a disallowance of the underlying uncertain tax treatment would impact the tax provision accrual as of the balance sheet date.

Deferred Income Tax

Deferred income tax is the tax expected to be payable or recoverable on differences arising between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable income and is accounted for using the balance sheet liability method. Deferred income tax liabilities are generally recognized for all taxable temporary differences and deferred income tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses and carryforwards can be utilized.

Recognition is based on the fact that it is probable that the entity will have taxable profits and/or tax planning opportunities available to allow the deferred income tax asset to be utilized. Changes in circumstances in future periods may adversely impact the assessment of the recoverability. The uncertainty of the recoverability is taken into account in establishing the deferred income tax assets. The Company's annual financial planning process provides a significant basis for the measurement of deferred income tax assets.

Deferred income tax assets and liabilities are measured at the tax rates expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to net current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

Deferred income tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, except where the group controls the timing of the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future.

(w) Policyholder Benefits

Policyholder benefits include benefits and claims on life insurance contracts, maturity payments, annuity payments and surrenders. Gross benefits and claims for life insurance contracts include the cost of all claims arising during the year and settlement of claims. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

(x) Pension Plans and Other Post-Employment Benefits

The Company and its subsidiaries maintain contributory and non-contributory defined benefit pension plans for eligible employees and advisors. The Company and its subsidiaries also provide post-employment health, dental and life insurance benefits to eligible employees, advisors and their dependents.

The present value of the defined benefit obligations and the related current service cost is determined using the projected unit credit method (note 23). Pension plan assets are recorded at fair value.

For the Company and its subsidiaries defined benefit plans, service costs and net interest costs are recognized in the Consolidated Statements of Earnings. Service costs include current service cost, administration expenses, past service costs and the impact of curtailments and settlements. To determine the net interest costs (income) recognized in the Consolidated Statements of Earnings, the Company applies a discount rate to the net benefit liability (asset), where the discount rate is determined by reference to market yields at the beginning of the year on high quality corporate bonds.

For the Company and its subsidiaries defined benefit plans, re-measurements of the net defined benefit liability (asset) due to asset returns less (greater) than interest income, actuarial losses (gains) and changes in the asset ceiling are recognized in the Consolidated Statements of Comprehensive Income.

The Company and its subsidiaries also maintain defined contribution pension plans for eligible employees and advisors. For the Company and its subsidiaries defined contribution plans, the current service costs are recognized in the Consolidated Statements of Earnings.

(y) Equity

Financial instruments issued by the Company are classified as share capital if they represent a residual interest in the assets of the Company. Preferred share capital is classified as equity if it is non-redeemable, or retractable only at the Company's option and any dividends are discretionary. Incremental costs that are directly attributable to the issue of share capital are recognized as a deduction from equity, net of income tax.

Contributed surplus represents the vesting expense on unexercised equity instruments under share-based payment plans.

Accumulated other comprehensive income (loss) represents the total of the unrealized foreign exchange gains (losses) on translation of foreign operations, the unrealized gains (losses) on available-for-sale assets, the unrealized gains (losses) on cash flow hedges, the re-measurements on defined benefit pension and other post-employment benefit plans net of tax and the revaluation surplus on transfer to investment properties, where applicable.

Non-controlling interests in subsidiaries represents the proportion of equity that is attributable to minority shareholders.

Participating account surplus in subsidiaries represents the proportion of equity attributable to the participating account of the Company's subsidiaries.

(z) Share-Based Payments

Lifeco has a stock option plan that provides for the granting of options on common shares of Lifeco to certain officers and employees of Lifeco and its affiliates.

The Company follows the fair value based method of accounting for the valuation of compensation expense for shares and share options granted to employees under its stock option plans (note 22). This share-based payment expense is recognized in operating and administrative expenses in the Consolidated Statements of Earnings and as an increase to contributed surplus over the vesting period of the granted options.

The Company and certain of its affiliates have Deferred Share Unit Plans (DSU Plans) in which the Directors and certain employees of the Company participate. Units issued to Directors under the DSU Plans vest when granted. Units issued to certain employees under the DSU Plans primarily vest over a three year period. The Company recognizes an increase in operating and administrative expenses for the units granted under the DSU Plans. The Company recognizes a liability for units granted under the DSU Plans which is remeasured at each reporting period based on the market value of Lifeco's common shares.

Certain employees of the Company are entitled to participate in the Performance Share Unit Plan (PSU Plan). Units issued under the PSU Plan vest over a three year period. The Company uses the fair value method to recognize compensation expense for the units granted under the plan over the vesting period with a corresponding increase in the liability based on the market value of Lifeco's common shares.

The Company has an Employee Share Ownership Program (ESOP) where, subject to certain conditions being met, the Company will match contributions up to a maximum amount to purchase Lifeco common shares. The Company's contributions are expensed within operating and administrative expenses as incurred.

(aa) Leases

Where the Company is the lessee, a right-of-use asset and a lease liability are recognized on the Consolidated Balance Sheets as at the lease commencement date.

Right-of-use assets are initially measured based on the initial amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. Right-of-use assets are included within other assets with the exception of right-of-use assets which meet the definition of investment property which are presented within investment properties and subject to the Company's associated accounting policy. Right-of-use assets presented within other assets are depreciated to the earlier of the useful life of the right-of-use asset or the lease term using the straight-line method. Depreciation expense on right-of-use assets is included within operating and administrative expenses.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company shall use the lessee's incremental borrowing rate. Generally, the Company uses the lessee's incremental borrowing rate as its discount rate. The lease liability is measured at amortized cost using the effective interest method and is included within other liabilities. Interest expense on lease liabilities is included within operating and administrative expenses.

The Company has elected to apply a practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets.

Where the Company is the lessor under an operating lease for its investment property, the assets subject to the lease arrangement are presented within the Consolidated Balance Sheets. Income from these leases is recognized in the Consolidated Statements of Earnings on a straight-line basis over the lease term.

Investments in a lease that transfers substantially all the risks and rewards of ownership to the lessee are classified as a finance lease. The Company is the lessor under a finance lease and the investment is recognized as a receivable at an amount equal to the net investment in the lease, which is represented as the present value of the minimum lease payments due from the lessee and is presented within the Consolidated Balance Sheets. Payments received from the lessee are apportioned between the recognition of finance lease income and the reduction of the finance lease receivable. Income from the finance leases is recognized in the Consolidated Statements of Earnings at a constant periodic rate of return on the Company's net investment in the finance lease.

(ab) Operating Segments

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 32). 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 units – Canada and Corporate – are unchanged. Business activities and transactions that are not associated with the specific business units are attributed to Corporate.

(ac) Future Accounting Policies

Standard	Summary of Future Changes
IFRS 17 – *Insurance Contracts*	In May 2017, the IASB issued IFRS 17, Insurance Contracts (IFRS 17), which will replace IFRS 4, Insurance Contracts. On June 26, 2019 the IASB issued an exposure draft covering targeted amendments to the IFRS 17 standard, including a proposed amendment to defer the effective date of the standard. In June 2020, the IASB finalized the amendments to IFRS 17, which included confirmation of 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. The adoption of IFRS 17 is a significant initiative for the Company supported by a formal governance framework and project plan, for which substantial resources are being dedicated. The Company has assembled a project team that is working on implementation which involves preparing the financial reporting systems and processes for reporting under IFRS 17, policy development and operational and change management. The project team is also monitoring developments from the IASB and various industry groups that the Company has representation on. The Company continues to make progress in implementing its project plan, with key policy decisions well advanced as well as significant progress on the technology solution. IFRS 17 sets out the requirements for the recognition, measurement, presentation and disclosures of insurance contracts a company issues and reinsurance contracts it holds. IFRS 17 introduces three new measurement models depending on the nature of the insurance contracts: the General Measurement Model, the Premium Allocation Approach and the Variable Fee Approach. For the General Measurement Model and the Variable Fee Approach, IFRS 17 requires entities to measure insurance contract liabilities on the balance sheet as the total of: (a) the fulfilment cash flows – the current estimates of amounts that a company expects to collect from premiums and pay out for claims, benefits and expenses, including an adjustment for the timing and risk of those amounts; and (b) the contractual service margin – the future profit for providing insurance coverage. Under IFRS 17, the discount rate used to reflect the time value of money in the fulfillment cash flows must be based on the characteristics of the liability. This is a significant change from IFRS 4 and the Canadian Asset Liability Method, where the discount rate was based on the yield curves of the assets supporting those liabilities (refer to the Company's significant accounting policies in note 2 of these financial statements). The future profit for providing insurance coverage (including impacts of new business) is reflected in the initial recognition of insurance contract liabilities and then recognized into profit or loss over time as the insurance services are provided. IFRS 17 also requires the Company to distinguish between groups of contracts expected to be profit making and groups of contracts expected to be onerous. The Company is required to update the fulfilment cash flows at each reporting date, using current estimates of the amount, timing and uncertainty of cash flows and discount rates. As a result of the new valuation methodologies required under IFRS 17, the Company expects its insurance contract liabilities to increase upon adoption. IFRS 17 will affect how the Company accounts for its insurance contracts and how it reports financial performance in the Consolidated Statements of Earnings, in particular the timing of earnings recognition for insurance contracts. 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 the associated ratios and disclosures. The Company continues to assess all these impacts through its global implementation plan.
IFRS 9 – *Financial Instruments*	In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following: • classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset; • impairment based on an expected loss model; and • hedge accounting that incorporates the risk management practices of an entity. In September 2016, the IASB issued an amendment to IFRS 4, *Insurance Contracts* (IFRS 4). The amendment "Applying IFRS 9, *Financial Instruments* with IFRS 4, *Insurance Contracts*" provides qualifying insurance companies with two options to address the potential volatility associated with implementing the IFRS 9 standard before the new proposed insurance contract standard is effective. The two options are as follows: • *Deferral Approach* – provides the option to defer implementation of IFRS 9 until the effective date of the new insurance contract standard; or • *Overlay Approach* – provides the option to recognize the volatility that could arise when IFRS 9 is applied within other comprehensive income, rather than profit or loss. The Company qualifies for the amendment and is applying the deferral approach to allow adoption of both IFRS 9 and IFRS 17 simultaneously. The disclosure for the measurement and classification of the Company's portfolio investments provides most of the information required by IFRS 9. The Company continues to evaluate the impact for the adoption of this standard with the adoption of IFRS 17.

2. Basis of Presentation and Summary of Accounting Policies (cont'd)

Standard	Summary of Future Changes
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 of 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 of the adoption of these amendments.
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.
IFRS 9 – *Financial Instruments*, 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* which issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The amendments provide relief from remeasurement impacts on financial instruments, and discontinuation of hedge relationships arising from 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 monitoring the interest rate benchmark reform process and has established an internal program to fully transition to alternative reference rates by the end of 2021. The transition to alternative reference rates is not expected to impact the Company's risk management strategy. The adoption of these amendments is not expected to have a significant impact on the consolidated 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 (GWL&A) 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 were subject to future adjustments. In October 2019, Protective Life provided the Company with its listing of proposed adjustments with respect to the liabilities transferred, which the Company formally objected to in December 2019. In November 2020, the parties reached resolution and settled cash for adjustments which did not have a material effect on the consolidated financial position of the Company and no further adjustments are expected.

(b) Sale of Irish Progressive Services International Limited

On August 4, 2020, Irish Life Group Limited (Irish Life), an indirect wholly-owned subsidiary of the Company, completed 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 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 Group Ltd.

During the fourth quarter of 2020, the Company completed the sale of GLC Asset Management Group Ltd. (GLC) to Mackenzie Financial Corporation (Mackenzie), an affiliate of the Company. GLC was a wholly-owned subsidiary of Canada Life whose principal activity is the provision of investment management services to Canada Life.

The Company recorded a gain on disposal of $143 after-tax, net of restructuring and other one-time costs of $16 after-tax ($22 pre-tax) (note 4). The carrying value and earnings of the business are immaterial to the Company. This is a related party transaction (note 25), and the 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.

4. Restructuring Expenses

(a) Canada Restructuring

In addition to the sale of GLC by the Company (note 3), two initiatives impacting the Company's operations were announced in the fourth quarter of 2020:

1. The Company announced changes to its Canadian distribution strategy and vision for advisor-based distribution, and
2. IGM has notified the Company that it intends to terminate its long-term technology infrastructure related sharing agreement in the first quarter of 2021.

These initiatives, together with the sale of GLC will result in staff reductions, exit costs for certain facilities lease agreements and decommit activities related to technology and other assets.

As a result, the Company has recorded a restructuring provision of $92, which includes the restructuring costs associated with the GLC disposition ($68 in the shareholder account and $24 in the participating account). The after-tax impact of the restructuring provision is $68 ($50 in the shareholder account and $18 in the participating account). Changes relating to these initiatives are expected to be implemented by the end of 2022 and are not expected to have a significant impact on the Company's financial results.

At December 31, 2020, the Company has a restructuring provision of $86 remaining in other liabilities. The Company expects to pay out substantially all of these amounts by December 31, 2022.

	2020
Balance, beginning of year	$ –
Restructuring expenses	92
Amounts used	(6)
Balance, end of year	$ 86

(b) United Kingdom Business Transformation

In 2018, the Company recorded a restructuring provision in the European business unit in respect of activities aimed at achieving planned expense reductions and an organizational realignment. Despite delays due to COVID-19, the Company had achieved most of the planned benefits by December 31, 2020 and the restructuring has been substantially completed. At December 31, 2020, the Company has a restructuring provision of $23 ($39 at December 31, 2019) remaining in other liabilities.

5. Cash and Cash Equivalents

	2020	2019
Cash	$ 2,000	$ 2,526
Short-term deposits	1,105	710
Total	$ 3,105	$ 3,236

At December 31, 2020, cash of $243 was restricted for use by the Company ($568 at December 31, 2019) in respect of cash held in trust for reinsurance agreements or with regulatory authorities, cash held under certain indemnity arrangements, client monies held by brokers and cash held in escrow.

6. Portfolio Investments

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

	2020		2019	
	Carrying value	**Fair value**	Carrying value	Fair value
Bonds				
Designated fair value through profit or loss (1)	**$ 74,190**	**$ 74,190**	$ 69,761	$ 69,761
Classified fair value through profit or loss (1)	**1,863**	**1,863**	1,717	1,717
Available-for-sale	**9,902**	**9,902**	9,976	9,976
Loans and receivables	**14,653**	**17,443**	13,687	15,367
	100,608	**103,398**	95,141	96,821
Mortgage loans				
Residential				
Designated fair value through profit or loss (1)	**2,020**	**2,020**	1,314	1,314
Loans and receivables	**7,325**	**7,858**	7,500	7,748
	9,345	**9,878**	8,814	9,062
Commercial	**12,918**	**14,034**	11,902	12,466
	22,263	**23,912**	20,716	21,528
Stocks				
Designated fair value through profit or loss (1)	**10,014**	**10,014**	9,566	9,566
Available-for-sale	**8**	**8**	10	10
Available-for-sale, at cost (2)	**8**	**8**	41	41
Equity method	**434**	**397**	418	410
	10,464	**10,427**	10,035	10,027
Investment properties	**6,267**	**6,267**	5,884	5,884
Total	**$ 139,602**	**$ 144,004**	$ 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.

(b) Carrying value of bonds and mortgages by term to maturity are as follows:

	2020			
	Term to maturity			
	1 year or less	**Over 1 year to 5 years**	**Over 5 years**	**Total**
Bonds (1)	**$ 8,658**	**$ 19,982**	**$ 71,958**	**$ 100,598**
Mortgage loans (2)	**1,452**	**7,620**	**13,168**	**22,240**
Total	**$ 10,110**	**$ 27,602**	**$ 85,126**	**$ 122,838**

	2019			
	Term to maturity			
	1 year or less	Over 1 year to 5 years	Over 5 years	Total
Bonds (1)	$ 10,064	$ 18,691	$ 66,379	$ 95,134
Mortgage loans (2)	940	6,983	12,764	20,687
Total	$ 11,004	$ 25,674	$ 79,143	$ 115,821

(1) Excludes the carrying value of impaired bonds as the ultimate timing of collectability is uncertain.

(2) Excludes the carrying value of impaired mortgage loans as the ultimate timing of collectability is uncertain. Mortgage loans include equity release mortgages which do not have a fixed redemption date. The maturity profile of the portfolio has therefore been estimated based on previous redemption experience.

(c) Certain stocks where equity method earnings are computed are discussed below:

The majority of the Company's equity method investments relate to the Company's investment in an affiliated company, IGM, a member of the Power Corporation group of companies, over which it exerts significant influence but does not control. The Company's proportionate share of IGM's earnings is recorded in net investment income in the Consolidated Statements of Earnings. The Company owns 9,200,518 shares of IGM at December 31, 2020 (9,200,505 at December 31, 2019) representing a 3.86% ownership interest (3.86% at December 31, 2019). The Company uses the equity method to account for its investment in IGM as it exercises significant influence. Significant influence arises from several factors, including, but not limited to the following: common control of the Company and IGM by Power Corporation, shared representation on the Boards of Directors of the Company and IGM, interchange of managerial personnel, and certain shared strategic alliances, significant intercompany transactions and service agreements that influence the financial and operating policies of both companies.

	2020	2019
Carrying value, beginning of year	**$ 350**	$ 346
Equity method share of IGM net earnings	**25**	25
Dividends received	**(21)**	(21)
Carrying value, end of year	**$ 354**	$ 350
Share of equity, end of year	**$ 190**	$ 171
Fair value, end of year	**$ 317**	$ 342

The Company and IGM both have a year-end date of December 31. The Company's year-end results are approved and reported before IGM publicly reports its financial result; therefore, the Company reports IGM's financial information by estimating the amount of earnings attributable to the Company, based on prior quarter information as well as other market expectations, to complete equity method accounting. The difference between actual and estimated results is reflected in the subsequent quarter and is not material to the Company's consolidated financial statements.

IGM's financial information as at December 31, 2020 can be obtained in its publicly available information.

(d) Included in portfolio investments are the following:

(i) Carrying amount of impaired investments

	2020	2019
Impaired amounts by classification		
Fair value through profit or loss	**$ 8**	$ 5
Available-for-sale	**2**	2
Loans and receivables	**23**	29
Total	**$ 33**	$ 36

The carrying amount of impaired investments includes $10 bonds and $23 mortgage loans at December 31, 2020 ($7 bonds and $29 mortgage loans at December 31, 2019). The above carrying values for loans and receivables are net of allowances of $57 at December 31, 2020 and $51 at December 31, 2019.

(ii) The allowance for credit losses and changes in the allowance for credit losses related to investments classified as loans and receivables are as follows:

	2020			2019		
	Bonds	Mortgage loans	Total	Bonds	Mortgage loans	Total
Balance, beginning of year	**$ –**	**$ 51**	**$ 51**	$ –	$ 20	$ 20
Net provision for credit losses – in year	**–**	**16**	**16**	–	50	50
Write-offs, net of recoveries	**–**	**(10)**	**(10)**	–	(19)	(19)
Balance, end of year	**$ –**	**$ 57**	**$ 57**	$ –	$ 51	$ 51

The allowance for credit losses is supplemented by the provision for future credit losses included in insurance contract liabilities.

6. Portfolio Investments (cont'd)

(e) Net investment income comprises the following:

	2020					
	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	$ 2,878	$ 743	$ 342	$ 397	$ 256	$ 4,616
Net realized gains						
Available-for-sale	123	–	3	–	–	126
Other classifications [(1)]	21	33	245	–	–	299
Net allowances for credit losses on loans and receivables	–	(16)	–	–	–	(16)
Other income (expenses)	–	–	–	(126)	(140)	(266)
	3,022	760	590	271	116	4,759
Changes in fair value on fair value through profit or loss assets:						
Classified fair value through profit or loss	77	–	–	–	–	77
Designated fair value through profit or loss	4,451	157	38	–	190	4,836
Recorded at fair value through profit or loss	–	–	–	(74)	–	(74)
	4,528	157	38	(74)	190	4,839
Total	$ 7,550	$ 917	$ 628	$ 197	$ 306	$ 9,598

(1) Includes the realized gains on the sale of the shares of GLC and IPSI (note 3).

	2019					
	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	$ 3,010	$ 726	$ 294	$ 374	$ 241	$ 4,645
Net realized gains						
Available-for-sale	45	–	21	–	–	66
Other classifications	16	64	–	–	–	80
Net allowances for credit losses on loans and receivables	–	(50)	–	–	–	(50)
Other income (expenses)	–	–	–	(117)	(150)	(267)
	3,071	740	315	257	91	4,474
Changes in fair value on fair value through profit or loss assets:						
Classified fair value through profit or loss	44	–	–	–	–	44
Designated fair value through profit or loss	4,590	107	1,371	–	(477)	5,591
Recorded at fair value through profit or loss	–	–	–	37	–	37
	4,634	107	1,371	37	(477)	5,672
Total	$ 7,705	$ 847	$ 1,686	$ 294	$ (386)	$ 10,146

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. 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.

