canada life™

The Canada Life Assurance Company

Management's discussion and analysis

First Quarter Results

For the period ended March 31, 2020

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS - QUARTERLY HIGHLIGHTS

FOR THE PERIOD ENDED MARCH 31, 2020

DATED: MAY 6, 2020

On January 1, 2020, the Company's parent company completed the amalgamation of its three Canadian life insurance companies, The Great-West Life Assurance Company (Great-West Life), London Life Insurance Company (London Life) and The Canada Life Assurance Company, and their holding companies, Canada Life Financial Corporation and London Insurance Group Inc. The companies have been amalgamated into a single life insurance company, The Canada Life Assurance Company (Canada Life or the Company).

The Company's reportable 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. 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 realignment resulted in a change to comparative figures within these business units. The Company's other business unit – Corporate – is unchanged. Business activities and transactions that are not associated with the specific business units are attributed to Corporate.

This Interim Management's Discussion and Analysis - Quarterly Highlights (MD&A - Quarterly Highlights) for the three months ended March 31, 2020 provides material updates to the business operations, liquidity and capital resources of Canada Life since December 31, 2019. This Interim MD&A - Quarterly Highlights has been prepared in compliance with section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 - Continuous Disclosure Obligations. This Interim MD&A - Quarterly Highlights should be read in conjunction with the Company's condensed consolidated interim unaudited financial statements for the period ended March 31, 2020. Comparative amounts presented and disclosed in the Company's condensed consolidated interim unaudited financial statements have previously been reported in the consolidated financial statements of Great-West Life, as published on the Company's website at www.canadalife.com. Also refer to 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. The condensed consolidated interim unaudited financial statements of the Company, which are the basis for data presented in this Interim MD&A - Quarterly Highlights, 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 MD&A 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 "expects", "anticipates", "intends", "plans", "believes", "estimates" 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, and possible future actions by the Company, including statements made with respect to the expected benefits of acquisitions and divestitures, expected capital management activities and use of capital, expected dividend levels, expected cost reductions and savings, the impact of regulatory developments on the Company's business strategy and growth objectives and 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 and mutual fund 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. Whether or not actual results differ from forward-looking information may depend on numerous factors, developments and assumptions, including, without limitation, customer behaviour, the Company's reputation, market prices for products provided, sales levels, premium income, fee income, expense levels, mortality experience, morbidity experience, policy lapse rates, 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), business competition and other general economic, political and market factors in North America and internationally. 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. Other important factors and assumptions that could cause actual results to differ materially from those contained in forward-looking statements include customer responses to new products, 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, and 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). 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 Canada Life Financial Corporation's 2019 Annual MD&A 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 Interim MD&A - Quarterly Highlights contains some non-IFRS financial measures. Terms by which non-IFRS financial measures are identified include, but are not limited to, "constant currency basis", "impact of currency movement", "premiums and deposits", "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 this MD&A for the appropriate reconciliations of these non-IFRS financial measures to measures prescribed by IFRS as well as additional details on each measure.

CONSOLIDATED OPERATING RESULTS

Selected consolidated financial information
(in Canadian $ millions)

	As at or for the three months ended		
	March 31 2020	Dec. 31 2019	March 31 2019
Earnings			
Participating account	$ 10	$ (30)	$ (10)
Common shareholder[1]	399	706	662
Total net earnings	409	676	652
Total premiums and deposits[2]	$ 22,745	$ 20,102	$ 23,222
Fee and other income	776	837	820
Net policyholder benefits, dividends and experience refunds	8,282	9,221	7,895
Total assets per financial statements	$ 353,918	$ 370,664	$ 359,813
Proprietary mutual funds and institutional assets[2]	67,077	71,342	64,665
Total assets under management[2]	420,995	442,006	424,478
Other assets under administration[2]	66,468	65,856	61,964
Total assets under administration[2]	$ 487,463	$ 507,862	$ 486,442
Total liabilities	$ 330,993	$ 347,303	$ 335,937
Participating account surplus	$ 2,833	$ 2,745	$ 2,738
Non-controlling interests	23	21	20
Shareholders' equity	20,069	20,595	21,118
Total equity	$ 22,925	$ 23,361	$ 23,876
LICAT Ratio[3]	133%	135%	140%

(1) The fourth quarter of 2019 results include a net gain on the sale of a heritage block of individual policies to Scottish Friendly of $8 million.
(2) This metric is a non-IFRS measure. Refer to "Non-IFRS Financial Measures" section of this document for additional details.
(3) The Life Insurance Capital Adequacy Test (LICAT) ratio is detailed within the "Capital Management and Adequacy" section.