(f) Transferred Financial Assets

The Company engages in securities lending to generate additional income. The Company's securities custodians are used as lending agents. Collateral, which exceeds the fair value of the loaned securities, is deposited by the borrower with the Company's lending agent and maintained by the lending agent until the underlying security has been returned. The fair value of the loaned securities is monitored on a daily basis by the lending agent who obtains or refunds additional collateral as the fair value of the loaned securities fluctuates. In addition, the securities lending agent indemnifies the Company against borrower risk, meaning that the lending agent agrees contractually to replace securities not returned due to a borrower default. As at December 31, 2020, the Company had loaned securities (which are included in invested assets) with a fair value of $8,668 ($6,634 at December 31, 2019).

7. Funds Held by Ceding Insurers

At December 31, 2020, the Company had amounts on deposit of $8,455 ($8,714 at December 31, 2019) for funds held by ceding insurers on the Consolidated Balance Sheets. Income and expenses arising from the agreements are included in net investment income in the Consolidated Statements of Earnings.

The details of the funds on deposit for certain agreements where the Company has credit risk are as follows:

(a) Carrying values and estimated fair values:

	2020		2019	
	Carrying value	**Fair value**	Carrying value	Fair value
Cash and cash equivalents	$ **233**	$ **233**	$ 216	$ 216
Bonds	**6,097**	**6,097**	6,445	6,445
Other assets	**67**	**67**	80	80
Total	$ **6,397**	$ **6,397**	$ 6,741	$ 6,741
Supporting:				
Reinsurance liabilities	$ **6,166**	$ **6,166**	$ 6,537	$ 6,537
Surplus	**231**	**231**	204	204
Total	$ **6,397**	$ **6,397**	$ 6,741	$ 6,741

(b) The following provides details of the carrying value of bonds included in the funds on deposit by issuer and industry sector:

	2020	2019
Bonds issued or guaranteed by:		
Treasuries	$ **572**	$ 624
Government related	**1,287**	1,275
Non-agency securitized	**648**	763
Financials	**1,256**	1,412
Communications	**132**	154
Consumer products	**492**	438
Energy	**225**	176
Industrials	**298**	234
Technology	**57**	72
Transportation	**182**	170
Utilities	**948**	1,127
Total	$ **6,097**	$ 6,445

(c) Asset quality

Bond Portfolio By Credit Rating

	2020	2019
AAA	$ **580**	$ 601
AA	**2,394**	2,670
A	**2,371**	2,264
BBB	**698**	822
BB and lower	**54**	88
Total	$ **6,097**	$ 6,445

8. 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 following sections describe how the Company manages each of these risks.

(a) Credit Risk

Credit risk is the risk of loss resulting from an obligor's potential inability or unwillingness to fully meet its contractual obligations.

The following policies and procedures are in place to manage this risk:

- Investment policies aim to minimize undue concentration within issuers, connected companies, industries or individual geographies.
- Investment limits specify minimum and maximum limits for each asset class.
- Identification of credit risk through an internal credit risk rating system which includes a detailed assessment of an obligor's creditworthiness. Internal credit risk ratings cannot be higher than the highest rating provided by certain independent ratings companies.
- Portfolios are monitored continuously, and reviewed regularly with the Risk Committee and the Investment Committee of the Board of Directors.
- Credit risk associated with derivative instruments is evaluated quarterly based on conditions that existed at the balance sheet date, using practices that are at least as conservative as those recommended by regulators. The Company manages derivative credit risk by including derivative exposure to aggregate credit exposures measured against rating based obligor limits and through collateral arrangements where possible.
- Counterparties providing reinsurance to the Company are reviewed for financial soundness as part of an ongoing monitoring process. The minimum financial strength of reinsurers is outlined in the Reinsurance Risk Management Policy. The Company seeks to minimize reinsurance credit risk by setting rating based limits on net ceded exposure by counterparty as well as seeking protection in the form of collateral or funds withheld arrangements where possible.
- Investment guidelines also specify collateral requirements.

(i) Maximum Exposure to Credit Risk

The following summarizes the Company's maximum exposure to credit risk related to financial instruments. The maximum credit exposure is the carrying value of the asset net of any allowances for losses.

	2020	2019
Cash and cash equivalents	$ 3,105	$ 3,236
Bonds		
Fair value through profit or loss	76,053	71,478
Available-for-sale	9,902	9,976
Loans and receivables	14,653	13,687
Mortgage loans	22,263	20,716
Loans to policyholders	3,447	3,383
Funds held by ceding insurers (1)	8,455	8,714
Reinsurance assets	8,924	8,255
Interest due and accrued	964	935
Accounts receivable	1,880	1,735
Premiums in course of collection	1,681	1,409
Trading account assets	156	135
Finance leases receivable	404	405
Other assets (2)	152	197
Derivative assets	669	315
Total	**$ 152,708**	$ 144,576

(1) Includes $6,397 ($6,741 at December 31, 2019) of funds held by ceding insurers where the Company retains the credit risk of the assets supporting the liabilities ceded (note 7).

(2) Includes items such as current income taxes receivable and miscellaneous other assets of the Company (note 12).

Credit risk is also mitigated by entering into collateral agreements. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters. Management monitors the value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. The Company has $141 of collateral received from counterparties as at December 31, 2020 ($38 at December 31, 2019) relating to derivative assets.

(ii) Concentration of Credit Risk

Concentrations of credit risk arise from exposures to a single obligor, a group of related obligors or groups of obligors that have similar credit risk characteristics and operate in the same geographic region or in similar industries. The characteristics are similar in that changes in economic or political environments may impact their ability to meet obligations as they come due.

The following provides details of the carrying value of bonds by issuer, industry sector and business unit:

	2020				
	Canada	**Europe**	**Capital and Risk Solutions**	**Corporate**	**Total**
Bonds issued or guaranteed by:					
Treasuries	**$ 586**	**$ 10,282**	**$ 1,372**	**$ 50**	**$ 12,290**
Government related	**20,555**	**9,287**	**316**	**222**	**30,380**
Agency securitized	**178**	**–**	**17**	**21**	**216**
Non-agency securitized	**2,057**	**1,402**	**126**	**215**	**3,800**
Financials	**4,361**	**5,880**	**606**	**237**	**11,084**
Communications	**1,142**	**1,124**	**95**	**28**	**2,389**
Consumer products	**4,197**	**2,816**	**752**	**251**	**8,016**
Energy	**2,453**	**675**	**254**	**94**	**3,476**
Industrials	**2,022**	**1,329**	**402**	**225**	**3,978**
Technology	**557**	**299**	**255**	**21**	**1,132**
Transportation	**3,409**	**977**	**150**	**55**	**4,591**
Utilities	**10,091**	**4,811**	**549**	**462**	**15,913**
Total long-term bonds	**51,608**	**38,882**	**4,894**	**1,881**	**97,265**
Short-term bonds	**1,830**	**1,066**	**447**	**–**	**3,343**
Total	**$ 53,438**	**$ 39,948**	**$ 5,341**	**$ 1,881**	**$ 100,608**

	2019				
	Canada	Europe (1)	Capital and Risk Solutions (1)	Corporate	Total
Bonds issued or guaranteed by:					
Treasuries	$ 479	$ 10,118	$ 1,068	$ 40	$ 11,705
Government related	19,307	8,521	293	229	28,350
Agency securitized	110	–	10	23	143
Non-agency securitized	2,159	1,573	153	235	4,120
Financials	4,119	5,786	554	121	10,580
Communications	888	991	126	44	2,049
Consumer products	3,761	2,649	844	228	7,482
Energy	2,173	640	258	103	3,174
Industrials	1,764	1,281	447	209	3,701
Technology	552	302	259	38	1,151
Transportation	2,897	1,017	177	35	4,126
Utilities	9,145	4,426	522	489	14,582
Total long-term bonds	47,354	37,304	4,711	1,794	91,163
Short-term bonds	2,524	1,049	363	42	3,978
Total	$ 49,878	$ 38,353	$ 5,074	$ 1,836	$ 95,141

(1) See comparative figures (note 32).

The following provides details of the carrying value of mortgage loans by business unit:

2020	Canada	Europe	Capital and Risk Solutions	Corporate	Total
Single family residential	$ 2,063	$ –	$ –	$ –	$ 2,063
Multi-family residential	4,331	684	41	206	5,262
Equity release	759	1,261	–	–	2,020
Commercial	8,883	3,801	23	211	12,918
Total	$ 16,036	$ 5,746	$ 64	$ 417	$ 22,263

2019	Canada	Europe (1)	Capital and Risk Solutions (1)	Corporate	Total
Single family residential	$ 2,069	$ –	$ –	$ –	$ 2,069
Multi-family residential	4,496	661	49	225	5,431
Equity release	374	940	–	–	1,314
Commercial	7,871	3,787	25	219	11,902
Total	$ 14,810	$ 5,388	$ 74	$ 444	$ 20,716

(1) See comparative figures (note 32).

(iii) Asset Quality

Bond Portfolio By Credit Rating

	2020	2019
AAA	$ 15,615	$ 15,899
AA	31,513	30,826
A	34,141	31,199
BBB	18,997	16,924
BB and lower	342	293
Total	$ 100,608	$ 95,141

Derivative Portfolio By Credit Rating

	2020	2019
Over-the-counter contracts (counterparty ratings):		
AA	$ 324	$ 187
A	344	127
BBB	–	1
Exchange-traded	1	–
Total	$ 669	$ 315

(iv) Loans Past Due, But Not Impaired

Loans that are past due but not considered impaired are loans for which scheduled payments have not been received, but management has reasonable assurance of collection of the full amount of principal and interest due. The following provides carrying values of the loans past due, but not impaired:

	2020	2019
Less than 30 days	$ 7	$ 1
30 – 90 days	28	1
Greater than 90 days	10	–
Total	$ 45	$ 2

(v) The following outlines the future asset credit losses provided for in insurance contract liabilities. These amounts are in addition to the allowance for asset losses included with assets:

	2020	2019
Participating	$ 1,153	$ 1,146
Non-participating	1,401	1,278
Total	$ 2,554	$ 2,424

(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. Approximately 68% (approximately 68% in 2019) of insurance and investment contract liabilities are non-cashable prior to maturity or claim or subject to fair value adjustments.
- Management closely monitors the solvency and capital positions of the Company and its principal subsidiaries opposite liquidity requirements. Additional liquidity is available through established lines of credit or via capital markets. The Company maintains a $150 committed line of credit with a Canadian bank.

In the normal course of business the Company enters into contracts that give rise to commitments of future minimum payments that impact short-term and long-term liquidity. The following summarizes the principal repayment schedule for certain of the Company's financial liabilities.

	Payments due by period						
	Total	1 year	2 years	3 years	4 years	5 years	Over 5 years
Debentures and other debt instruments	$ 610	$ –	$ –	$ –	$ –	$ –	$ 610
Capital trust securities (1)	150	–	–	–	–	–	150
Purchase obligations	99	45	34	11	5	4	–
Pension contributions	226	226	–	–	–	–	–
Total	**$ 1,085**	**$ 271**	**$ 34**	**$ 11**	**$ 5**	**$ 4**	**$ 760**

(1) Payments due have not been reduced to reflect that the Company held capital trust securities of $37 principal amount ($55 carrying value).

(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 consolidated 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.

The following policies and procedures are in place to mitigate the Company's exposure to currency risk:

- The Company uses financial measures such as constant currency calculations to monitor the effect of currency translation fluctuations.
- Investments are normally made in the same currency as the liabilities supported by those investments. Segmented Investment Guidelines include maximum tolerances for unhedged currency mismatch exposures.
- For assets backing liabilities not matched by currency, the Company would normally convert the assets back to the currency of the liability using foreign exchange contracts.
- 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. The following policies and procedures are in place to mitigate the Company's exposure to interest rate risk:

- The Company utilizes a formal process for managing the matching of assets and liabilities. This involves grouping general fund assets and liabilities into segments. Assets in each segment are managed in relation to the liabilities in the segment.
- Interest rate risk is managed by investing in assets that are suitable for the products sold.
- Where these products have benefit or expense payments that are dependent on inflation (inflation-indexed annuities, pensions and disability claims) the Company generally invests in real return instruments to hedge its real dollar liability cash flows. Some protection against changes in the inflation index is achieved as any related change in the fair value of the assets will be largely offset by a similar change in the fair value of the liabilities.
- For products with fixed and highly predictable benefit payments, investments are made in fixed income assets or real estate whose cash flows closely match the liability product cash flows. Where assets are not available to match certain period cash flows, such as long-tail cash flows, a portion of these are invested in equities and the rest are duration matched. Hedging instruments are employed where necessary when there is a lack of suitable permanent investments to minimize loss exposure to interest rate changes. To the extent these cash flows are matched, protection against interest rate change is achieved and any change in the fair value of the assets will be offset by a similar change in the fair value of the liabilities.
- For products with less predictable timing of benefit payments, investments are made in fixed income assets with cash flows of a shorter duration than the anticipated timing of benefit payments, or equities as described below.
- The risk associated with the mismatch in portfolio duration and cash flow, asset prepayment exposure and the pace of asset acquisition are quantified and reviewed regularly.

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.

Projected cash flows from fixed income assets used in actuarial calculations are reduced to provide for potential asset default losses. The net effective yield rate reduction averaged 0.10% in 2020 (0.10% in 2019). The calculation for future credit losses on assets is based on the credit quality of the underlying asset portfolio.

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 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 total provision for interest rates also considers the impact of the Canadian Institute of Actuaries prescribed scenarios:

- At December 31, 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 December 31, 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 impact to the value of liabilities net of changes in the value of assets supporting liabilities 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.

	2020		2019	
	1% increase	**1% decrease**	1% increase	1% decrease
Change in interest rates				
Increase (decrease) in non-participating insurance and investment contract liabilities	**$ (297)**	**$ 785**	$ (298)	$ 792
Increase (decrease) in net earnings	**$ 231**	**$ (604)**	$ 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 there is greater impact on net earnings from larger falls in equity values, relative to the change in equity values. Falls in equity values beyond those shown in the table below would have a greater impact on net earnings, relative to the changes in equity values.

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 changes in the value of assets supporting liabilities and hedge assets.

	2020				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	$ (34)	$ (18)	$ 62	$ 264	$ (63)	$ (33)	$ 45	$ 223
Increase (decrease) in net earnings	$ 28	$ 15	$ (51)	$ (208)	$ 54	$ 27	$ (39)	$ (182)

The following table provides information on the expected impacts of 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. The expected impacts take into account the expected changes in the value of assets support liabilities.

	2020				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	$ (41)	$ (8)	$ 88	$ 138	$ (74)	$ (32)	$ 35	$ 117
Increase (decrease) in net earnings	$ 34	$ 6	$ (69)	$ (108)	$ 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:

	2020		2019	
	1% increase	1% decrease	1% increase	1% decrease
Change in best estimate return assumptions for equities				
Increase (decrease) in non-participating insurance contract liabilities	$ (691)	$ 861	$ (645)	$ 752
Increase (decrease) in net earnings	$ 556	$ (682)	$ 509	$ (585)

(d) Enforceable Master Netting Arrangements or Similar Agreements

The Company enters into International Swaps and Derivative Association's (ISDA's) master agreements for transacting over-the-counter derivatives. The Company receives and pledges collateral according to the related ISDA's Credit Support Annexes. The ISDA's master agreements do not meet the criteria for offsetting on the Consolidated Balance Sheets because they create a right of set-off that is enforceable only in the event of default, insolvency, or bankruptcy.

For exchange-traded derivatives subject to derivative clearing agreements with the exchanges and clearinghouses, there is no provision for set-off at default. Initial margin is excluded from the table within this disclosure as it would become part of a pooled settlement process.

The table sets out the potential effect on the Company's Consolidated Balance Sheets on financial instruments that have been shown in a gross position where right of set-off exists under certain circumstances that do not qualify for netting on the Consolidated Balance Sheets.

	2020			
		Related amounts not set-off in the Balance Sheet		
	Gross amount of financial instruments presented in the Balance Sheet	Offsetting counterparty position (1)	Financial collateral received/ pledged (2)	Net exposure
Financial instruments – assets				
Derivative financial instruments	**$ 669**	**$ (537)**	**$ (90)**	**$ 42**
Total financial instruments – assets	**$ 669**	**$ (537)**	**$ (90)**	**$ 42**
Financial instruments – liabilities				
Derivative financial instruments	**$ 1,150**	**$ (537)**	**$ (355)**	**$ 258**
Total financial instruments – liabilities	**$ 1,150**	**$ (537)**	**$ (355)**	**$ 258**

	2019			
		Related amounts not set-off in the Balance Sheet		
	Gross amount of financial instruments presented in the Balance Sheet	Offsetting counterparty position (1)	Financial collateral received/ pledged (2)	Net exposure
Financial instruments – assets				
Derivative financial instruments	$ 315	$ (264)	$ (18)	$ 33
Total financial instruments – assets	$ 315	$ (264)	$ (18)	$ 33
Financial instruments – liabilities				
Derivative financial instruments	$ 1,335	$ (264)	$ (556)	$ 515
Total financial instruments – liabilities	$ 1,335	$ (264)	$ (556)	$ 515

(1) Includes counterparty amounts recognized on the Consolidated Balance Sheets where the Company has a potential offsetting position (as described above) but does not meet the criteria for offsetting on the balance sheet, excluding collateral.

(2) Financial collateral presented above excludes overcollateralization and, for exchange-traded derivatives, initial margin. At December 31, 2020, total financial collateral, including initial margin and overcollateralization, received on derivative assets was $141 ($38 at December 31, 2019), and pledged on derivative liabilities was $533 ($625 at December 31, 2019).

9. 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.

9. Fair Value Measurement (cont'd)

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.

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

	2020			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Cash and cash equivalents	$ 3,105	$ –	$ –	$ 3,105
Financial assets at fair value through profit or loss				
Bonds	–	75,980	73	76,053
Mortgage loans	–	–	2,020	2,020
Stocks	8,698	4	1,312	10,014
Total financial assets at fair value through profit or loss	8,698	75,984	3,405	88,087
Available-for-sale financial assets				
Bonds	–	9,902	–	9,902
Stocks	–	–	8	8
Total available-for-sale financial assets	–	9,902	8	9,910
Investment properties	–	–	6,267	6,267
Funds held by ceding insurers	233	6,097	–	6,330
Derivatives (1)	1	668	–	669
Reinsurance assets	–	130	–	130
Other assets – trading assets	156	–	–	156
Total assets measured at fair value	$ 12,193	$ 92,781	$ 9,680	$ 114,654
Liabilities measured at fair value				
Derivatives (2)	$ 5	$ 1,145	$ –	$ 1,150
Investment contract liabilities	–	1,671	–	1,671
Total liabilities measured at fair value	$ 5	$ 2,816	$ –	$ 2,821

(1) Excludes collateral received from counterparties of $141.
(2) Excludes collateral pledged to counterparties of $435.

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

	2019			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
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 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 year.

9. Fair Value Measurement (cont'd)

The following presents additional information about assets and liabilities measured at fair value on a recurring basis which the Company classifies as Level 3 in the fair value hierarchy:

	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	2	156	16	–	(74)	100
Included in other comprehensive income [1]	4	15	–	1	21	41
Purchases	–	–	341	3	481	825
Issues	–	622	–	–	–	622
Sales	–	–	(79)	–	(73)	(152)
Settlements	–	(87)	–	–	–	(87)
Transferred from owner occupied properties [2]	–	–	–	–	28	28
Transfers into Level 3 [3]	–	–	357	–	–	357
Transfers out of Level 3 [3]	–	–	–	–	–	–
Balance, end of year	$ 73	$ 2,020	$ 1,312	$ 8	$ 6,267	$ 9,680
Total gains (losses) for the year included in net investment income	$ 2	$ 156	$ 16	$ –	$ (74)	$ 100
Change in unrealized gains (losses) for the year included in earnings for assets held at December 31, 2020	$ 2	$ 145	$ 17	$ –	$ (73)	$ 91

(1) Amount of other comprehensive income for fair value through profit or loss bonds, mortgage loans and investment properties represents the 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.

Since March 20, 2020, Canada Life has temporarily suspended contributions to and transfers into, as well as redemptions and transfers out of, its Canadian 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. As a result of these restrictions, the Company's investment in these funds with a fair value of $357 was transferred on March 20, 2020 from Level 1 to Level 3.

Subsequent Event

On January 11, 2021, Canada Life lifted the temporary suspension on contributions to and transfers into its Canadian real estate investment funds as confidence over the valuation of the underlying properties has returned as a result of increased market activity. While the temporary suspension on redemptions and transfers out of the Canadian real estate funds remains, the funds are accepting initial redemption requests for a limited period which will be processed, subject to available liquidity, on pre-specified dates.

	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) Amount of other comprehensive income for fair value through profit or loss bonds, mortgage loans and investment properties represents the 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 investment 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.

9. Fair Value Measurement (cont'd)

The following sets out information about significant unobservable inputs used at year-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 Reversionary rate Vacancy rate	Range of 2.9% – 12.0% Range of 3.9% – 6.8% Weighted average of 3.0%	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. 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. 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 3.2% – 4.4%	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.

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

	2020				
	Level 1	**Level 2**	**Level 3**	**Other assets/ liabilities not held at fair value**	**Total**
Assets disclosed at fair value					
Loans and receivables financial assets					
Bonds	$ –	$ 17,308	$ 52	$ 83	$ 17,443
Mortgage loans	–	21,892	–	–	21,892
Loans to policyholders	–	3,447	–	–	3,447
Total loans and receivables financial assets	–	42,647	52	83	42,782
Available-for-sale financial assets					
Stocks (1)	–	–	–	8	8
Other stocks (2)	317	–	–	80	397
Funds held by ceding insurers	–	–	–	67	67
Total assets disclosed at fair value	$ 317	$ 42,647	$ 52	$ 238	$ 43,254
Liabilities disclosed at fair value					
Debentures and other debt instruments	$ –	$ 357	$ –	$ 510	$ 867
Total liabilities disclosed at fair value	$ –	$ 357	$ –	$ 510	$ 867

(1) Fair value of certain stocks available for sale cannot be reliably measured, therefore, these investments are recorded at cost.
(2) Other stocks include the Company's investment in IGM.

	2019				
	Level 1	Level 2	Level 3	Other assets/ liabilities not held at fair value	Total
Assets disclosed at fair value					
Loans and receivables financial assets					
Bonds	$ –	$ 15,311	$ 56	$ –	$ 15,367
Mortgage loans	–	20,214	–	–	20,214
Loans to policyholders	–	3,383	–	–	3,383
Total loans and receivables financial assets	–	38,908	56	–	38,964
Available-for-sale financial assets					
Stocks (1)	–	–	–	41	41
Other stocks (2)	342	–	–	68	410
Funds held by ceding insurers	–	–	–	80	80
Total assets disclosed at fair value	$ 342	$ 38,908	$ 56	$ 189	$ 39,495
Liabilities disclosed at fair value					
Debentures and other debt instruments	$ –	$ 349	$ –	$ 492	$ 841
Total liabilities disclosed at fair value	$ –	$ 349	$ –	$ 492	$ 841

(1) Fair value of certain stocks available for sale cannot be reliably measured, therefore, these investments are recorded at cost.
(2) Other stocks include the Company's investment in IGM.

10. Goodwill and Intangible Assets

(a) Goodwill

(i) The carrying value of goodwill, all in the shareholder account segment, and changes in the carrying value of goodwill are as follows:

	2020	2019
Cost		
Balance, beginning of year	**$ 6,319**	$ 6,335
Business acquisitions	**75**	33
Finite life intangible assets	**(12)**	(6)
Changes in foreign exchange rates	**39**	(43)
Balance, end of year	**$ 6,421**	$ 6,319
Accumulated impairment		
Balance, beginning of year	**$ (19)**	$ –
Impairment	**(16)**	(19)
Balance, end of year	**$ (35)**	$ (19)
Net carrying amount	**$ 6,386**	$ 6,300

(ii) Within the major geographies of the Company, goodwill has been assigned to cash generating unit groupings, representing the lowest level in which goodwill is monitored for internal reporting purposes. The Company does not allocate insignificant amounts of goodwill across multiple cash generating unit groupings. Goodwill is tested for impairment by comparing the carrying value of each cash generating unit grouping to which goodwill has been assigned to its recoverable amount as follows:

	2020	2019
Canada		
Group Customer	**$ 1,452**	$ 1,470
Individual Customer	**2,539**	2,548
Europe	**2,395**	2,282
Total	**$ 6,386**	$ 6,300

(b) Intangible Assets

Intangible assets of $2,250 ($2,069 as at December 2019) include indefinite life and finite life intangible assets. The carrying value and changes in the carrying value of these intangible assets are as follows:

(i) Indefinite life intangible assets:

	2020			
	Brands and trademarks	Customer contract related	Shareholders' portion of acquired future participating account profit	Total
Cost				
Balance, beginning of year	**$ 522**	**$ 354**	**$ 354**	**$ 1,230**
Additions	**–**	**30**	**–**	**30**
Changes in foreign exchange rates	**13**	**–**	**–**	**13**
Balance, end of year	**$ 535**	**$ 384**	**$ 354**	**$ 1,273**
Accumulated impairment				
Balance, beginning of year	**$ (34)**	**$ –**	**$ –**	**$ (34)**
Changes in foreign exchange rates	**(3)**	**–**	**–**	**(3)**
Balance, end of year	**$ (37)**	**$ –**	**$ –**	**$ (37)**
Net carrying amount	**$ 498**	**$ 384**	**$ 354**	**$ 1,236**

	2019			
	Brands and trademarks	Customer contract related	Shareholders' portion of acquired future participating account profit	Total
Cost				
Balance, beginning of year	$ 536	$ 354	$ 354	$ 1,244
Changes in foreign exchange rates	(14)	–	–	(14)
Balance, end of year	$ 522	$ 354	$ 354	$ 1,230
Accumulated impairment				
Balance, beginning of year	$ (38)	$ –	$ –	$ (38)
Changes in foreign exchange rates	4	–	–	4
Balance, end of year	$ (34)	$ –	$ –	$ (34)
Net carrying amount	$ 488	$ 354	$ 354	$ 1,196

(ii) Indefinite life intangible assets have been assigned to cash generating unit groupings as follows:

	2020	2019
Canada		
Group Customer	**$ 354**	$ 354
Individual Customer	**649**	619
Europe	**233**	223
Total	**$ 1,236**	$ 1,196

10. Goodwill and Intangible Assets (cont'd)

(iii) Finite life intangible assets:

	2020			
	Customer contract related	Distribution channels	Software	Total
Amortization period range	**7 – 30 years**	**30 years**	**3 – 10 years**	
Amortization method	**Straight-line**	**Straight-line**	**Straight-line**	
Cost				
Balance, beginning of year	**$ 701**	**$ 108**	**$ 1,083**	**$ 1,892**
Additions	**49**	**–**	**239**	**288**
Changes in foreign exchange rates	**17**	**3**	**17**	**37**
Disposals	**–**	**–**	**(35)**	**(35)**
Balance, end of year	**$ 767**	**$ 111**	**$ 1,304**	**$ 2,182**
Accumulated amortization and impairment				
Balance, beginning of year	**$ (390)**	**$ (60)**	**$ (569)**	**$ (1,019)**
Changes in foreign exchange rates	**(10)**	**(1)**	**(12)**	**(23)**
Disposals	**–**	**–**	**29**	**29**
Amortization	**(40)**	**(4)**	**(111)**	**(155)**
Balance, end of year	**$ (440)**	**$ (65)**	**$ (663)**	**$ (1,168)**
Net carrying amount	**$ 327**	**$ 46**	**$ 641**	**$ 1,014**

	2019			
	Customer contract related	Distribution channels	Software	Total
Amortization period range	7 – 30 years	30 years	3 – 10 years	
Amortization method	Straight-line	Straight-line	Straight-line	
Cost				
Balance, beginning of year	$ 702	$ 111	$ 924	$ 1,737
Additions	11	–	173	184
Changes in foreign exchange rates	(12)	(3)	(9)	(24)
Disposals	–	–	(5)	(5)
Balance, end of year	$ 701	$ 108	$ 1,083	$ 1,892
Accumulated amortization and impairment				
Balance, beginning of year	$ (352)	$ (57)	$ (480)	$ (889)
Changes in foreign exchange rates	2	1	5	8
Disposals	–	–	1	1
Amortization	(40)	(4)	(95)	(139)
Balance, end of year	$ (390)	$ (60)	$ (569)	$ (1,019)
Net carrying amount	$ 311	$ 48	$ 514	$ 873

The weighted average remaining amortization period of the customer contract related and distribution channels are 15 and 14 years respectively (14 and 14 years respectively at December 31, 2019).

(c) Recoverable Amount

For the purposes of annual impairment testing, the Company allocates indefinite life intangibles to cash generating units and goodwill to cash generating unit groupings. Any potential impairment of indefinite life intangible assets is identified by comparing the recoverable amount of a cash generating unit to its carrying value. Any potential impairment of goodwill is identified by comparing the recoverable amount of a cash generating unit grouping to its carrying value.

Fair value is initially assessed with reference to valuation multiples of comparable publicly-traded financial institutions and precedent business acquisition transactions. These valuation multiples may include price-to-earnings or price-to-book measures for life insurers and asset managers. This assessment may give regard to a variety of relevant considerations, including expected growth, risk and capital market conditions, among other factors. The valuation multiples used in assessing fair value represent Level 2 inputs.

In the fourth quarter of 2020, the Company conducted its annual impairment testing of intangible assets and goodwill based on September 30, 2020 asset balances. It was determined that the recoverable amounts of cash generating units for intangible assets and cash generating unit groupings for goodwill were in excess of their carrying values and there was no evidence of significant impairment.

Any reasonable changes in assumptions and estimates used in determining recoverable amounts of cash generating units or cash generating unit groupings is unlikely to cause carrying values to exceed recoverable amounts.

11. Owner Occupied Properties and Fixed Assets

The carrying value of owner occupied properties and the changes in the carrying value of owner occupied properties are as follows:

	2020	2019
Carrying value, beginning of year	**$ 627**	$ 624
Less: accumulated depreciation/impairments	**(90)**	(81)
Net carrying value, beginning of year	**537**	543
Additions	**38**	22
Disposals	–	(10)
Impairment recovery	–	2
Transferred to investment properties (1)	**(17)**	–
Depreciation	**(12)**	(11)
Foreign exchange	**9**	(9)
Net carrying value, end of year	**$ 555**	$ 537

(1) As a result of the sale of IPSI, a property with a carrying value of $17 was reclassified from owner occupied properties to investment properties.

The net carrying value of fixed assets is $292 at December 31, 2020 ($310 at December 31, 2019).

There are no restrictions on the title of the owner occupied properties and fixed assets, nor are they pledged as security for debt.

12. Other Assets

	2020	2019
Deferred acquisition costs	$ **550**	$ 552
Right-of-use assets	**217**	236
Finance leases receivable	**404**	405
Defined benefit pension plan assets (note 23)	**240**	231
Trading account assets	**156**	135
Prepaid expenses	**79**	85
Miscellaneous other assets	**65**	18
Total	$ **1,711**	$ 1,662

Total other assets of $330 ($268 at December 31, 2019) are expected to be realized within 12 months from the reporting date. This amount excludes deferred acquisition costs, the changes in which are noted below.

Deferred acquisition costs	2020	2019
Balance, beginning of year	$ **552**	$ 597
Additions	**60**	72
Amortization	**(49)**	(49)
Changes in foreign exchange rates	**28**	(31)
Disposals	**(41)**	(36)
Write-off	**–**	(1)
Balance, end of year	$ **550**	$ 552

	2020		
Right-of-use assets	Property	Equipment	Total
Cost, beginning of year	$ **272**	$ **5**	$ **277**
Additions	**24**	**1**	**25**
Modifications	**(1)**	**–**	**(1)**
Changes in foreign exchange rates	**3**	**–**	**3**
Cost, end of year	$ **298**	$ **6**	$ **304**
Accumulated amortization, beginning of year	$ **(39)**	$ **(2)**	$ **(41)**
Amortization	**(42)**	**(2)**	**(44)**
Changes in foreign exchange rates	**(2)**	**–**	**(2)**
Accumulated amortization, end of year	$ **(83)**	$ **(4)**	$ **(87)**
Carrying amount, end of year	$ **215**	$ **2**	$ **217**

	2019		
	Property	Equipment	Total
Cost, beginning of year	$ 235	$ 5	$ 240
Additions	41	–	41
Modifications	(1)	–	(1)
Changes in foreign exchange rates	(3)	–	(3)
Cost, end of year	$ 272	$ 5	$ 277
Accumulated amortization, beginning of year	$ –	$ –	$ –
Amortization	(40)	(2)	(42)
Changes in foreign exchange rates	1	–	1
Accumulated amortization, end of year	$ (39)	$ (2)	$ (41)
Carrying amount, end of year	$ 233	$ 3	$ 236

Finance leases receivable

The Company has a finance lease on one property in Canada which has been leased for a 25-year term. The Company has five finance leases on properties in Europe. These properties have been leased for terms ranging between 27 and 40 years.

The terms to maturity of the lease payments receivable are as follows:

	2020	2019
One year or less	$ 30	$ 30
Over one year to two years	30	30
Over two years to three years	30	30
Over three years to four years	30	30
Over four years to five years	30	30
Over five years	662	686
Total undiscounted lease payments	$ 812	$ 836
Less: unearned finance lease income	408	431
Total finance leases receivable	$ 404	$ 405
Finance income on the net investment in the leases	$ 26	$ 26

13. Insurance and Investment Contract Liabilities

(a) Insurance and investment contract liabilities

	2020		
	Gross liability	Reinsurance assets	Net
Insurance contract liabilities	$ 144,333	$ 8,794	$ 135,539
Investment contract liabilities	1,671	130	1,541
Total	$ 146,004	$ 8,924	$ 137,080

	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

(b) Composition of insurance and investment contract liabilities and related supporting assets

(i) The composition of insurance and investment contract liabilities is as follows:

	2020		
	Gross liability	Reinsurance assets	Net
Participating			
Canada	$ 46,107	$ (199)	$ 46,306
Europe	155	–	155
Capital and Risk Solutions	912	–	912
Corporate	2,442	(4)	2,446
Non-Participating			
Canada	35,449	638	34,811
Europe	48,088	5,622	42,466
Capital and Risk Solutions	10,562	619	9,943
Corporate	2,289	2,248	41
Total	$ 146,004	$ 8,924	$ 137,080

13. Insurance and Investment Contract Liabilities (cont'd)

	2019		
	Gross liability	Reinsurance assets	Net
Participating			
Canada	$ 42,271	$ (247)	$ 42,518
Europe [1]	173	–	173
Capital and Risk Solutions [1]	846	–	846
Corporate	2,452	(5)	2,457
Non-Participating			
Canada	32,668	498	32,170
Europe [1]	45,489	5,230	40,259
Capital and Risk Solutions [1]	11,061	665	10,396
Corporate	2,154	2,114	40
Total	$ 137,114	$ 8,255	$ 128,859

(1) See comparative figures (note 32).

(ii) The composition of the assets supporting liabilities and equity is as follows:

	2020					
	Bonds	**Mortgage loans**	**Stocks**	**Investment properties**	**Other**	**Total**
Carrying value						
Participating liabilities						
Canada	**$ 21,803**	**$ 10,545**	**$ 6,152**	**$ 2,983**	**$ 4,624**	**$ 46,107**
Europe	**84**	**–**	**62**	**9**	**–**	**155**
Capital and Risk Solutions	**688**	**12**	**–**	**–**	**212**	**912**
Corporate	**1,728**	**409**	**–**	**–**	**305**	**2,442**
Non-participating liabilities						
Canada	**21,511**	**4,498**	**2,789**	**360**	**6,291**	**35,449**
Europe	**34,941**	**5,746**	**332**	**2,536**	**4,533**	**48,088**
Capital and Risk Solutions	**2,365**	**52**	**–**	**–**	**8,145**	**10,562**
Corporate	**38**	**–**	**–**	**–**	**2,251**	**2,289**
Other	**14,645**	**804**	**751**	**141**	**210,888**	**227,229**
Total equity	**2,805**	**197**	**378**	**238**	**19,439**	**23,057**
Total carrying value	**$ 100,608**	**$ 22,263**	**$ 10,464**	**$ 6,267**	**$ 256,688**	**$ 396,290**
Fair value	**$ 103,398**	**$ 23,912**	**$ 10,427**	**$ 6,267**	**$ 256,688**	**$ 400,692**

	2019					
	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Carrying value						
Participating liabilities						
Canada	$ 19,484	$ 9,655	$ 6,142	$ 2,472	$ 4,518	$ 42,271
Europe [1]	97	–	63	12	1	173
Capital and Risk Solutions [1]	619	20	–	–	207	846
Corporate	1,706	436	–	–	310	2,452
Non-participating liabilities						
Canada	20,270	4,111	2,237	407	5,643	32,668
Europe [1]	33,062	5,387	299	2,672	4,069	45,489
Capital and Risk Solutions [1]	2,423	55	–	–	8,583	11,061
Corporate	11	–	–	–	2,143	2,154
Other	14,849	698	902	119	193,621	210,189
Total equity	2,620	354	392	202	19,793	23,361
Total carrying value	$ 95,141	$ 20,716	$ 10,035	$ 5,884	$ 238,888	$ 370,664
Fair value	$ 96,821	$ 21,528	$ 10,027	$ 5,884	$ 238,888	$ 373,148

(1) See comparative figures (note 32).

Cash flows of assets supporting insurance and investment contract liabilities are matched within reasonable limits. Changes in the fair values of these assets are largely offset by changes in the fair value of insurance and investment contract liabilities.

Changes in the fair values of assets backing capital and surplus, less related income taxes, would result in a corresponding change in surplus over time in accordance with investment accounting policies.

(c) Change in insurance contract liabilities

The change in insurance contract liabilities during the year was the result of the following business activities and changes in actuarial estimates:

2020

	Participating		
	Gross liability	**Reinsurance assets**	**Net**
Balance, beginning of year	**$ 45,742**	**$ (252)**	**$ 45,994**
Impact of new business	**(7)**	**32**	**(39)**
Normal change in force	**3,903**	**8**	**3,895**
Management action and changes in assumptions	**55**	**8**	**47**
Impact of foreign exchange rate changes	**(77)**	**1**	**(78)**
Balance, end of year	**$ 49,616**	**$ (203)**	**$ 49,819**

	Non-participating			
	Gross liability	**Reinsurance assets**	**Net**	**Total Net**
Balance, beginning of year	**$ 89,716**	**$ 8,380**	**$ 81,336**	**$ 127,330**
Impact of new business	**2,561**	**161**	**2,400**	**2,361**
Normal change in force	**1,318**	**169**	**1,149**	**5,044**
Management action and changes in assumptions	**215**	**108**	**107**	**154**
Business movement from/to external parties	**(48)**	**–**	**(48)**	**(48)**
Impact of foreign exchange rate changes	**955**	**179**	**776**	**698**
Balance, end of year	**$ 94,717**	**$ 8,997**	**$ 85,720**	**$ 135,539**

2019

	Participating		
	Gross liability	Reinsurance assets	Net
Balance, beginning of year	$ 41,589	$ (355)	$ 41,944
Impact of new business	59	–	59
Normal change in force	4,187	26	4,161
Management action and changes in assumptions	67	77	(10)
Impact of foreign exchange rate changes	(160)	–	(160)
Balance, end of year	$ 45,742	$ (252)	$ 45,994

	Non-participating			
	Gross liability	Reinsurance assets	Net	Total Net
Balance, beginning of year	$ 86,945	$ 8,125	$ 78,820	$ 120,764
Impact of new business	2,909	183	2,726	2,785
Normal change in force	1,597	186	1,411	5,572
Management action and changes in assumptions	(168)	(58)	(110)	(120)
Business movement from/to affiliates	–	(1,322)	1,322	1,322
Business movement from/to external parties	(176)	1,675	(1,851)	(1,851)
Impact of foreign exchange rate changes	(1,391)	(409)	(982)	(1,142)
Balance, end of year	$ 89,716	$ 8,380	$ 81,336	$ 127,330

13. Insurance and Investment Contract Liabilities (cont'd)

Under IFRS, movement in the fair value of the supporting assets is a major factor in the movement of insurance contract liabilities. Changes in the fair value of assets are largely offset by corresponding changes in the fair value of liabilities. The change in the value of the insurance contract liabilities associated with the change in the value of the supporting assets is included in the normal change in force above.

In 2020, the major contributors to the increase in net insurance contract liabilities were the normal change in the in force business of $5,044, the impact of new business of $2,361, and the impact of foreign exchange rate changes of $698.

Net non-participating insurance contract liabilities increased by $107 in 2020 due to management actions and changes in assumptions. The increase was primarily due to updated policyholder behaviour assumptions of $256, updated morbidity assumptions of $122, of which $114 is offset by an increase in other assets, and updated economic and asset related assumptions of $47. This was partially offset by decreases due to updated longevity assumptions of $278, and modeling refinements of $56.

Net participating insurance contract liabilities increased by $47 in 2020 due to management actions and changes in assumptions. The increase was primarily due to updated economic assumptions of $2,358, and updated policyholder behaviour assumptions of $34. This was partially offset by decreases due to provisions for future policyholder dividends of $1,899, updated expense and tax assumptions of $446, and modeling refinements of $5.

In July 2019, the Canadian Actuarial Standards Board published revised standards for the valuation of insurance contract liabilities, with an effective date of October 15, 2019. The revised standards include decreases to ultimate reinvestment rates and revised calibration criteria for stochastic risk-free interest rates.

In 2019, the major contributors to the increase in net insurance contract liabilities were the normal change in force of $5,572, the impact of new business of $2,785, and business movement from affiliates of $1,322. This was partially offset by decreases due to business movement to external parties of $1,851, which includes the transfer to Protective Life, and the impact of foreign exchange rate changes of $1,142.

Net non-participating insurance contract liabilities decreased by $110 in 2019 due to management actions and changes in assumptions. The decrease was primarily due to updated longevity assumptions of $245, updated morbidity assumptions of $152, and updated economic assumptions of $107 which includes the net impact of new standards, partially offset by increases due to updated policyholder behaviour assumptions of $267, updated expense and tax assumptions of $74, and updated mortality assumptions $67.

Net participating insurance contract liabilities decreased by $10 in 2019 due to management actions and assumption changes. The decrease was primarily due to updated provisions for future policyholder dividends of $2,232, updated expense and tax assumptions of $535, and modeling refinements of $198. This was partially offset by updated economic assumptions of $1,884, policyholder behaviour assumptions of $935, and life mortality assumptions of $153.

(d) Change in investment contract liabilities measured at fair value

	2020			2019		
	Gross liability	Reinsurance assets	Net	Gross liability	Reinsurance assets	Net
Balance, beginning of year	**$ 1,656**	**$ 127**	**$ 1,529**	$ 1,684	$ 121	$ 1,563
Normal change in force business	**(110)**	**(20)**	**(90)**	(86)	29	(115)
Investment experience	**145**	**26**	**119**	129	(19)	148
Management action and changes in assumptions	**(4)**	**–**	**(4)**	(4)	–	(4)
Business movement from/to affiliates	**–**	**–**	**–**	–	(114)	114
Business movement from/to external parties	**–**	**–**	**–**	–	116	(116)
Impact of foreign exchange rate changes	**(16)**	**(3)**	**(13)**	(67)	(6)	(61)
Balance, end of year	**$ 1,671**	**$ 130**	**$ 1,541**	$ 1,656	$ 127	$ 1,529

The carrying value of investment contract liabilities approximates their fair value.

(e) Gross premiums written and gross policyholder benefits

(i) Premium Income

	2020	2019
Direct premiums	**$ 20,484**	$ 20,916
Assumed reinsurance premiums	**21,242**	19,117
Total	**$ 41,726**	$ 40,033

(ii) Policyholder Benefits

	2020	2019
Direct	**$ 13,947**	$ 15,225
Assumed reinsurance	**21,627**	19,398
Total	**$ 35,574**	$ 34,623

(f) Actuarial Assumptions

In the computation of insurance contract liabilities, valuation assumptions have been made regarding rates of mortality/morbidity, investment returns, levels of operating expenses, rates of policy termination and rates of utilization of elective policy options or provisions. The valuation assumptions use best estimates of future experience together with a margin for adverse deviation. 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.

The methods for arriving at these valuation assumptions are outlined below:

Mortality

A life insurance mortality study is carried out annually for each major block of insurance business. The results of each study are used to update the Company's experience valuation mortality tables for that business. When there is insufficient data, use is made of the latest industry experience to derive an appropriate valuation mortality assumption. Improvement scales for life insurance and annuitant mortality are updated periodically based on population and industry studies, product specific considerations, as well as professional guidance. In addition, appropriate provisions have been made for future mortality deterioration on term insurance.

Annuitant mortality is also studied regularly and the results are used to modify established annuitant mortality tables.

Morbidity

The Company uses industry developed experience tables modified to reflect emerging Company experience. Both claim incidence and termination are monitored regularly and emerging experience is factored into the current valuation.

13. Insurance and Investment Contract Liabilities (cont'd)

Property and casualty reinsurance

Insurance contract liabilities for property and casualty reinsurance written by LRG, a subsidiary of Canada Life, are determined using accepted actuarial practices for property and casualty insurers in Canada. The insurance contract liabilities are based on cession statements provided by ceding companies. In addition, insurance contract liabilities also include an amount for incurred but not reported losses which may differ significantly from the ultimate loss development. The estimates and underlying methodology are continually reviewed and updated, and adjustments to estimates are reflected in earnings. LRG analyzes the emergence of claims experience against expected assumptions for each reinsurance contract separately and at the portfolio level. If necessary, a more in-depth analysis is undertaken of the cedant experience.

Investment returns

The assets which correspond to the different liability categories are segmented. For each segment, projected cash flows from the current assets and liabilities are used in the Canadian Asset Liability Method to determine insurance contract liabilities. Cash flows from assets are reduced to provide for asset default losses. Testing under several interest rate and equity scenarios (including increasing and decreasing rates) is done to provide for reinvestment risk (note 8(c)).

Expenses

Contractual policy expenses (e.g. sales commissions) and tax expenses are reflected on a best estimate basis. Expense studies for indirect operating expenses are updated regularly to determine an appropriate estimate of future operating expenses for the liability type being valued. Improvements in unit operating expenses are not projected. An inflation assumption is incorporated in the estimate of future operating expenses consistent with the interest rate scenarios projected under the Canadian Asset Liability Method as inflation is assumed to be correlated with new money interest rates.

Policy termination

Studies to determine rates of policy termination are updated regularly to form the basis of this estimate. Industry data is also available and is useful where the Company has no experience with specific types of policies or its exposure is limited. The Company's most significant exposures are in respect of the T-100 and Level Cost of Insurance Universal Life products in Canada and policy renewal rates at the end of term for renewable term policies in Canada and Capital and Risk Solutions. Industry experience has guided the Company's assumptions for these products as the Company's own experience is very limited.

Utilization of elective policy options

There are a wide range of elective options embedded in the policies issued by the Company. Examples include term renewals, conversion to whole life insurance (term insurance), settlement annuity purchase at guaranteed rates (deposit annuities) and guarantee re-sets (segregated fund maturity guarantees). The assumed rates of utilization are based on Company or industry experience when it exists and when not on judgment considering incentives to utilize the option. Generally, whenever it is clearly in the best interests of an informed policyholder to utilize an option, then it is assumed to be elected.

Policyholder dividends and adjustable policy features

Future policyholder dividends and other adjustable policy features are included in the determination of insurance contract liabilities with the assumption that policyholder dividends or adjustable benefits will change in the future in response to the relevant experience. The dividend and policy adjustments are determined consistent with policyholders' reasonable expectations, such expectations being influenced by the participating policyholder dividend policies and/or policyholder communications, marketing material and past practice. It is the Company's expectation that changes will occur in policyholder dividend scales or adjustable benefits for participating or adjustable business respectively, corresponding to changes in the best estimate assumptions, resulting in an immaterial net change in insurance contract liabilities. Where underlying guarantees may limit the ability to pass all of this experience back to the policyholder, the impact of this non-adjustability on shareholders' earnings is reflected in the changes in best estimate assumptions above.

(g) Risk Management

(i) Insurance risk

Insurance risk is the risk that the insured event occurs and that there are large deviations between expected and actual actuarial assumptions including mortality, persistency, longevity, morbidity, expense variations and investment returns.

The Company is in the business of accepting risk associated with insurance contract liabilities. The objective of the Company is to mitigate its exposure to risk arising from these contracts through product design, product and geographical diversification, the implementation of the Company's underwriting strategy guidelines, and through the use of reinsurance arrangements.

The following provides information about the Company's insurance contract liabilities sensitivities to management's best estimate of the approximate impact as a result of changes in assumptions used to determine the Company's liability associated with these contracts.

	Increase (decrease) in net earnings 2020	2019
Mortality – 2% increase	**$ (266)**	$ (255)
Annuitant mortality – 2% decrease	**$ (755)**	$ (600)
Morbidity – 5% adverse change	**$ (279)**	$ (253)
Investment returns		
Parallel shift in yield curve		
1% increase	**$ –**	$ –
1% decrease	**$ –**	$ –
Change in interest rates		
1% increase	**$ 231**	$ 229
1% decrease	**$ (604)**	$ (604)
Change in publicly traded common stock values		
20% increase	**$ 28**	$ 54
10% increase	**$ 15**	$ 27
10% decrease	**$ (51)**	$ (39)
20% decrease	**$ (208)**	$ (182)
Change in other non-fixed income asset values		
10% increase	**$ 34**	$ 60
5% increase	**$ 6**	$ 25
5% decrease	**$ (69)**	$ (28)
10% decrease	**$ (108)**	$ (90)
Change in best estimate return assumptions for equities		
1% increase	**$ 556**	$ 509
1% decrease	**$ (682)**	$ (585)
Expenses – 5% increase	**$ (117)**	$ (114)
Policy termination and renewal – 10% adverse change	**$ (791)**	$ (756)

Concentration risk may arise from geographic regions, accumulation of risks and market risk. The concentration of insurance risk before and after reinsurance by business unit is described below.

	2020			2019		
	Gross liability	**Reinsurance assets**	**Net**	Gross liability	Reinsurance assets	Net
Canada	**$ 81,556**	**$ 439**	**$ 81,117**	$ 74,939	$ 251	$ 74,688
Europe [(1)]	**48,243**	**5,622**	**42,621**	45,662	5,230	40,432
Capital and Risk Solutions [(1)]	**11,474**	**619**	**10,855**	11,907	665	11,242
Corporate	**4,731**	**2,244**	**2,487**	4,606	2,109	2,497
Total	**$ 146,004**	**$ 8,924**	**$ 137,080**	$ 137,114	$ 8,255	$ 128,859

(1) See comparative figures (note 32).

(ii) Reinsurance risk

Maximum limits per insured life benefit amount (which vary by line of business) are established for life and health insurance and reinsurance is purchased for amounts in excess of those limits.

Reinsurance costs and recoveries as defined by the reinsurance agreement are reflected in the valuation with these costs and recoveries being appropriately calibrated to the direct assumptions.

Reinsurance contracts do not relieve the Company from its obligations to policyholders. Failure of reinsurers to honour their obligations could result in losses to the Company. The Company evaluates the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurer insolvencies.

Certain of the reinsurance contracts are on a funds withheld basis where the Company retains the assets supporting the reinsured insurance contract liabilities, thus minimizing the exposure to significant losses from reinsurer insolvency on those contracts.

14. Segregated Funds and Other Structured Entities

The Company offers segregated fund products in Canada and Europe that are referred to as segregated funds and unit-linked funds in the respective region. These funds are contracts issued by insurers to segregated fund policyholders where the benefit is directly linked to the performance of the investments, the risks or rewards of the fair value movements and net investment income is realized by the segregated fund policyholders. The segregated fund policyholders are required to select the segregated funds that hold a range of underlying investments. While the Company has legal title to the investments, there is a contractual obligation to pass along the investment results to the segregated fund policyholder and the Company segregates these investments from those of the Company.

In Canada, the segregated fund assets are legally separated from the general assets of the Company under the terms of the policyholder agreement and cannot be used to settle obligations of the Company. In Europe, the assets of the funds are functionally and constructively segregated from those of the Company. As a result of the legal and constructive arrangements of these funds, the assets and liabilities of these funds are presented as a line items within the Consolidated Balance Sheets titled investments on account of segregated fund policyholders and with an equal and offsetting liability titled investment and insurance contracts on account of segregated fund policyholders.

In circumstances where the segregated funds are invested in structured entities and are deemed to control the entity, the Company has presented the non-controlling ownership interest within the segregated funds for the risk of policyholders as equal and offsetting amounts in the assets and liabilities. The amounts presented within are $1,490 at December 31, 2020 ($1,147 at December 31, 2019).

Within the Consolidated Statements of Earnings, all segregated fund policyholders' income, including fair value changes and net investment income, is credited to the segregated fund policyholders and reflected in the assets and liabilities on account of segregated fund policyholders within the Consolidated Balance Sheets. As these amounts do not directly impact the revenues and expenses of the Company, these amounts are not included separately in the Consolidated Statements of Earnings.

Segregated Funds Guarantee Exposure

The Company offers retail segregated fund products, and unitized with profits (UWP) products that provide for certain guarantees that are tied to the market values of the investment funds. While these products are similar to mutual funds, there is a key difference from mutual funds as the segregated funds have certain guarantee features that protect the segregated fund policyholder from market declines in the underlying investments. These guarantees are the Company's primary exposure on these funds. The Company accounts for these guarantees within insurance and investment contract liabilities within the consolidated financial statements. In addition to the Company's exposure on the guarantees, the fees earned by the Company on these products are impacted by the market value of these funds.

In Canada, the Company offers retail segregated fund products. These products provide guaranteed minimum death benefits (GMDB) and guaranteed minimum accumulation on maturity benefits.

In Europe, the Company offers UWP products in Germany and unit-linked products with investment guarantees in Ireland. These products are similar to segregated fund products but include minimum credited interest rates and pooling of policyholders' funds.

The Company also offers a guaranteed minimum withdrawal benefits (GMWB) product in Germany, and previously offered GMWB product in Canada and Ireland. Certain GMWB products offered by the Company offer levels of death and maturity guarantees. At December 31, 2020, the amount of GMWB product in-force in Canada, Ireland and Germany was $2,522 ($2,518 at December 31, 2019).

The following presents further 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

	2020	2019
Cash and cash equivalents	**$ 15,352**	$ 12,481
Bonds	**34,396**	31,904
Mortgage loans	**2,686**	2,670
Stocks and units in unit trusts	**112,652**	104,330
Mutual funds	**39,181**	36,708
Investment properties	**12,430**	12,986
	216,697	201,079
Accrued income	**314**	322
Other liabilities	**(2,451)**	(2,959)
Non-controlling mutual funds interest	**1,490**	1,147
Total	**$ 216,050**	$ 199,589

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

	2020	2019
Balance, beginning of year	**$ 199,589**	$ 177,711
Additions (deductions):		
Policyholder deposits	**20,038**	22,264
Net investment income	**1,725**	2,043
Net realized capital gains on investments	**8,466**	3,808
Net unrealized capital gains (losses) on investments	**(1,291)**	16,943
Unrealized gains (losses) due to changes in foreign exchange rates	**4,865**	(5,109)
Policyholder withdrawals	**(17,928)**	(18,891)
Change in General Fund investment in Segregated Fund	**234**	105
Net transfer from General Fund	**9**	23
Non-controlling mutual funds interest	**343**	283
Transfer from assets held for sale	**–**	409
Total	**16,461**	21,878
Balance, end of year	**$ 216,050**	$ 199,589

(c) Investment income on account of segregated fund policyholders

	2020	2019
Net investment income	**$ 1,725**	$ 2,043
Net realized capital gains on investments	**8,466**	3,808
Net unrealized capital gains (losses) on investments	**(1,291)**	16,943
Unrealized gains (losses) due to changes in foreign exchange rates	**4,865**	(5,109)
Total	**13,765**	17,685
Change in investment and insurance contracts liability on account of segregated fund policyholders	**13,765**	17,685
Net	**$ –**	$ –

(d) Investments on account of segregated fund policyholders by fair value hierarchy level (note 9)

	2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments on account of segregated fund policyholders (1)	**$ 137,712**	**$ 67,058**	**$ 13,556**	**$ 218,326**

(1) Excludes other liabilities, net of other assets, of $2,276.

	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

14. Segregated Funds and Other Structured Entities (cont'd)

During 2020, certain foreign stock holdings valued at $3,190 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 at year-end. 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.

As at December 31, 2020, $9,770 ($8,471 at December 31, 2019) of the segregated funds were invested in funds managed by related parties, IG Wealth Management and Mackenzie Investments, members of the Power Corporation group of companies (note 25).

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:

	2020	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	**78**	141	(1)	140
Purchases	**167**	760	–	760
Sales	**(712)**	(284)	(8)	(292)
Transfers into Level 3	**35**	–	–	–
Transfers out of Level 3	**–**	–	–	–
Balance, end of year	**$ 13,556**	$ 13,988	$ –	$ 13,988

(1) At December 31, 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.

In addition to the segregated funds, the Company has interests in a number of structured unconsolidated entities including mutual funds, open-ended investment companies, and unit trusts. These entities are created as investment strategies for its unit-holders based on the directive of each individual fund.

Some of these funds are managed by related parties of the Company and the Company receives management fees related to these services. Management fees can be variable due to performance of factors – such as markets or industries – in which the fund invests. Fee income derived in connection with the management of investment funds generally increases or decreases in direct relationship with changes of assets under management which is affected by prevailing market conditions, and the inflow and outflow of client assets.

Factors that could cause assets under management and fees to decrease include declines in equity markets, changes in fixed income markets, changes in interest rates and defaults, redemptions and other withdrawals, political and other economic risks, changing investment trends and relative investment performance. The risk is that fees may vary but expenses and recovery of initial expenses are relatively fixed, and market conditions may cause a shift in asset mix potentially resulting in a change in revenue.

During 2020, fee and other income earned by the Company resulting from the Company's interests in segregated funds and other structured entities was $2,803 ($2,772 in 2019).

Included within other assets (note 12) at December 31, 2020 is $156 ($135 at December 31, 2019) of investments in stocks of sponsored unit trusts in Europe.

15. Debentures and Other Debt Instruments

	2020		2019	
	Carrying value	**Fair value**	Carrying value	Fair value
6.74% Debentures due November 24, 2036, unsecured (note 25)	$ **200**	$ **200**	$ 200	$ 200
6.40% Subordinated debentures due December 11, 2028, unsecured	**100**	**135**	100	128
200 euro subordinated loan, matures December 7, 2031, bearing an interest rate of 2.53% until first par call date of December 7, 2026, and, thereafter, at a rate equal to the five-year euro semi-annual mid-swap rate plus 1.85%, unsecured (note 25)	**310**	**310**	292	292
Canada Life Capital Trust (CLCT)				
7.529% due June 30, 2052, unsecured, face value $150	**158**	**222**	159	221
Total	$ **768**	$ **867**	$ 751	$ 841

Capital Trust Securities

CLCT, a trust established by Canada Life, had issued $150 of Canada Life Capital Securities – Series B (CLiCS – Series B), the proceeds of which were used by CLCT to purchase Canada Life senior debentures in the amount of $150.

Distributions and interest on the capital trust securities are classified as financing charges in the Consolidated Statements of Earnings (note 16). The fair value for capital trust securities is determined by the bid-ask price. Refer to note 8 for financial instrument risk management disclosures.

Subject to regulatory approval, CLCT may redeem the CLiCS – Series B, in whole or in part, at any time.

16. Financing Charges

Financing charges consist of the following:

	2020	2019
Interest on long-term debentures and other debt instruments	$ **27**	$ 27
Dividends on preferred shares classified as liabilities	**63**	–
Interest on capital trust securities	**11**	11
Other	**12**	12
Total	$ **113**	$ 50

17. Other Liabilities

	2020	2019
Pension and other post-employment benefits (note 23)	$ **1,343**	$ 1,244
Lease liabilities	**281**	293
Bank overdraft	**440**	374
Deferred income reserves	**345**	380
Other	**1,351**	1,137
Total	$ **3,760**	$ 3,428

Total other liabilities of $1,791 ($1,511 at December 31, 2019) are expected to be realized within 12 months from the reporting date. This amount excludes deferred income reserves, the changes in which are noted below.

Deferred income reserves	2020	2019
Balance, beginning of year	$ **380**	$ 441
Additions	**51**	70
Amortization	**(78)**	(81)
Changes in foreign exchange	**12**	(15)
Disposals	**(20)**	(35)
Balance, end of year	$ **345**	$ 380

17. Other Liabilities (cont'd)

Lease liabilities	2020 Property	2020 Equipment	2020 Total
Balance, beginning of year	**$ 290**	**$ 3**	**$ 293**
Additions	**28**	**1**	**29**
Lease payments	**(49)**	**(2)**	**(51)**
Changes in foreign exchange rates	**2**	**–**	**2**
Interest	**8**	**–**	**8**
Balance, end of year	**$ 279**	**$ 2**	**$ 281**

	2019 Property	2019 Equipment	2019 Total
Balance, beginning of year	$ 275	$ 5	$ 280
Additions	54	–	54
Modifications	(2)	–	(2)
Lease payments	(44)	(2)	(46)
Changes in foreign exchange rates	(1)	–	(1)
Interest	8	–	8
Balance, end of year	$ 290	$ 3	$ 293

The following table presents the contractual undiscounted cash flows for lease obligations:

	2020	2019
One year or less	**$ 51**	$ 46
Over one year to two years	**44**	47
Over two years to three years	**34**	38
Over three years to four years	**29**	30
Over four years to five years	**23**	25
Over five years	**167**	179
Total undiscounted lease obligations	**$ 348**	$ 365

18. Participating Account

The participating operations and the participating balance sheets are presented as combined or consolidated in the operations in the Company's financial statements.[1]

The shareholder portion of participating earnings represents, as restricted by law, a portion of net earnings before policyholder dividends of the participating account, $50 in 2020 ($43 in 2019). The actual payment of the shareholder portion of participating net earnings is legally determined as a percentage of policyholder dividends paid. $74 of shareholder surplus ($72 in 2019) that has been recognized but not paid is dependent on future payment of dividends to participating policyholders. The following provides additional information related to the operations and financial position of each entity.

(a) Net earnings, participating account:

	2020	2019
Net earnings attributable to participating account before policyholder dividends		
Canada Life	**$ 1,429**	$ 302
Great-West Life	**–**	150
London Life	**–**	919
	1,429	1,371
Policyholder dividends		
Canada Life	**(1,362)**	(315)
Great-West Life	**–**	(166)
London Life	**–**	(880)
	(1,362)	(1,361)
Net earnings – participating account	**$ 67**	$ 10

(b) Participating account surplus in subsidiaries:

	2020	2019
Participating account accumulated surplus:		
Canada Life	$ 2,837	$ 277
Great-West Life	–	596
London Life	–	1,897
Total	**2,837**	2,770
Participating account accumulated other comprehensive income (loss):		
Canada Life	21	7
Great-West Life	–	(1)
London Life	–	(31)
Accumulated other comprehensive income (loss) – participating account	21	(25)
Total	**$ 2,858**	$ 2,745

(c) Participating account – other comprehensive income:

	2020	2019
Other comprehensive income attributable to participating account		
Canada Life	$ 46	$ 9
Great-West Life	–	3
London Life	–	–
Total	**$ 46**	$ 12

(1) The participating accounts previously held in Great-West Life, London Life and Canada Life are now held in the Company as part of the Amalgamation.

19. Non-Controlling Interests

The net earnings attributable to non-controlling interests in the Consolidated Statements of Earnings for the year ended December 31, 2020 was $2 ($1 for the year ended December 31, 2019). Non-controlling interests on the Consolidated Balance Sheets for December 31, 2020 was $25 ($21 at December 31, 2019).

20. Share Capital

Authorized

Unlimited Common Shares

Unlimited Preferred Shares

Issued and outstanding

	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)**	**–**	145	1
Balance, end of year	**2,407,384**	**$ 7,884**	2,407,385	$ 8,884

(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.

21. 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 Company has 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 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, 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:

	2020	2019
Tier 1 Capital	**$ 11,593**	$ 11,952
Tier 2 Capital	**4,568**	3,637
Total Available Capital	**16,161**	15,589
Surplus Allowance & Eligible Deposits	**14,226**	12,625
Total Capital Resources	**$ 30,387**	$ 28,214
Required Capital	**$ 23,607**	$ 20,911
Total LICAT Ratio (OSFI Supervisory Target = 100%) (1)	**129 %**	135 %

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

For entities based in Europe, the local solvency capital regime is the Solvency II basis. At December 31, 2020 and December 31, 2019, all European regulated entities met the capital and solvency requirements as prescribed under Solvency II.

Other foreign operations and foreign subsidiaries of the Company are required to comply with local capital or solvency requirements in their respective jurisdictions. At December 31, 2020 and December 31, 2019, the Company maintained capital levels above the minimum local regulatory requirements in each of its foreign operations.

22. Share-Based Payments

(a) Lifeco has a stock option plan (the Plan) pursuant to which options to subscribe for common shares of Lifeco may be granted to certain officers and employees of Canada Life and its affiliates. Lifeco's Human Resources Committee (the Committee) administers the Plan and, subject to the specific provisions of the Plan, fixes the terms and conditions upon which options are granted. The exercise price of each option granted under the Plan is fixed by the Committee, but cannot under any circumstances be less than the weighted average trading price per Lifeco common share on the Toronto Stock Exchange for the five trading days preceding the date of the grant. Options granted prior to January 1, 2019 vest over a period of five years. Options granted on or after January 1, 2019 vest 50% three years after the grant date and 50% four years after the grant date. Options have a maximum exercise period of ten years from the grant date. Termination of employment may, in certain circumstances, result in forfeiture of the options, unless otherwise determined by the Committee. In 2020, the maximum number of Lifeco common shares issuable under the Plan was 65,000,000.

During 2020, 1,932,200 options were granted (2,032,900 during 2019). The weighted average fair value of options granted during 2020 was $1.86 per option ($2.79 in 2019). The fair value of each option was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions used for those options granted in 2020: dividend yield 5.44% (5.45% in 2019), expected volatility 15.75% (18.29% in 2019), risk-free interest rate 1.10% (1.88% in 2019), and expected life of eight years (eight in 2019).

The following summarizes the changes in options outstanding and the weighted average exercise price:

	2020		2019	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Outstanding, beginning of year	**11,928,209**	**$ 32.58**	10,407,409	$ 32.77
Granted	**1,932,200**	**32.22**	2,032,900	30.34
Exercised	**(361,020)**	**26.77**	(462,880)	26.86
Forfeited/expired	**(271,580)**	**34.72**	(49,220)	34.82
Outstanding, end of year	**13,227,809**	**$ 32.64**	11,928,209	$ 32.58
Options exercisable at end of year	**7,912,289**	**$ 32.88**	7,513,645	$ 32.33

The weighted average share price at the date of exercise of stock options for the year ended December 31, 2020 was $31.86 ($32.54 in 2019).

Compensation expense due to the Plan transactions accounted for as equity-settled share-based payments of $3 after-tax in 2020 ($3 after-tax in 2019) has been recognized in the Consolidated Statements of Earnings.

The following summarizes information on the ranges of exercise prices including weighted average remaining contractual life at December 31, 2020:

	Outstanding			Exercisable		
Exercise price ranges	**Options**	**Weighted average remaining contractual life**	**Weighted average exercise price**	**Options**	**Weighted average exercise price**	**Expiry**
$27.16 – $36.87	595,340	0.29	30.63	595,340	30.63	2021
$23.16 – $36.87	878,830	1.29	26.93	872,230	26.91	2022
$27.13 – $36.87	1,423,980	2.33	31.39	1,423,980	31.39	2023
$30.28 – $36.87	1,318,120	3.31	32.57	1,318,120	32.57	2024
$34.68 – $36.87	1,355,919	4.19	35.68	1,355,919	35.68	2025
$34.68 – $36.87	1,486,040	5.16	34.69	1,209,780	34.69	2026
$36.87 – $36.87	983,700	6.16	36.87	597,620	36.87	2027
$32.99 – $34.21	1,303,580	7.16	34.20	530,900	34.20	2028
$30.28 – $32.50	1,950,100	8.16	30.34	8,400	30.28	2029
$32.22 – $32.22	1,932,200	9.16	32.22	–	–	2030

22. Share-Based Payments (cont'd)

(b) To promote greater alignment of interests between the Directors and the policyholders of the Company and shareholders of Lifeco, the Company and certain of its affiliates have mandatory Deferred Share Unit Plans and/or voluntary Deferred Share Unit Plans (the "Mandatory DSU Plans" and the "Voluntary DSU Plans" respectively) in which the Directors of the Company participate. Under the Mandatory DSU Plans, each Director who is a resident of Canada or the United States must receive 50% of their annual Board retainer in the form of Lifeco Deferred Share Units (DSUs). Under the Voluntary DSU Plans, each Director may elect to receive the balance of their annual Board retainer and Board Committee fees entirely in the form of DSUs, entirely in cash, or equally in cash and DSUs. In both cases, the number of DSUs granted is determined by dividing the amount of remuneration payable to the Director by the weighted average trading price per Lifeco common share on the Toronto Stock Exchange (TSX) for the last five trading days of the preceding fiscal quarter. Directors receive additional DSUs for dividends payable on the common shares of Lifeco based on the value of a DSU at the dividend payment date. DSUs are redeemable when an individual ceases to be a Director, or as applicable, an officer or employee of the Company or any of its affiliates by a lump sum cash payment, based on the weighted average trading price per Lifeco common share on the TSX for the last five trading days preceding the date of redemption. In 2020, $5 in Directors' fees were used to acquire DSUs ($5 in 2019). At December 31, 2020, the carrying value of the DSU liability is $38 ($33 in 2019) recorded within other liabilities.

Certain employees of the Company are entitled to receive DSUs. Under these DSU Plans, certain employees may elect to receive DSUs as settlement of their annual incentive plan or as settlement of PSUs issued under the Company's PSU Plan. In both cases these employees are granted DSUs equivalent to Lifeco's common shares. Employees receive additional DSUs in respect of dividends payable on the common shares based on the value of the DSUs at the time. DSUs are redeemable when an individual ceases to be an officer or employee of the Company or any of its affiliates, by a lump sum cash payment representing the value of the DSUs at that date. The Company uses the fair-value based method to account for the DSUs granted to employees under the plans. For the year ended December 31, 2020, the Company recognized compensation expense of $4 ($7 in 2019) for the DSU Plans recorded in operating and administrative expenses in the Consolidated Statements of Earnings. At December 31, 2020, the carrying value of the DSU liability is $24 ($21 in 2019) recorded within other liabilities in the Consolidated Balance Sheets.

(c) Certain employees of the Company are entitled to receive PSUs. Under the PSU Plan, these employees are granted PSUs equivalent to Lifeco's common shares vesting over a three-year period. Employees receive additional PSUs in respect of dividends payable on the common shares of Lifeco based on the value of a PSU at that time. At the maturity date, employees receive cash representing the value of the PSU at this date. The Company uses the fair-value based method to account for the PSUs granted to employees under the plan. For the year ended December 31, 2020, the Company recognized compensation expense of $20 ($38 in 2019) for the PSU Plan recorded in operating and administrative expenses in the Consolidated Statements of Earnings. At December 31, 2020, the carrying value of the PSU liability is $53 ($55 in 2019) recorded within other liabilities.

(d) The Company's Employee Share Ownership Plan (ESOP) is a voluntary plan where eligible employees can contribute up to 5% of their previous year's eligible earnings to purchase common shares of Lifeco. The Company matches 50% of the total employee contributions. The contributions from the Company vest immediately and are expensed. For the year ended December 31, 2020, the Company recognized compensation expense of $13 ($12 in 2019) for the ESOP recorded in operating and administrative expenses in the Consolidated Statements of Earnings.

23. Pension Plans and Other Post-Employment Benefits

Characteristics, Funding and Risk

The Company and its subsidiaries maintain contributory and non-contributory defined benefit pension plans for eligible employees and advisors. The Company and its subsidiaries also maintain defined contribution pension plans for eligible employees and advisors.

The defined benefit pension plans provide pensions based on length of service and final average pay; however, these plans are closed to new entrants. Many of the defined benefit pension plans also no longer provide future defined benefit accruals. The Company's defined benefit plan exposure is expected to reduce in future years. Where defined benefit pension accruals continue, active plan participants share in the cost by making contributions in respect of current service. Certain pension payments are indexed either on an ad hoc basis or a guaranteed basis. The determination of the defined benefit obligation reflects pension benefits in accordance with the terms of the plans. Assets supporting the funded pension plans are held in separate trusteed pension funds. Obligations for the wholly unfunded plans are included in other liabilities and are supported by general assets.

New hires and active plan participants in defined benefit plans closed to future defined benefit accruals are eligible for defined contribution pension benefits. The defined contribution pension plans provide pension benefits based on accumulated employee and employer contributions. Employer contributions to these plans are a set percentage of employees' annual income and may be subject to certain vesting requirements.

The Company and its subsidiaries also provide post-employment health, dental and life insurance benefits to eligible employees, advisors and their dependents. Retirees share in the cost of benefits through deductibles, co-insurance and caps on benefits. These plans are closed to new hires and were previously amended to limit which employees could become eligible to receive benefits. The amount of some of the post-employment benefits other than pensions depends on future cost escalation. These post-employment benefits are not pre-funded and the amount of the obligation for these benefits is included in other liabilities and is supported by general assets.

The Company and its subsidiaries have pension and benefit committees or a trusteed arrangement that provides oversight for the benefit plans. The benefit plans are monitored on an ongoing basis to assess the benefit, funding and investment policies, financial status, and funding requirements. Significant changes to the Company's or a subsidiary company's benefit plans require approval from that company's Board of Directors.

The funding policies of the Company and its subsidiaries for the funded pension plans require annual contributions equal to or greater than those required by the applicable regulations and plan provisions that govern the funding of the plans. Where funded plans have a net defined benefit pension plan asset, the Company determines if an economic benefit exists in the form of potential reductions in future contributions by the Company, from the payment of expenses from the plan and in the form of surplus refunds, where permitted by applicable regulation and plan provisions.

By their design, the defined benefit plans expose the Company to the typical risks faced by defined benefit plans such as investment performance, changes to the discount rates used to value the obligations, longevity of plan members, and future inflation. Pension and benefit risk is managed by regular monitoring of the plans, applicable regulations and other factors that could impact the expenses and cash flows of the Company.

23. Pension Plans and Other Post-Employment Benefits (cont'd)

The following reflects the financial position of the contributory and non-contributory defined benefit plans of the Company and its subsidiaries:

(a) Plan Assets, Benefit Obligation and Funded Status

	Defined benefit pension plans		Other post-employment benefits	
	2020	2019	**2020**	2019
Change in fair value of plan assets				
Fair value of plan assets, beginning of year	**$ 6,426**	$ 5,885	**$ –**	$ –
Interest income	**161**	184	**–**	–
Actual return over (less than) interest income	**391**	603	**–**	–
Employer contributions	**146**	157	**16**	18
Employee contributions	**15**	10	**–**	–
Benefits paid	**(251)**	(234)	**(16)**	(18)
Settlements	**(11)**	(10)	**–**	–
Administrative expenses	**(4)**	(4)	**–**	–
Net transfer out	**–**	(13)	**–**	–
Foreign exchange rate changes	**139**	(152)	**–**	–
Fair value of plan assets, end of year	**$ 7,012**	$ 6,426	**$ –**	$ –
Change in defined benefit obligation				
Defined benefit obligation, beginning of year	**$ 7,044**	$ 6,362	**$ 358**	$ 343
Current service cost	**88**	76	**–**	–
Interest cost	**178**	199	**11**	13
Employee contributions	**15**	10	**–**	–
Benefits paid	**(251)**	(234)	**(16)**	(18)
Plan amendments	**–**	(1)	**–**	–
Curtailments and termination benefits [(1)]	**(11)**	(3)	**–**	–
Settlements	**(14)**	(13)	**–**	–
Actuarial loss (gain) on financial assumption changes	**513**	809	**25**	26
Actuarial loss (gain) on demographic assumption changes	**(3)**	(15)	**–**	(4)
Actuarial loss (gain) arising from member experience	**16**	16	**(3)**	(2)
Net transfer out	**–**	(13)	**–**	–
Foreign exchange rate changes	**136**	(149)	**–**	–
Defined benefit obligation, end of year	**$ 7,711**	$ 7,044	**$ 375**	$ 358
Asset (liability) recognized on the Consolidated Balance Sheets				
Funded status of plans – surplus (deficit)	**$ (699)**	$ (618)	**$ (375)**	$ (358)
Unrecognized amount due to asset ceiling	**(29)**	(37)	**–**	–
Asset (liability) recognized on the Consolidated Balance Sheets	**$ (728)**	$ (655)	**$ (375)**	$ (358)
Recorded in:				
Other assets (note 12)	**$ 240**	$ 231	**$ –**	$ –
Other liabilities (note 17)	**(968)**	(886)	**(375)**	(358)
Asset (liability) recognized on the Consolidated Balance Sheets	**$ (728)**	$ (655)	**$ (375)**	$ (358)
Analysis of defined benefit obligation				
Wholly or partly funded plans	**$ 7,426**	$ 6,777	**$ –**	$ –
Wholly unfunded plans	**$ 285**	$ 267	**$ 375**	$ 358

(1) Includes a curtailment gain recognized on sale of shares of IPSI (note 3).

Under IFRIC 14, *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, the Company must assess whether each pension plan's asset has economic benefit to the Company through future contribution reductions, from the payment of expenses from the plan, or surplus refunds; in the event the Company is not entitled to a benefit, a limit or 'asset ceiling' is required on the balance. The following provides a breakdown of the changes in the asset ceiling:

	Defined benefit pension plans	
	2020	2019
Change in asset ceiling		
Asset ceiling, beginning of year	**$ 37**	$ 103
Interest on asset ceiling	**1**	4
Change in asset ceiling	**(11)**	(70)
Foreign exchange rate changes	**2**	–
Asset ceiling, end of year	**$ 29**	$ 37

(b) Pension and Other Post-Employment Benefits Expense

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

	All pension plans		Other post-employment benefits	
	2020	2019	**2020**	2019
Defined benefit current service cost	**$ 103**	$ 86	**$ –**	$ –
Defined contribution current service cost	**77**	72	**–**	–
Employee contributions	**(15)**	(10)	**–**	–
Employer current service cost	**165**	148	**–**	–
Administrative expense	**4**	4	**–**	–
Plan amendments	**–**	(1)	**–**	–
Curtailments (1)	**(11)**	(3)	**–**	–
Settlements	**(3)**	(3)	**–**	–
Net interest cost	**18**	19	**11**	13
Expense – profit or loss	**173**	164	**11**	13
Actuarial (gain) loss recognized	**526**	810	**22**	20
Return on assets (greater) less than assumed	**(391)**	(603)	**–**	–
Change in the asset ceiling	**(11)**	(70)	**–**	–
Re-measurements – other comprehensive (income) loss	**124**	137	**22**	20
Total expense (income) including re-measurements	**$ 297**	$ 301	**$ 33**	$ 33

(1) Includes a curtailment gain recognized on sale of shares of IPSI (note 3).

(c) Asset Allocation by Major Category Weighted by Plan Assets

	Defined benefit pension plans	
	2020	2019
Equity securities	**40%**	43%
Debt securities	**48%**	46%
Real estate	**7%**	9%
Cash and cash equivalents	**5%**	2%
Total	**100%**	100%

No plan assets are directly invested in the Company's or related parties' securities. Plan assets include investments in segregated funds and other funds managed by subsidiaries of the Company of $6,866 at December 31, 2020 and $6,028 at December 31, 2019, of which $6,785 ($5,958 at December 31, 2019) are included on the Consolidated Balance Sheets. Plan assets do not include any property occupied or other assets used by the Company.

23. Pension Plans and Other Post-Employment Benefits (cont'd)

(d) Details of Defined Benefit Obligation

(i) Portion of Defined Benefit Obligation Subject to Future Salary Increases

	Defined benefit pension plans		Other post-employment benefits	
	2020	2019	2020	2019
Benefit obligation without future salary increases	$ 7,050	$ 6,388	$ 375	$ 358
Effect of assumed future salary increases	661	656	–	–
Defined benefit obligation	**$ 7,711**	$ 7,044	**$ 375**	$ 358

The other post-employment benefits are not subject to future salary increases.

(ii) Portion of Defined Benefit Obligation Without Future Pension Increases

	Defined benefit pension plans		Other post-employment benefits	
	2020	2019	2020	2019
Benefit obligation without future pension increases	$ 7,075	$ 6,429	$ 375	$ 358
Effect of assumed future pension increases	636	615	–	–
Defined benefit obligation	**$ 7,711**	$ 7,044	**$ 375**	$ 358

The other post-employment benefits are not subject to future pension increases.

(iii) Maturity Profile of Plan Membership

	Defined benefit pension plans		Other post-employment benefits	
	2020	2019	2020	2019
Actives	43%	42%	9%	9%
Deferred vesteds	18%	18%	n/a	n/a
Retirees	39%	40%	91%	91%
Total	**100%**	100%	**100%**	100%
Weighted average duration of defined benefit obligation	**19.3 years**	19.2 years	**11.9 years**	11.7 years

(e) Cash Flow Information

	Pension plans	Other post-employment benefits	Total
Expected employer contributions for 2021:			
Funded (wholly or partly) defined benefit plans	$ 117	$ –	$ 117
Unfunded plans	12	20	32
Defined contribution plans	77	–	77
Total	**$ 206**	**$ 20**	**$ 226**

(f) Actuarial Assumptions and Sensitivities

(i) Actuarial Assumptions

	Defined benefit pension plans		Other post-employment benefits	
	2020	2019	**2020**	2019
To determine benefit cost:				
Discount rate – past service liabilities	**2.5%**	3.2%	**3.1%**	3.7%
Discount rate – future service liabilities	**3.2%**	3.8%	**3.2%**	3.9%
Rate of compensation increase	**2.9%**	3.0%	**–**	–
Future pension increases (1)	**1.3%**	1.4%	**–**	–
To determine defined benefit obligation:				
Discount rate – past service liabilities	**2.1%**	2.5%	**2.5%**	3.1%
Rate of compensation increase	**2.9%**	2.9%	**–**	–
Future pension increases (1)	**1.0%**	1.3%	**–**	–
Medical cost trend rates:				
Initial medical cost trend rate			**4.6%**	4.6%
Ultimate medical cost trend rate			**4.0%**	4.0%
Year ultimate trend rate is reached			**2040**	2040

(1) Represents the weighted average of plans subject to future pension increases.

(ii) Sample Life Expectancies Based on Mortality Assumption

	Defined benefit pension plans		Other post-employment benefits	
	2020	2019	**2020**	2019
Sample life expectancies based on mortality assumption:				
Male				
Age 65 in fiscal year	**23.0**	22.9	**22.7**	22.6
Age 65 for those age 35 in the fiscal year	**24.9**	24.9	**24.2**	24.1
Female				
Age 65 in fiscal year	**25.1**	25.0	**25.0**	25.0
Age 65 for those age 35 in the fiscal year	**27.0**	27.0	**26.4**	26.4

The period of time over which benefits are assumed to be paid is based on best estimates of future mortality, including allowances for mortality improvements. This estimate is subject to considerable uncertainty, and judgment is required in establishing this assumption. As mortality assumptions are significant in measuring the defined benefit obligation, the mortality assumptions applied by the Company take into consideration such factors as age, gender and geographic location, in addition to an estimation of future improvements in longevity.

The mortality tables are reviewed at least annually, and assumptions are in accordance with accepted actuarial practice. Emerging plan experience is reviewed and considered in establishing the best estimate for future mortality.

The calculation of the defined benefit obligation is sensitive to the mortality assumptions. The effect of a one-year increase in life expectancy would be an increase in the defined benefit obligation of $242 for the defined benefit pension plans and $14 for other post-employment benefits.

(iii) Impact of Changes to Assumptions on Defined Benefit Obligation

	1% increase		1% decrease	
	2020	2019	**2020**	2019
Defined benefit pension plans:				
Impact of a change to the discount rate	**$ (1,251)**	$ (1,150)	**$ 1,663**	$ 1,517
Impact of a change to the rate of compensation increase	**328**	311	**(291)**	(284)
Impact of a change to the rate of inflation	**662**	598	**(569)**	(541)
Other post-employment benefits:				
Impact of a change to assumed medical cost trend rates	**27**	24	**(23)**	(20)
Impact of a change to the discount rate	**(40)**	(38)	**48**	46

To measure the impact of a change in an assumption, all other assumptions were held constant. It would be expected that there would be interaction between at least some of the assumptions.

24. Accumulated Other Comprehensive Income

	2020							
	Unrealized foreign exchange gains (losses) on translation of foreign operations	Unrealized gains (losses) on available-for-sale assets	Re-measurements on defined benefit pension and other post-employment benefit plans	Revaluation surplus on transfer to investment properties	Total	Non-controlling interests	Participating account	Shareholder
Balance, beginning of year	**$ 433**	**$ 134**	**$ (704)**	**$ –**	**$ (137)**	**$ –**	**$ (25)**	**$ (112)**
Other comprehensive income (loss)	**241**	**123**	**(146)**	**11**	**229**	**2**	**63**	**164**
Income tax	**(2)**	**(29)**	**36**	**(1)**	**4**	**–**	**(17)**	**21**
	239	**94**	**(110)**	**10**	**233**	**2**	**46**	**185**
Balance, end of year	**$ 672**	**$ 228**	**$ (814)**	**$ 10**	**$ 96**	**$ 2**	**$ 21**	**$ 73**

	2019						
	Unrealized foreign exchange gains (losses) on translation of foreign operations	Unrealized gains (losses) on available-for-sale assets	Re-measurements on defined benefit pension and other post-employment benefit plans	Total	Non-controlling interests	Participating account	Shareholder
Balance, beginning of year	$ 756	$ 54	$ (579)	$ 231	$ 1	$ (37)	$ 267
Other comprehensive income (loss)	(323)	98	(157)	(382)	(1)	15	(396)
Income tax	–	(18)	32	14	–	(3)	17
	(323)	80	(125)	(368)	(1)	12	(379)
Balance, end of year	$ 433	$ 134	$ (704)	$ (137)	$ –	$ (25)	$ (112)

25. Related Party Transactions

Great-West Lifeco Inc. is the parent of the Company. As such, the Company is related to Great-West Lifeco Inc. and its other major operating subsidiaries including GWL&A and Putnam Investments, LLC. In addition, Great-West Lifeco Inc. is a member of the Power Corporation group of companies. Through this relationship, the Company is also related to the Power Corporation group of companies which includes IGM, a company in the financial services sector along with its subsidiaries IG Wealth Management, Mackenzie Financial and Investment Planning Council and Pargesa, a holding company with substantial holdings in a diversified industrial group based in Europe.

(a) Principal subsidiaries

The consolidated financial statements of the Company include the operations of the following subsidiaries and their subsidiaries:

Company	Incorporated in	Primary business operation	% Held
GWL Realty Advisors Inc.	Canada	Real estate investment management	100.00%
Canada Life Limited	United Kingdom	Insurance and wealth management	100.00%
Irish Life Assurance p.l.c	Ireland	Insurance and wealth management	100.00%

(b) Transactions with related parties included in the consolidated financial statements

Reinsurance Transactions

A subsidiary of the Company has agreements with GWL&A, an affiliated company, to assume certain life business. In 2020, for the Consolidated Statement of Earnings, these transactions resulted in an increase in total net premiums of $1,623 ($1,336 in 2019) and total paid or credited to policyholders of $1,610 ($1,323 in 2019). The transactions were at market terms and conditions.

During 2005, Great-West Life & Annuity Insurance Company of South Carolina (GWSC), an affiliated company, assumed on a coinsurance basis with funds withheld, certain of Canada Life's U.S. term life reinsurance business. During 2007, an additional amount of U.S term life reinsurance business was retroceded by Canada Life to GWSC. In 2020, for the Consolidated Statements of Earnings, these transactions resulted in a reduction in total net premiums of $82 ($95 in 2019) and total paid or credited to policyholders of $89 ($91 in 2019). These transactions were at market terms and conditions.

Other Related Party Transactions

In the normal course of business, the Company provided insurance benefits and other services to other companies within the Power Corporation group of companies. In all cases, transactions were at market terms and conditions.

During the year, the Company provided to and received from IGM and its subsidiaries, a member of the Power Corporation group of companies, certain administrative and information technology services. During the year, IGM notified the company that it intends to terminate its long-term technology infrastructure related sharing agreement with the Company in the first quarter of 2021 (note 4). The Company also provided life insurance, annuity and disability insurance products under a distribution agreement with IGM. In addition, the Company provided distribution services to IGM. During 2016, the Company was appointed as sub-advisor to Great-West Funds, Inc. and Great-West Capital Management, LLC, affiliated companies, to act as an investment advisor to a series of Great-West Funds. All transactions were provided at market terms and conditions.

The Company owns 9,200,518 shares representing a 3.86% ownership interest in IGM. The Company uses the equity method to account for its investment in IGM as it exercises significant influence. In 2020, the Company recognized $25 for the equity method share of IGM net earnings and received dividends of $21 from its investment in IGM (note 6).

During the year, the Company completed the sale of GLC to Mackenzie. The Company recorded a gain on disposal of $143 after-tax, net of restructuring and other one-time costs of $16 after-tax ($22 pre-tax) (note 3).

During the third quarter of 2019, the Company redeemed the $2,000 4.75% debenture issued to Lifeco in 2016. Also redeemed were $2,000 in preferred shares of a wholly-owned subsidiary of Lifeco. The Company had a legally enforceable right to settle the amounts of these financial instruments on a net basis and the Company exercised this right.

During the second quarter of 2019, the Company redeemed $1,000 of the $2,000 3.75% debenture issued to Lifeco in 2013. Also redeemed were $1,000 of the $2,000 in preferred shares of a wholly-owned subsidiary of Lifeco. The Company has a legally enforceable right to settle the remaining amounts of these financial instruments on a net basis and the Company intends to exercise this right. Accordingly, the remaining amounts of the investment and debenture are offset in the consolidated financial statements of the Company.

On April 17, 2019, Lifeco purchased and subsequently cancelled $2,000 of its common shares under a substantial issuer bid (the Offer). In order to fund purchases under the Offer, the Company paid dividends to Lifeco of approximately $1,000.

During 2008, the Company issued $2,000 of 7.127% debentures to Lifeco. The Company made a corresponding investment of $2,000 in preferred shares of a wholly-owned subsidiary of Lifeco. The Company also issued $1,200 of 5.75% debentures to Lifeco in 2003. The Company made a corresponding investment of $1,200 in preferred shares of a wholly-owned subsidiary of Lifeco. The Company has legally enforceable rights to settle these financial instruments on a net basis, and the Company intends to exercise these rights. Accordingly the investments and debentures are offset in the consolidated financial statements of the Company.

Segregated funds of the Company were invested in funds managed by IG Wealth Management and Mackenzie Investments. The Company also has interests in mutual funds, open-ended investment companies and unit trusts. Some of these funds are managed by related parties of the Company and the Company receives management fees related to these services. All transactions were provided at market terms and conditions (note 14).

25. Related Party Transactions (cont'd)

The Company held debentures issued by IGM; the interest rates and maturity dates are as follows:

	2020	2019
3.44%, matures January 26, 2027	$ 22	$ 21
6.65%, matures December 13, 2027	17	16
7.45%, matures May 9, 2031	14	14
7.00%, matures December 31, 2032	14	13
4.56%, matures January 25, 2047	25	22
4.115%, matures December 9, 2047	12	10
4.174%, matures July 13, 2048	6	5
Total	$ 110	$ 101

During 2020, the Company purchased residential mortgages of $21 from IGM ($11 in 2019).

On December 22, 2020 the Company issued to Great-West Lifeco U.S. LLC, an affiliated entity, a U.S.$65 ($83 at December 31, 2020), 5 year loan with an annual interest rate of 1.25%.

On December 7, 2016 the Company issued to Lifeco a 200 euro ($310 at December 31, 2020), 15 year loan with an annual interest rate of 2.53% until first par call date of December 7, 2026, and, thereafter at a rate equal to the five-year euro semi-annual mid-swap rate plus 1.85% (note 15). During 2020, interest expense of $8 ($8 in 2019) is included in the Consolidated Statements of Earnings.

The Company has 6.74% debentures due to Lifeco, its parent, which have an outstanding balance of $200 ($200 in 2019). Financing charges of $13 is included in the Consolidated Statements of Earnings ($13 in 2019).

(c) Key management compensation

Key management personnel constitute those individuals that have the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director. The individuals that comprise the key management personnel are the Board of Directors as well as certain key management and officers.

The following describes all compensation paid to, awarded to, or earned by each of the key management personnel for services rendered in all capacities to the Company and its subsidiaries:

	2020	2019
Salary	$ 18	$ 17
Share-based awards	12	10
Option-based awards	6	5
Annual non-equity incentive plan compensation	8	7
Pension value	1	1
Total	$ 45	$ 40

26. Income Taxes

(a) Components of the income tax expense

(i) Income tax recognized in Consolidated Statements of Earnings

Current income tax

	2020	2019
Total current income tax	**$ 255**	$ 168

Deferred income tax

	2020	2019
Origination and reversal of temporary differences	**$ (222)**	$ (67)
Effect of changes in tax rates or imposition of new income taxes	**6**	(11)
Tax expense arising from unrecognized tax losses and tax credits	**3**	17
Total deferred income tax	**$ (213)**	$ (61)
Total income tax expense	**$ 42**	$ 107

(ii) Income tax recognized in other comprehensive income (note 24)

	2020	2019
Current income tax expense	**$ 24**	$ 8
Deferred income tax recovery	**(28)**	(22)
Total	**$ (4)**	$ (14)

(iii) Income tax recognized in Consolidated Statements of Changes in Equity

	2020	2019
Current income tax expense	**$ –**	$ 62
Deferred income tax expense	**–**	20
Total	**$ –**	$ 82

(b) The effective income tax rate reported in the Consolidated Statements of Earnings varies from the combined Canadian federal and provincial income tax rate of 26.50% for the following items:

	2020		2019	
Earnings before income taxes	**$ 2,918**		$ 2,810	
Combined basic Canadian federal and provincial tax rate	**773**	**26.50%**	759	27.00%
Increase (decrease) in the income tax rate resulting from:				
Non-taxable investment income [(1)]	**(363)**	**(12.45)**	(218)	(7.75)
Operations outside of Canada subject to a lower average foreign tax rate	**(374)**	**(12.82)**	(308)	(10.96)
Impact of rate changes on deferred income taxes	**6**	**0.21**	(11)	(0.39)
Other [(2)]	**–**	**–**	(115)	(4.09)
Total income tax expense and effective income tax rate	**$ 42**	**1.44%**	$ 107	3.81%

(1) In 2020, a $64 tax benefit from the non-taxable gains on the sale of the shares of GLC and IPSI reduced the effective income tax rate by 2.19 points (note 3).
(2) In 2019, a $101 tax benefit due to the resolution of an outstanding issue with a foreign tax authority reduced the effective income tax rate by 3.59 points.

(c) Composition and changes of net deferred income tax liabilities are as follows:

2020	Insurance and investment contract liabilities	Portfolio investments	Losses carried forward	Intangible assets	Tax credits	Other	Total
Balance, beginning of year	**$ (633)**	**$ (386)**	**$ 345**	**$ (240)**	**$ 167**	**$ 128**	**$ (619)**
Recognized in Statements of Earnings	**209**	**(76)**	**44**	**10**	**(24)**	**50**	**213**
Recognized in Statements of Comprehensive Income	**–**	**(6)**	**–**	**–**	**–**	**34**	**28**
Recognized in Statements of Changes in Equity	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Acquired in business acquisitions	**–**	**–**	**–**	**(1)**	**–**	**1**	**–**
Foreign exchange rate changes and other	**1**	**10**	**30**	**(4)**	**–**	**(13)**	**24**
Balance, end of year	**$ (423)**	**$ (458)**	**$ 419**	**$ (235)**	**$ 143**	**$ 200**	**$ (354)**

26. Income Taxes (cont'd)

	2019 (1)						
	Insurance and investment contract liabilities	Portfolio investments	Losses carried forward	Intangible assets	Tax credits	Other	Total
Balance, beginning of year	$ (788)	$ (327)	$ 383	$ (250)	$ 174	$ 111	$ (697)
Recognized in Statements of Earnings	151	(50)	(21)	9	(7)	(21)	61
Recognized in Statements of Comprehensive Income	–	(10)	–	–	–	32	22
Recognized in Statements of Changes in Equity	(20)	–	–	–	–	–	(20)
Acquired in business acquisitions	–	–	(1)	(1)	–	–	(2)
Foreign exchange rate changes and other	24	1	(16)	2	–	6	17
Balance, end of year	$ (633)	$ (386)	$ 345	$ (240)	$ 167	$ 128	$ (619)

(1) Due to a change in presentation, the Company reclassified the composition of net deferred income tax assets. The reclassifications had no impact on the equity or net earnings of the Company (note 32).

	2020	2019
Recorded on Consolidated Balance Sheets:		
Deferred tax assets	$ **232**	$ 260
Deferred tax liabilities	**(586)**	(879)
Total	$ **(354)**	$ (619)

A deferred income tax asset is recognized for deductible temporary differences and unused losses and carryforwards only to the extent that realization of the related income tax benefit through future taxable profits is probable.

Recognition is based on the fact that it is probable that the entity will have taxable profits and/or tax planning opportunities available to allow the deferred income tax asset to be utilized. Changes in circumstances in future periods may adversely impact the assessment of the recoverability. The uncertainty of the recoverability is taken into account in establishing the deferred income tax assets. The Company's annual financial planning process provides a significant basis for the measurement of deferred income tax assets.

Management assesses the recoverability of the deferred income tax asset carrying values based on future years' taxable income projections and believes the carrying values of the deferred income tax assets at December 31, 2020 are recoverable.

At December 31, 2020, the Company has recognized a deferred tax asset of $419 ($345 in 2019) on tax loss carryforwards totaling $2,013, of which $672 expire between 2021 and 2040 while $1,341 have no expiry date. The Company will realize this benefit in future years through a reduction in current income taxes payable.

The Company has not recognized a deferred tax asset of $34 ($35 in 2019) on tax loss carryforwards totaling $168 ($174 in 2019). Of this amount, $92 expire between 2021 and 2037 while $76 have no expiry date. In addition, the Company has not recognized a deferred tax asset of $21 ($16 in 2019) on other temporary differences of $99 ($78 in 2019) associated with investments in subsidiaries, branches, and associates.

A deferred income tax liability has not been recognized in respect of the temporary differences associated with investments in subsidiaries, branches and associates as the Company is able to control the timing of the reversal of the temporary differences, and it is probable that the temporary differences will not reverse in the foreseeable future.

27. Operating and Administrative Expenses

	2020	2019
Salaries and other employee benefits	$ **2,093**	$ 1,986
General and administrative	**787**	803
Interest expense on leases	**8**	8
Amortization of fixed assets	**79**	74
Depreciation of right-of-use assets	**44**	42
Total	$ **3,011**	$ 2,913

28. Derivative Financial Instruments

In the normal course of managing exposure to fluctuations in interest and foreign exchange rates, and to market risks, the Company is an end-user of various derivative financial instruments. It is the Company's policy to transact in derivatives only with the most creditworthy financial intermediaries. Note 8 discloses the credit quality of the Company's exposure to counterparties. Credit risk equivalent amounts are presented net of collateral received, including initial margin on exchange-traded derivatives, of $141 as at December 31, 2020 ($38 at December 31, 2019).

(a) The following summarizes the Company's derivative portfolio and related credit exposure using the following definitions of risk as prescribed by OSFI:

Maximum Credit Risk	The total replacement cost of all derivative contracts with positive values.
Future Credit Exposure	The potential future credit exposure is calculated based on a formula prescribed by OSFI. The factors prescribed by OSFI for this calculation are based on derivative type and duration.
Credit Risk Equivalent	The sum of maximum credit risk and the potential future credit exposure less any collateral held.
Risk Weighted Equivalent	Represents the credit risk equivalent, weighted according to the creditworthiness of the counterparty, as prescribed by OSFI.

	2020				
	Notional amount	**Maximum credit risk**	**Future credit exposure**	**Credit risk equivalent**	**Risk weighted equivalent**
Interest rate contracts					
Swaps	**$ 2,338**	**$ 311**	**$ 25**	**$ 314**	**$ 76**
Futures – short	**190**	**–**	**–**	**–**	**–**
	2,528	**311**	**25**	**314**	**76**
Foreign exchange contracts					
Cross-currency swaps	**13,379**	**286**	**879**	**1,061**	**256**
Forward contracts	**2,940**	**53**	**51**	**99**	**10**
	16,319	**339**	**930**	**1,160**	**266**
Other derivative contracts					
Equity contracts	**599**	**18**	**36**	**52**	**4**
Futures – long	**13**	**–**	**–**	**–**	**–**
Futures – short	**682**	**1**	**–**	**–**	**–**
	1,294	**19**	**36**	**52**	**4**
Total	**$ 20,141**	**$ 669**	**$ 991**	**$ 1,526**	**$ 346**

	2019				
	Notional amount	Maximum credit risk	Future credit exposure	Credit risk equivalent	Risk weighted equivalent
Interest rate contracts					
Swaps	$ 1,936	$ 181	$ 22	$ 189	$ 48
Foreign exchange contracts					
Cross-currency swaps	11,191	90	769	849	199
Forward contracts	2,573	44	47	76	7
	13,764	134	816	925	206
Other derivative contracts					
Equity contracts	74	–	4	4	–
Futures – long	13	–	–	–	–
Futures – short	766	–	–	–	–
	853	–	4	4	–
Total	$ 16,553	$ 315	$ 842	$ 1,118	$ 254

28. Derivative Financial Instruments (cont'd)

(b) The following provides the notional amount, term to maturity and estimated fair value of the Company's derivative portfolio by category:

	2020				
	Notional Amount				Total estimated fair value
	1 year or less	Over 1 year to 5 years	Over 5 years	Total	
Derivatives not designated as accounting hedges					
Interest rate contracts					
Swaps	$ 268	$ 572	$ 1,498	$ 2,338	$ 277
Futures – short	190	–	–	190	–
	458	572	1,498	2,528	277
Foreign exchange contracts					
Cross-currency swaps	894	2,641	9,844	13,379	(822)
Forward contracts	1,550	–	–	1,550	32
	2,444	2,641	9,844	14,929	(790)
Other derivative contracts					
Equity contracts	599	–	–	599	18
Futures – long	13	–	–	13	–
Futures – short	682	–	–	682	(4)
	1,294	–	–	1,294	14
Fair value hedges					
Foreign exchange forward contracts	74	–	–	74	3
Net investment hedges					
Foreign exchange forward contracts	786	530	–	1,316	15
Total	$ 5,056	$ 3,743	$ 11,342	$ 20,141	$ (481)

	2019				
	Notional Amount				Total estimated fair value
	1 year or less	Over 1 year to 5 years	Over 5 years	Total	
Derivatives not designated as accounting hedges					
Interest rate contracts					
Swaps	$ 154	$ 469	$ 1,313	$ 1,936	$ 158
Foreign exchange contracts					
Cross-currency swaps	299	2,043	8,849	11,191	(1,210)
Forward contracts	1,334	–	–	1,334	15
	1,633	2,043	8,849	12,525	(1,195)
Other derivative contracts					
Equity contracts	74	–	–	74	–
Futures – long	13	–	–	13	–
Futures – short	766	–	–	766	(2)
	853	–	–	853	(2)
Fair value hedge					
Foreign exchange forward contracts	74	–	–	74	2
Net investment hedges					
Foreign exchange forward contracts	641	524	–	1,165	17
Total	$ 3,355	$ 3,036	$ 10,162	$ 16,553	$ (1,020)

Futures contracts included in the above are exchange traded contracts; all other contracts are over-the-counter.

(c) *Interest Rate Contracts*

Interest rate swaps, futures and options are used as part of a portfolio of assets to manage interest rate risk associated with investment activities and insurance and investment contract liabilities. Interest-rate swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which payments are based. Call options grant the Company the right to enter into a swap with predetermined fixed-rate payments over a predetermined time period on the exercise date. Call options are used to hedge minimum rate guarantees.

Foreign Exchange Contracts

Cross-currency swaps are used in combination with other investments to manage foreign currency risk associated with investment activities and insurance and investment contract liabilities. Under these swaps principal amounts and fixed or floating interest payments may be exchanged in different currencies. The Company also enters into certain foreign exchange forward contracts to hedge certain product liabilities.

Other Derivative Contracts

Equity index swaps, futures and options are used to hedge certain product liabilities. Equity index swaps are also used as substitutes for cash instruments and are used to periodically hedge the market risk associated with certain fee income. Equity put options are used to manage potential credit risk impact of significant declines in certain equity markets.

29. Legal Provisions and Contingent Liabilities

The Company and its subsidiaries are from time-to-time subject to legal actions, including arbitrations and class actions. Provisions are established if, in management's judgment, it is probable a payment will be required and the amount of the payment can be reliably estimated. It is inherently difficult to predict the outcome of any of these proceedings with certainty, and it is possible that an adverse resolution could have a material adverse effect on the consolidated financial position of the Company. However, based on information presently known, it is not expected that any of the existing legal actions, either individually or in the aggregate, will have a material adverse effect on the consolidated financial position of the Company. Actual results could differ from management's best estimates.

30. Commitments

(a) Letters of Credit

Letters of credit are written commitments provided by a bank. The total amount of letter of credit facilities is U.S. $2,028 of which U.S. $1,713 are issued as of December 31, 2020.

The Capital Risk and Solutions business unit periodically uses letters of credit as collateral under certain reinsurance contracts for on balance sheet policy liabilities.

(b) Investment Commitments

Commitments of investment transactions made in the normal course of operations in accordance with policies and guidelines that are to be disbursed upon fulfillment of certain contract conditions were $1,368 as at December 31, 2020, with $1,252 maturing within one year, $95 maturing within two years and $21 maturing within three years.

(c) Pledged Assets

In addition to the assets pledged by the Company disclosed elsewhere in the consolidated financial statements:

(i) The amount of assets included in the Company's balance sheet which have a security interest by way of pledging is $1,421 ($1,456 at December 31, 2019) in respect of reinsurance agreements.

In addition, under certain reinsurance contracts, bonds presented in portfolio investments are held in trust and escrow accounts. Assets are placed in these accounts pursuant to the requirements of certain legal and contractual obligations to support contract liabilities assumed.

(ii) The Company has pledged, in the normal course of business, $57 ($63 at December 31, 2019) of assets of the Company for the purpose of providing collateral for the counterparty.

31. Segmented Information

The major operating segments of the Company are the participating and shareholder operations. Within these segments the major business units are: Canada, Europe, Capital and Risk Solutions and Corporate. These business units reflect the Company's management structure and internal financial reporting. Each of these segments operates in the financial services industry and the revenues from these business units are derived principally from life insurance, health insurance, retirement and investment services, and reinsurance businesses. Business activities and operations in the United States and those that are not associated with the specific business units are attributed to Corporate.

(a) Consolidated Net Earnings

	2020						
	Shareholder					Participating	
	Canada	Europe	Capital and Risk Solutions	Corporate	Total	Total	Total Company
Income							
Total net premiums	$ 8,249	$ 3,649	$ 19,306	$ 1,618	$ 32,822	$ 5,016	$ 37,838
Net investment income							
Regular net investment income	1,257	1,311	262	223	3,053	1,706	4,759
Changes in fair value through profit or loss	1,488	1,677	389	35	3,589	1,250	4,839
Total net investment income	2,745	2,988	651	258	6,642	2,956	9,598
Fee and other income	1,697	1,366	11	59	3,133	–	3,133
	12,691	8,003	19,968	1,935	42,597	7,972	50,569
Benefits and expenses							
Paid or credited to policyholders	8,879	5,185	19,100	1,630	34,794	7,022	41,816
Other (1)	2,573	1,686	219	95	4,573	902	5,475
Financing charges	–	–	12	101	113	–	113
Amortization of finite life intangible assets	74	51	–	18	143	12	155
Restructuring expenses	–	–	–	68	68	24	92
Earnings before income taxes	1,165	1,081	637	23	2,906	12	2,918
Income taxes	175	40	(1)	(117)	97	(55)	42
Net earnings before non-controlling interests	990	1,041	638	140	2,809	67	2,876
Attributable to non-controlling interests	–	2	–	–	2	–	2
Net earnings	990	1,039	638	140	2,807	67	2,874
Net earnings – participating policyholder	–	–	–	–	–	67	67
Net earnings – common shareholder	$ 990	$ 1,039	$ 638	$ 140	$ 2,807	$ –	$ 2,807

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

	2019						
	Shareholder					Participating	
	Canada	Europe (1)	Capital and Risk Solutions (1)	Corporate	Total	Total	Total Company
Income							
Total net premiums	$ 8,738	$ 3,195	$ 17,353	$ 656	$ 29,942	$ 4,854	$ 34,796
Net investment income							
Regular net investment income	1,222	1,082	241	99	2,644	1,830	4,474
Changes in fair value through profit or loss	1,642	2,024	494	54	4,214	1,458	5,672
Total net investment income	2,864	3,106	735	153	6,858	3,288	10,146
Fee and other income	1,706	1,539	9	70	3,324	–	3,324
	13,308	7,840	18,097	879	40,124	8,142	48,266
Benefits and expenses							
Paid or credited to policyholders	9,361	5,000	17,499	760	32,620	7,276	39,896
Other (2)	2,521	1,620	200	95	4,436	935	5,371
Financing charges	–	–	11	39	50	–	50
Amortization of finite life intangible assets	63	47	–	18	128	11	139
Earnings (loss) before income taxes	1,363	1,173	387	(33)	2,890	(80)	2,810
Income taxes	278	37	(5)	(113)	197	(90)	107
Net earnings (loss) before non-controlling interests	1,085	1,136	392	80	2,693	10	2,703
Attributable to non-controlling interests	–	1	–	–	1	–	1
Net earnings	1,085	1,135	392	80	2,692	10	2,702
Net earnings – participating policyholder	–	–	–	–	–	10	10
Net earnings – common shareholder	$ 1,085	$ 1,135	$ 392	$ 80	$ 2,692	$ –	$ 2,692

(1) See comparative figures (note 32).

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

31. Segmented Information (cont'd)

(b) Consolidated Total Assets

	2020		
	Shareholder	**Participating account**	**Total**
Assets			
Invested assets	**$ 92,303**	**$ 53,851**	**$ 146,154**
Goodwill and intangible assets	**8,636**	**–**	**8,636**
Other assets	**24,683**	**767**	**25,450**
Investments on account of segregated fund policyholders	**216,050**	**–**	**216,050**
Total	**$ 341,672**	**$ 54,618**	**$ 396,290**

	2019		
	Shareholder	Participating account	Total
Assets			
Invested assets	$ 88,332	$ 50,063	$ 138,395
Goodwill and intangible assets	8,369	–	8,369
Other assets	23,893	418	24,311
Investments on account of segregated fund policyholders	199,589	–	199,589
Total	$ 320,183	$ 50,481	$ 370,664

(c) Geographic Distribution of Total Income and Assets:

	2020		2019	
	Income	**Assets**	Income	Assets
Canada	**$ 20,631**	**$ 186,686**	$ 21,215	$ 176,087
International	**29,938**	**209,604**	27,051	194,577
Total	**$ 50,569**	**$ 396,290**	$ 48,266	$ 370,664

32. Comparative Figures

Effective January 1, 2020, the Company divided its Europe business unit into two business units: Europe, and Capital and Risk Solutions. The adjustment had no impact on the net earnings or cash flows of the Company. The realignment resulted in a change to comparative figures within these business units (notes 8, 13 and 31).

During the year, the Company reclassified certain comparative figures for presentation adjustments (note 26). The reclassifications had no impact on the equity net earnings of the Company.

Independent Auditor's Report

To the Policyholders and Shareholder of The Canada Life Assurance Company

Opinion

We have audited the consolidated financial statements of The Canada Life Assurance Company (the "Company"), which comprise the consolidated balance sheets as at December 31, 2020 and 2019, and the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

/s/ **Deloitte LLP**

Chartered Professional Accountants

Winnipeg, Manitoba
February 10, 2021

Appointed Actuary's Report

To the Policyholders, Shareholder and Directors of The Canada Life Assurance Company as at December 31, 2020

I have valued the policy liabilities and reinsurance assets of The Canada Life Assurance Company for its consolidated balance sheet at December 31, 2020 and their changes in the consolidated statement of earnings for the year then ended in accordance with accepted actuarial practice in Canada, including selection of appropriate assumptions and methods.

In my opinion, the amount of policy liabilities net of reinsurance assets makes appropriate provision for all policy obligations and the consolidated financial statements fairly present the results of the valuation.

Linda Kerrigan
Fellow, Canadian Institute of Actuaries

Dublin, Ireland
February 10, 2021

Participating Policyholder Dividend Policy

This Policyholder Dividend Policy, in conjunction with the Participating Account Management Policy, has been established by the Board of Directors and applies to all participating insurance policies issued or assumed by the Company. The Board of Directors may amend this policy from time to time at its discretion. The factors most likely to be considered in deciding whether to amend this policy include changes in applicable legal or regulatory requirements, professional guidelines, industry practices or significant business changes. The Appointed Actuary has overall accountability for the administration of this policy.

Earnings arise in the participating account when the experience in the participating account for factors such as investment income, mortality, lapses, expenses and taxes is collectively more favourable than the assumptions for these factors used when pricing the participating insurance policies. The Company may distribute a portion of the earnings at the discretion of the Board of Directors in accordance with this policy.

Participating insurance policies are eligible for periodic policyholder dividends. Policyholder dividends are not guaranteed. The amount of earnings to be distributed from the participating account as policyholder dividends is determined at least annually following a review of the actual experience and trends in experience.

For the open sub-accounts, the amount of earnings to be distributed is also influenced by considerations such as the need to retain earnings as surplus. Throughout the term of their policy, participating policyholders benefit from the financial strength and ongoing vitality of the Company. For policyholders in the open sub-accounts, this includes the benefit of participating account surplus. The earnings retained in the participating account surplus include items such as policyholders' contributions to surplus and the investment returns earned on assets allocated to the participating account surplus. Any contributions to surplus made by policyholders over the duration of their policy, remains part of the participating account surplus after the policy terminates. Further details on the operation of the participating account surplus is provided in the Participating Account Management Policy.

Experience can fluctuate from one period to the next, based on changes in the factors impacting participating account earnings, including volatility in the performance of investments and the resulting investment income as well as volatility in the experience for other factors. Fluctuations in experience in a given period may be smoothed into the dividend scale. The effect of such smoothing is to spread the impact of experience fluctuations into policyholder dividends over time, with the objective of achieving greater stability of dividends from one period to the next. The extent of smoothing to be used, if any, will depend on considerations such as the source and extent of the fluctuation in experience, expected trends in the future experience, and the potential impact on policyholder dividends.

Dividends may increase or decrease over time, depending on experience and expected trends in future experience. If actual experience and expected trends in future experience deteriorate over time, then dividends may reduce. Conversely, if actual experience and expected trends in future experience improve over time, then dividends may increase.

The amount distributed as policyholder dividends is divided among classes of policies by setting the policyholder dividend scale. These dividend classes are groupings of participating policies with certain product and policy attributes in common.

The Company follows the contribution principle when setting the policyholder dividend scale. This means the amount distributed as policyholder dividends is divided among dividend classes in proportion to the amount that those classes are considered to have contributed to the participating account earnings. A contribution to earnings will be made from a particular dividend class to the extent the experience for that particular class is different from the assumptions used when pricing that class of policies. When applying the contribution principle, attention is paid to achieving reasonable equity between dividend classes and between generations of policies within a dividend class, taking into account practical considerations and limits, legal and regulatory requirements, professional guidelines and industry practices. For certain policies, the policyholder dividend scale may be determined using methods designed to approximate the contribution to earnings of those policies.

The policyholder dividends are credited according to the terms of each policy. A change made by a policyholder to a policy after it is issued may, in some cases, result in a change to the policy's dividend class and thus a change to the amount of policyholder dividends credited thereafter.

In addition to periodic policyholder dividends, certain policies are eligible for additional dividends which may be payable when the policy matures or is terminated by the death of the life insured or by the surrender of the policy. The amount of any such dividends may take into consideration such elements as the type of policy, the length of time the policy has been in force and when the policy was issued.

The Company maintains separate sub-accounts for certain specific closed blocks of participating life insurance policies in many of the jurisdictions in which it operates. The closed block sub-accounts are within the Company's participating account and managed according to the operating rules established for the closed blocks. Each closed block sub-account is managed separately to distribute over time the full amount of its earnings to the participating policyholders of that closed block through policyholder dividends.

Prior to the declaration of policyholder dividends by the Board, the Appointed Actuary reports to the Board of Directors with an opinion on the fairness to participating policyholders of the proposed policyholder dividends and on their compliance with this policy, applicable legislative and regulatory requirements and applicable professional practice standards. Policy illustrations will reflect changes to the policyholder dividend scale as soon as practical.

Participating Policyholder Dividend Policy

Glossary:

The Company: The Canada Life Assurance Company, a company resulting from the amalgamation of The Great-West Life Assurance Company, The Canada Life Assurance Company, London Life Insurance Company, London Insurance Group Inc. and Canada Life Financial Corporation effective January 1st, 2020.

Closed block sub-account and open sub-accounts: If a mutual insurance company demutualizes (see 'Demutualization' below), participating policyholders are divided into two categories. Eligible policies which were purchased or assumed by the company before demutualization are accounted for in what is known as the 'closed block' or 'closed block sub-account'. Those purchased or assumed after demutualization are accounted for in what is known as the 'open sub-accounts'. The closed block sub-accounts are maintained in accordance with the closed block operating rules established by the Company for the closed blocks and approved by the Office of the Superintendent of Financial Institutions.

Demutualization: Demutualization is the process of a company changing from a mutual company owned by participating policy owners to a stock company owned by shareholders.

Dividend classes: Groupings of participating policies with certain product and policy attributes in common, which are used in determining how the amount to be distributed as policyholder dividends is divided among classes of policies when setting the policyholder dividend scale.

Dividend scale: The dividend scale outlines how the total amount available for distribution as dividends will be allocated to each individual policy in the form of policyholder dividends.

Participating account earnings: Earnings arise when the experience in the participating account for factors such as investment income, mortality, lapses, expenses and taxes is collectively more favourable than the assumptions for these factors used when pricing the participating insurance policies. The Company may distribute a portion of the earnings at the discretion of the Board of Directors in accordance with the Dividend Policy.

Sub-accounts: A participating account can be split into separate sub-accounts to better align the management of the accounts, including management of investments, to different parts of participating business.

Participating Account Financial Disclosure

Canada Life Participating Disclosure

(in millions of local currency)

		2020		2019			
		Open Fund	Closed Fund		Open Fund		Closed Fund
Participating Account	Accounting Item	CLA	CLA	CLA	GWL	LL	CLA
Canada	**Opening surplus and accumulated other**						
Canada Life	**comprehensive income (AOCI)** [(1)]	**$ 2,740**	**n/a**	$ 281	$ 608	$ 1,827	n/a
	Net earnings (including OCI) before distributions	**1,363**	**77**	158	157	943	84
$	Amounts transferred to shareholders under						
	s. 461 of the ICA	**(31)**	**–**	(4)	(4)	(23)	–
	Other transfers or accruals under						
	s. 462 of the ICA	**(2)**	**–**	–	–	(1)	–
	Net earnings (including OCI) before payment						
	of policyholder dividends	**1,330**	**77**	154	153	919	84
	Policyholder dividends distributed during the year	**(1,209)**	**(77)**	(156)	(166)	(880)	(84)
	Closing surplus and accumulated other						
	comprehensive income (AOCI)	**$ 2,861**	**n/a**	$ 279	$ 595	$ 1,866	n/a
	Total assets at year end	**$ 45,255**	**$ 2,998**	$ 5,313	$ 5,604	$ 30,371	$ 2,973
	Section 461 transfer as a % of total distributions	**2.50%**	**n/a**	2.84%	2.50%	2.50%	n/a

(1) As part of amalgamation on January 1 2020, the Canadian open participating accounts of each of The Great-West Life Assurance Company, London Life Insurance Company and The Canada Life Assurance Company were combined into a single Canadian open participating account.

(in millions of local currency)		2020		2019	
Participating Account	Accounting Item	Open Fund	Closed Fund	Open Fund	Closed Fund
Canada Crown Life	**Opening surplus and accumulated other comprehensive income (AOCI)**		**n/a**		n/a
	Net earnings (including OCI) before distributions		**5**		5
	Amounts transferred to shareholders under s. 461 of the ICA		**–**		–
$	Other transfers or accruals under s. 462 of the ICA		**–**		–
	Net earnings (including OCI) before payment of policyholder dividends		**5**		5
	Policyholder dividends distributed during the year		**(5)**		(5)
	Closing surplus and accumulated other comprehensive income (AOCI)		**n/a**		n/a
	Total assets at year end		**$ 1,081**		$ 1,045
	Section 461 transfer as a % of total distributions		**n/a**		n/a
Canada New York Life	**Opening surplus and accumulated other comprehensive income (AOCI)**		**n/a**		n/a
	Net earnings (including OCI) before distributions		**38**		37
	Amounts transferred to shareholders under s. 461 of the ICA		**–**		–
$	Other transfers or accruals under s. 462 of the ICA		**–**		–
	Net earnings (including OCI) before payment of policyholder dividends		**38**		37
	Policyholder dividends distributed during the year		**(38)**		(37)
	Closing surplus and accumulated other comprehensive income (AOCI)		**n/a**		n/a
	Total assets at year end		**$ 1,637**		$ 1,571
	Section 461 transfer as a % of total distributions		**n/a**		n/a
International Hong Kong	**Opening surplus and accumulated other comprehensive income (AOCI)**		**n/a**		n/a
	Net earnings (including OCI) before distributions		**9**		9
	Amounts transferred to shareholders under s. 461 of the ICA		**–**		–
US$	Other transfers or accruals under s. 462 of the ICA		**–**		–
	Net earnings (including OCI) before payment of policyholder dividends		**9**		9
	Policyholder dividends distributed during the year		**(9)**		(9)
	Closing surplus and accumulated other comprehensive income (AOCI)		**n/a**		n/a
	Total assets at year end		**$ 675**		$ 614
	Section 461 transfer as a % of total distributions		**n/a**		n/a
International Macau	**Opening surplus and accumulated other comprehensive income (AOCI)**		**n/a**		n/a
	Net earnings (including OCI) before distributions		**–**		–
	Amounts transferred to shareholders under s. 461 of the ICA		**–**		–
US$	Other transfers or accruals under s. 462 of the ICA		**–**		–
	Net earnings (including OCI) before payment of policyholder dividends		**–**		–
	Policyholder dividends distributed during the year		**–**		–
	Closing surplus and accumulated other comprehensive income (AOCI)		**n/a**		n/a
	Total assets at year end		$ 13		$ 11
	Section 461 transfer as a % of total distributions		**n/a**		n/a
International Pacific Rim	**Opening surplus and accumulated other comprehensive income (AOCI)**	**$ (4)**		$ (3)	
	Net earnings (including OCI) before distributions	**(4)**		–	
	Amounts transferred to shareholders under s. 461 of the ICA	**–**		–	
US$	Other transfers or accruals under s. 462 of the ICA	**–**		–	
	Net earnings (including OCI) before payment of policyholder dividends	**(4)**		–	
	Policyholder dividends distributed during the year	**(1)**		(1)	
	Closing surplus and accumulated other comprehensive income (AOCI)	**$ (9)**		$ (4)	
	Total assets at year end	**$ 23**		$ 22	
	Section 461 transfer as a % of total distributions	**2.44%**		2.84%	

(in millions of local currency)

Participating Account	Accounting Item	2020 Open Fund	2020 Closed Fund	2019 Open Fund	2019 Closed Fund
United States Canada Life	**Opening surplus and accumulated other comprehensive income (AOCI)**	**$ 1**	**n/a**	$ 4	n/a
	Net earnings (including OCI) before distributions	**2**	**13**	(1)	17
	Amounts transferred to shareholders under s. 461 of the ICA	**–**	**–**	–	–
US$	Other transfers or accruals under s. 462 of the ICA	**(1)**	**–**	1	–
	Net earnings (including OCI) before payment of policyholder dividends	**1**	**13**	–	17
	Policyholder dividends distributed during the year	**(2)**	**(13)**	(3)	(17)
	Closing surplus and accumulated other comprehensive income (AOCI)	**$ –**	**n/a**	$ 1	n/a
	Total assets at year end	**$ 193**	**$ 1,239**	$ 189	$ 1,206
	Section 461 transfer as a % of total distributions	**2.50%**	**n/a**	2.84%	n/a
United States Crown Life	**Opening surplus and accumulated other comprehensive income (AOCI)**	**$ 5**		$ 3	
	Net earnings (including OCI) before distributions	**2**		7	
	Amounts transferred to shareholders under s. 461 of the ICA	**–**		–	
US$	Other transfers or accruals under s. 462 of the ICA	**–**		–	
	Net earnings (including OCI) before payment of policyholder dividends	**2**		7	
	Policyholder dividends distributed during the year	**(3)**		(5)	
	Closing surplus and accumulated other comprehensive income (AOCI)	**$ 4**		$ 5	
	Total assets at year end	**$ 465**		$ 467	
	Section 461 transfer as a % of total distributions	**2.50%**		2.84%	

Participating Account Management Policy

This Participating Account Management Policy has been established by the Board of Directors, in conjunction with the Participating Policyholder Dividend Policy, and may be amended by the Board from time to time at its discretion. The factors most likely to be considered in deciding whether to amend this policy include changes in applicable legal or regulatory requirements, professional guidelines, industry practices or significant business changes. The Appointed Actuary has overall accountability for the administration of this policy, having regard for relevant corporate policies.

The participating account is managed with regard to the Company's enterprise risk management framework through which the Board and management establish the Company's risk strategy, articulate and monitor adherence to risk appetite and risk limits and identify, measure, manage, monitor and report on risks.

As required by the Insurance Companies Act, the Company maintains accounts for its participating insurance policies separately from those maintained in respect of other policies. This facilitates the measurement of the earnings attributable to the participating account.

The participating account is maintained in respect of participating life insurance policies and small blocks of participating annuities and disability insurance policies that have been issued or assumed by the Company. The participating account is comprised of three main types of sub-accounts. The closed block sub-accounts for Canada Life, New York Life and Crown Life were established for participating insurance policies issued or assumed by the Company prior to demutualization and are comprised of the best-estimate liabilities associated with these policies. The ancillary sub-accounts are comprised of the liabilities associated with provisions for adverse deviation in respect of the policies contained in the closed block sub-accounts.

The open sub-accounts are maintained in respect of the participating insurance policies issued or assumed by the Company other than those within the closed block sub-accounts, and are comprised of the total liabilities associated with these policies, together with the participating account surplus. While some of these open sub-accounts have since been closed to new business after demutualization, the Canadian open sub-account remains open to new business. The Canadian open sub-account includes participating insurance policies issued or assumed in Canada and Bermuda.

The closed block sub-accounts are maintained in accordance with the closed block operating rules established by the Company for the closed blocks and approved by the Office of the Superintendent of Financial Institutions. The closed block operating rules govern the management of the various closed block sub-accounts, including investment income allocation, mortality costs, expense charges and taxes. The Appointed Actuary is required to provide the Superintendent and the relevant non-Canadian insurance regulators with reports and opinions about the operation of the closed block sub-accounts and ongoing compliance with the closed block operating rules as may be required.

Assets of the Company held within its general funds are allocated to the participating account and non-participating account segments for the purpose of allocating investment income to each account. Assets are allocated to each segment according to the investment guidelines established for the segments. These guidelines outline criteria for asset mix, liquidity, currency risk and interest rate risk. These guidelines are intended to recognize considerations such as the business objectives, liability characteristics, liquidity requirements, tax considerations and interest rate risk tolerance of each segment. Assets allocated to a segment may from time to time be reallocated to another segment within the same account or another account provided the assets exchanged comply with the investment policy of the respective segments. Any such exchanges are effected at fair value.

The Board of Directors reviews the investment strategy of each of the sub-accounts, and on an annual basis reviews and approves investment policies which govern investment activities for the participating accounts. The investment policies outline a number of principles for investing in assets, including risk tolerance and the approach to managing investment risk. Investment risk is managed through underwriting standards, exposure limits and specific guidelines governing asset classes and investment operations. The investment policies establish limits for the concentration of assets in single geographic areas, industries, companies and types of businesses as part of the risk management process. The Company may use derivative products for risk management purposes to hedge asset and liability positions.

The Company maintains one asset segment to support the liabilities of the open sub-account for policies issued in Canada and Bermuda, and of the Canada Life closed block sub-account and ancillary sub-accounts for policies issued in Canada. The assets supporting these liabilities are notionally divided based on investment needs and objectives into: (1) investments that are used to satisfy near term policy benefits (next 10 years) and (2) investments that are used to achieve longer term objectives of the participating account.

The investments used for the near term are primarily fixed income assets. The cashflows of these assets, together with the participating policy premiums are expected to provide for the policyholder benefits for the next 10 years. These benefits include dividends, death benefits, cash surrender values and other policy benefits such as waiver of premium.

The investments used to achieve the longer term objectives include a combination of 1 to 10 year fixed income assets, a total return bond pool, and a diversified pool of common stocks, private equity and real estate. As a result, the fixed income assets held to achieve the longer term objectives are expected to mature and be reinvested several times before being used to meet the policy benefits. The focus in managing these assets is to create value by reinvesting in a disciplined manner as investment spreads, interest rate levels and equity market conditions evolve and cycle. The performance of this part of the strategy is a key driver of changes in the dividend scale interest rate and this rate is an important contributor to changes in the dividend scale.

For all other sub-accounts (that is, the closed block sub-accounts for New York Life and Crown Life), the Company invests primarily in fixed income assets across a spread of terms. The target maturity profile of these fixed income investments is shorter than the expected policy cashflows. This strategy is intended to produce returns that exhibit stability while providing policyholders with some participation in changing fixed income market conditions.

Investment income is allocated to the participating account in accordance with the Company's investment income allocation policy. Generally, investment income results are allocated directly to a segment based on the assets allocated to the segment. Each year the Appointed Actuary reviews the method used for allocating investment income to the participating account and reports to the Board of Directors on its fairness and equitableness.

Expenses and taxes incurred by the Company are allocated to the participating account in accordance with the Company's expense allocation and tax allocation policies.

Expenses are allocated by the area incurring the expense to the appropriate line of business. As a general principle, expenses are allocated to a line of business in accordance with its business activities. In addition, from time to time the Company makes significant expenditures/investments outside of regular business activities which may include but are not limited to transactions such as acquisitions, restructurings, and capital expenditures (e.g. major IT systems), the intent and effect of which is to reduce future expenses. The governing principle for fair and equitable treatment of such expenditures/investments is that expenses will be allocated to the lines of business recognizing both the benefit derived by the line of business from that expenditure/investment and the contribution made by the line of business to that expenditure/investment.

For the open sub-accounts, in general, expenses that are exclusively related to participating business are allocated directly to the participating account. Expenses related to both participating and non-participating business are allocated based on business statistics when the expenses vary based on those statistics, based on managers' estimates supported by time studies or other assessments, or in proportion to the total expenses allocated using all of the methods previously mentioned. For unusual items, management will determine and report to the Appointed Actuary the resulting allocation of expenses to each line of business, including the basis and justification for it.

For the closed block sub-accounts, expenses are charged based on pre-determined formulas in accordance with the closed block operating rules.

Taxes are allocated to the participating account using the characteristics of the participating and non-participating accounts that are determinative of the relevant tax costs. In accordance with the closed block operating rules, no taxes on profits are allocated to the closed block sub-accounts since it is expected that closed block pre-tax profit will cumulatively be zero over the lifetime of the closed block.

Each year the Appointed Actuary reviews the method used for allocating expenses and taxes to the participating account and reports to the Board of Directors on its fairness and equitableness.

Throughout the term of their policy, participating policyholders benefit from the financial strength and ongoing vitality of the Company. For policyholders in the open sub-accounts, this includes the benefit of participating account surplus, which includes the combined contributions to surplus made by, or expected to be made by, past and present participating policyholders. After their policy terminates, contributions to surplus made by policyholders remain in the participating account surplus.

The participating account surplus associated with the open sub-accounts is managed within the Company's capital management and enterprise risk management framework and with regard to regulatory requirements. Surplus is required for a number of purposes including to help ensure the Company can meet its obligations to participating policyholders, help ensure financial strength and stability of the Company, finance new business growth and acquisitions which may benefit the participating account, provide for transitions during periods of major change, and to avoid undue fluctuations in dividends; subject to items such as practical considerations and limits, legal and regulatory requirements, and industry practices.

A portion of earnings in the open sub-accounts for each financial period is retained in the participating account surplus. The earnings retained in the participating account surplus include items such as policyholders' contributions to surplus and the investment returns earned on assets allocated to the participating account surplus. The participating account surplus position is reviewed annually, having regard for the specific circumstances of the participating account. Based on the review, policyholders' future contributions to surplus may be adjusted by increasing or decreasing the dividend scale.

As permitted by the Insurance Companies Act, the Company may distribute to the shareholders a percentage of the amount distributed to policyholders from the open sub-accounts in respect of a financial year. Prior to any such distribution, the Appointed Actuary will confirm to the Board of Directors that the proposed distribution is permitted under the terms of the Insurance Companies Act. The proportion distributed to the shareholders will not exceed the prescribed amount as determined under section 461 of the Insurance Companies Act. Any distribution made to the shareholders will be published in the Company's annual report.

Under the terms of the closed block operating rules, no distribution to the shareholders may be made from the closed block sub-accounts. In accordance with the demutualization agreement, the amount by which the assets exceed the liabilities in the ancillary sub-accounts is transferred to the shareholders each quarter.

Glossary:

The Company: The Canada Life Assurance Company, a company resulting from the amalgamation of The Great-West Life Assurance Company, The Canada Life Assurance Company, London Life Insurance Company, London Insurance Group Inc. and Canada Life Financial Corporation effective January 1st, 2020.

Closed block sub-account and open sub-accounts: If a mutual insurance company demutualizes (see 'Demutualization' below), participating policyholders are divided into two categories. Eligible policies which were purchased or assumed by the company before demutualization are accounted for in what is known as the 'closed block' or 'closed block sub-account'. Those purchased or assumed after demutualization are accounted for in what is known as the 'open sub-accounts'. The closed block sub-accounts are maintained in accordance with the closed block operating rules established by the Company for the closed blocks and approved by the Office of the Superintendent of Financial Institutions.

Demutualization: Demutualization is the process of a company changing from a mutual company owned by participating policy owners to a stock company owned by shareholders.

Dividend classes: Groupings of participating policies with certain product and policy attributes in common, which are used in determining how the amount to be distributed as policyholder dividends is divided among classes of policies when setting the policyholder dividend scale.

Dividend scale: The dividend scale outlines how the total amount available for distribution as dividends will be allocated to each individual policy in the form of policyholder dividends.

Participating account earnings: Earnings arise when the experience in the participating account for factors such as investment income, mortality, lapses, expenses and taxes is collectively more favourable than the assumptions for these factors used when pricing the participating insurance policies. The Company may distribute a portion of the earnings at the discretion of the Board of Directors in accordance with the Dividend Policy.

Provisions for adverse deviation: The valuation of liabilities involves estimates and assumptions about future events. Because of the risk that estimates will prove incorrect, liabilities include provisions for adverse deviation from the estimates of experience relating to future events.

Total return bond pool: A portfolio of fixed income assets which is actively traded. Assets are traded in response to factors such as changing market conditions and market opportunities.

Segments: The split of the assets of the Company held within its general funds for the purpose of determining asset allocation; each segment has investment guidelines established for the segment.

Sub-accounts: A participating account can be split into separate sub-accounts to better align the management of the accounts, including management of investments, to different parts of participating business.

Undue fluctuations: One of the uses that may be made of participating account surplus in the open sub-accounts is to help avoid undue fluctuations in dividends. The use of surplus for this purpose is limited to the occurrence of extreme events, and as such, is not a common occurrence.

Sources of Earnings

The following is provided in accordance with the OSFI guideline requiring Sources of Earnings (SOE) disclosure. SOE is not an International Financial Reporting Standards (IFRS) measure. There is no standard SOE methodology. The calculation of SOE is dependent on and sensitive to the methodology, estimates and assumptions used.

SOE identifies various sources of IFRS net earnings. It provides an analysis of the difference between actual net income and expected net income based on assumptions made at the beginning of the reporting period. The terminology used in the discussion of sources of earnings is described below:

Expected Profit on In-Force Business

This component represents the portion of the consolidated net income on business in-force at the start of the reporting period that was expected to be realized based on the achievement of the best-estimate assumptions. It includes releases of provisions for adverse deviations, expected net earnings on deposits, and expected net management fees.

Impact of New Business

This component represents the point-of-sale impact on net income of writing new business during the reporting period. This is the difference between the premium received and the sum of the expenses incurred as a result of the sale and the new liabilities established at the point of sale.

Experience Gains and Losses

This component represents gains and losses that are due to differences between the actual experience during the reporting period and the best-estimate assumptions at the start of the reporting period.

Management Actions and Changes in Assumptions

This component represents the impact on net income resulting from management actions, changes in actuarial assumptions or methodology, changes in margins for adverse deviations, and correction of errors.

Other

This component represents the amounts not included in any other line of the sources of earnings.

Earnings on Surplus

This component represents the earnings on the Company's surplus funds.

Canada Life's sources of earnings are shown below for 2020 and the sources of earnings for 2019 represent Great-West Life prior to the amalgamation.

Sources of Earnings
(in Canadian $ millions)

	Shareholder net earnings				
For the year ended December 31, 2020	Canada	Europe	Capital and Risk Solutions	Corporate	Total
Expected profit on in-force business	$ 1,286	$ 811	$ 608	$ (44)	$ 2,661
Impact of new business	(42)	(71)	(30)	–	(143)
Experience gains and losses	186	(62)	(55)	(14)	55
Management actions and changes in assumptions	(265)	304	64	158	261
Other	–	–	–	(68)	(68)
Earnings on surplus	–	99	50	(9)	140
Net earnings before tax	1,165	1,081	637	23	2,906
Taxes	(175)	(40)	1	117	(97)
Net earnings before non-controlling interests	990	1,041	638	140	2,809
Non-controlling interests	–	(2)	–	–	(2)
Net earnings – shareholder	990	1,039	638	140	2,807
Preferred share dividends	–	–	–	–	–
Net earnings – common shareholder	$ 990	$ 1,039	$ 638	$ 140	$ 2,807

Sources of Earnings
(in Canadian $ millions)

	Shareholder net earnings				
For the year ended December 31, 2019	Canada	Europe	Capital and Risk Solutions	Corporate	Total
Expected profit on in-force business	$ 1,276	$ 749	$ 524	$ (42)	$ 2,507
Impact of new business	28	21	(21)	–	28
Experience gains and losses	225	(90)	(83)	10	62
Management actions and changes in assumptions	(166)	361	(62)	–	133
Other	–	–	–	(77)	(77)
Earnings on surplus	–	132	29	76	237
Net earnings before tax	1,363	1,173	387	(33)	2,890
Taxes	(278)	(37)	5	113	(197)
Net earnings before non-controlling interests	1,085	1,136	392	80	2,693
Non-controlling interests	-	(1)	–	–	(1)
Net earnings – shareholder	1,085	1,135	392	80	2,692
Preferred share dividends	–	–	–	–	–
Net earnings – common shareholder	$ 1,085	$ 1,135	$ 392	$ 80	$ 2,692

Analysis of Results

Expected profit on in-force business is the major driver of earnings and accounted for 92% of pre-tax earnings in 2020. The expected profit on in-force business of $2,661 in 2020 was $154 higher than 2019. The increase year-over-year is primarily a result of business growth in Capital and Risk Solutions and higher profitability in Ireland.

The strain on new sales of $143 in 2020 was $171 higher than 2019 primarily due to lower gains on UK annuity sales and lower profitability in Individual Customer Canada mainly due to lower interest rates.

Experience gains of $55 in 2020 were $7 lower than 2019. The gains in 2020 were primarily a result of positive investment experience, favorable annuity mortality experience across Canada, Europe and Capital and Risk Solutions and favourable morbidity experience in Canada and Europe. This was partially offset by unfavorable life mortality and expense and fee-based experience across Canada, Europe and Capital and Risk Solutions, and unfavourable policyholder behaviour experience across all segments. The gains in 2019 were primarily a result of investment experience in Canada. These gains were partially offset by morbidity results in Canada and Europe, policyholder behaviour results in Canada and Europe, and expense and fee-based experience in Europe.

Management actions and changes in assumptions contributed $261 to pre-tax earnings in 2020 compared to $133 in 2019.

In 2020, favourable longevity assumption updates, modeling refinements, and gains on the sale of GLC and IPSI were partially offset by strengthening of policyholder behaviour, and economic and asset related assumptions.

Other of $(68) in 2020 is due to restructuring costs in Corporate.

Pre-tax earnings on surplus decreased by $97 in 2020 compared to 2019 primarily due to higher financing costs.

Subsidiaries of The Canada Life Assurance Company [(1)]

Name	Principal Office Address	Carrying Value [(2)] (in Canadian $ millions)	Voting Share Ownership
Canada Life Capital Corporation Inc.	Toronto, Ontario	$ 9,420	100%
Canada Life International Holdings Limited	Hamilton, Bermuda	6,882	100%
The Canada Life Group (U.K.) Limited	Potters Bar, Hertfordshire, England	8,326	100%
Canada Life Limited	Potters Bar, Hertfordshire, England	6,523	100%
Irish Life Group Limited	Dublin, Ireland	3,344	100%
Irish Life Assurance p.l.c.	Dublin, Ireland	2,312	100%
Canada Life Irish Holding Company Limited	Dublin, Ireland	2,069	100%
The Canada Life Insurance Company of Canada	Toronto, Ontario	981	100%
London Reinsurance Group Inc.	London, Ontario	854	100%
GWL Realty Advisors Inc.	Winnipeg, Manitoba	61	100%
Quadrus Investment Services Ltd.	London, Ontario	25	100%

(1) The table above depicts the material and certain other subsidiaries of the Company at December 31, 2020.
(2) The carrying value represents the Company's equity in its subsidiaries.

Five-Year Summary

(in Canadian $ millions except per share amounts)

At December 31	2020	2019	2018	2017	2016
Total assets under administration	**$ 499,760**	$ 507,862	$ 459,374	$ 449,237	$ 420,428
For the Year Ended December 31					
Premiums and deposits:					
Net premium income					
(Life insurance, guaranteed annuities and insured health products)	**$ 37,838**	$ 34,796	$ 31,803	$ 29,986	$ 26,257
Self-funded premium equivalents (Administrative services only contracts)	**2,964**	3,295	3,068	2,827	2,751
Segregated funds deposits:					
Individual products	**14,491**	16,081	15,363	16,089	12,776
Group products	**5,547**	6,183	5,770	5,659	4,976
Proprietary mutual funds and institutional deposits	**19,254**	20,841	12,234	11,256	18,767
Add back: U.S. Individual Life Insurance & Annuity Business – initial reinsurance ceded premiums	**–**	701	–	–	–
Total premiums and deposits	**$ 80,094**	$ 81,897	$ 68,238	$ 65,817	$ 65,527
Condensed Statements of Earnings					
Income					
Total net premiums	**$ 37,838**	$ 34,796	$ 31,803	$ 29,986	$ 26,257
Net investment income					
Regular net investment income	**4,759**	4,474	4,633	4,469	4,642
Changes in fair value through profit or loss	**4,839**	5,672	(2,777)	1,147	3,806
Total net investment income	**9,598**	10,146	1,856	5,616	8,448
Fee and other income	**3,133**	3,324	3,217	3,070	2,790
Total income	**50,569**	48,266	36,876	38,672	37,495
Benefits and expenses					
Paid or credited to policyholders	**41,816**	39,896	28,218	30,494	29,005
Other	**5,588**	5,421	5,276	5,094	5,151
Amortization of finite life intangible assets	**155**	139	121	103	96
Restructuring expenses	**92**	–	67	242	17
Earnings before income taxes	**2,918**	2,810	3,194	2,739	3,226
Income taxes	**42**	107	226	224	357
Net earnings before non-controlling interests	**2,876**	2,703	2,968	2,515	2,869
Attributable to non-controlling interests	**2**	1	–	–	–
Net earnings	**2,874**	2,702	2,968	2,515	2,869
Net earnings (loss) – participating account	**67**	10	(19)	41	190
Net earnings – common shareholder	**$ 2,807**	$ 2,692	$ 2,987	$ 2,474	$ 2,679
Book value per common share	**$ 8,380**	$ 8,555	$ 8,813	$ 8,224	$ 7,766
Dividends to common shareholder – per share	**$ 926.65**	$ 1,181.34	$ 778.60	$ 692.22	$ 744.10

Directors and Senior Officers

As of February 11, 2021

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Searchlight Capital Partners

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Executive Vice-President,
Power Corporation of Canada

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Blake, Cassels & Graydon LLP

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Paula B. Madoff [5, 7]
Corporate Director

Paul A. Mahon [7]
President and Chief Executive Officer,
Canada Life

Susan J. McArthur [4, 5]
Corporate Director

T. Timothy Ryan [3, 4, 6]
Corporate Director

Jerome J. Selitto [2, 5]
President,
Better Mortgage Corporation

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Chairman of the Advisory Board,
CSM Bakery Solutions Limited

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Chief Financial Officer,
Power Corporation of Canada

Siim A. Vanaselja, FCPA, FCA [1, 6]
Corporate Director

Brian E. Walsh [3, 4, 7]
Principal and Chief Strategist,
Titan Advisors, LLC

Committees

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3. **Governance and Nominating Committee**
   Chair: R. Jeffrey Orr
4. **Human Resources Committee**
   Chair: Claude Généreux
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   Chair: Paula B. Madoff
6. **Risk Committee**
   Chair: Gregory D. Tretiak
7. **Reinsurance Committee**
   Chair: Gregory D. Tretiak

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President and Chief Executive Officer

Arshil Jamal
President and Group Head,
Strategy, Investments, Reinsurance
and Corporate Development

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Europe

Jeffrey F. Macoun
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Chief Compliance Officer

Dervla M. Tomlin
Executive Vice-President and
Chief Actuary

Jeremy W. Trickett
Senior Vice-President and
Chief Governance Officer

Company Information

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Want more information?

You can find out more about Canada Life's products and services and view our annual report online by visiting canadalife.com. You may request a printed copy of this annual report by emailing the Corporate Secretary's Office at corporate.secretary@canadalife.com.

The following is contact information for Canada Life's major offices. Please contact the appropriate office for inquires.

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