COVID-19 PANDEMIC IMPACTS

Beginning in January 2020, the outbreak of a virus known as COVID-19 and ensuing global pandemic have resulted in travel and border restrictions, self-imposed quarantine periods and physical distancing, supply chain disruptions, reduced consumer demand and significant market uncertainty. This has caused material disruption to businesses globally, resulting in an economic slowdown. Global financial markets have experienced material and rapid declines and continue to experience significant volatility. 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 is unknown at this time, as is the efficacy of the government and central bank interventions. While, due to the evolving and highly uncertain nature of this event, it currently is not possible to estimate its impact precisely, the COVID-19 pandemic could adversely impact the Company's business, financial condition, results of operations, liquidity or prospects in a number of ways. The Company is monitoring the situation closely, including carrying out stress and scenario testing, and has implemented processes for the continuation of operations and to support the well-being of customers, employees and broader communities. The risks associated with COVID-19 (financial, operational and other risks) are being managed within Company's existing risk management framework. Service continuity plans are in operation across the Company, with a significant majority of employees working remotely to provide service to customers and maintain operations and technology functions. In addition, the Company has provided support to communities through financial donations across the geographic regions in which the Company operates.

Impact on Financial Results

Net Earnings

The pandemic conditions have impacted the Company's first quarter 2020 financial results. As a result of the decline in equity markets and interest rates since December 31, 2019, primarily driven by COVID-19, the Company's net earnings in the first quarter of 2020 were adversely impacted. Adverse impacts included the impact of increases in insurance contract liabilities in response to lower equity markets, segregated fund guarantees and related hedging ineffectiveness and lower fee income.

Liquidity and Capital Position

The Company's capital position remains strong at March 31, 2020, with a LICAT ratio for Canada Life of 133% which is well above the Company's internal target range and the supervisory target.

The impact of equity market declines in the first quarter of 2020 resulted in a decrease of approximately 1.5 points to Canada Life's LICAT ratio. The movement of interest rates in the first quarter of 2020 increased the LICAT ratio by approximately 2 points. Refer to the "Capital Management and Adequacy" section of this document for additional details on the LICAT ratio.

The Company's liquidity requirements are largely self-funded, with short-term obligations being met by internal funds and maintaining levels of liquid investments adequate to meet anticipated liquidity needs. At March 31, 2020, the Company and its operating subsidiaries held cash, cash equivalents and short-term bonds of $4.8 billion. In addition, the Company maintains committed lines of credit with Canadian chartered banks for unanticipated liquidity needs, if required.

Other Impacts

Many areas of the credit markets exhibited extreme volatility in March with spreads widening in investment grade and high yield markets. Towards the end of the first quarter, some downgrades were seen across industries from the rating agencies, particularly to issuers in sectors most affected by economic shutdowns or perceived deterioration in future business models. The Company experienced limited impact from the downgrades in period; however, this is expected to have a larger impact in future periods depending on the length of the shutdowns and recovery of the economy.

Measurement Uncertainty

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. 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. These estimates and judgments are more challenging in a period of uncertainty as is currently being experienced.

The estimation of actuarial liabilities relies upon investment credit ratings for fixed income investments. The Company's practice is to use independent third party credit ratings where available as an input to its internal credit rating process. Investment properties, which are primarily held in the U.K. and Canada, rely upon independent third party appraisals for their valuation which impact the estimation of actuarial liabilities. Independent appraisals for the portfolio occur over the year with management adjustments for material changes in the interim periods. Credit rating changes for fixed income investments and market values for investment properties may lag developments in the current environment. Subsequent credit rating adjustments and market value adjustments on investment properties will impact actuarial liabilities.

In March 2020, the Company announced a temporary suspension of contributions to and redemptions and transfers from its real estate segregated funds in Canada and Europe as the economic conditions caused by the current COVID-19 situation led to valuation uncertainty in the real estate industry. Management determined the need to temporarily suspend withdrawals and transfers-out from the funds in order to protect the long term interests of unitholders. In accordance with the terms applicable to the real estate investment funds, the suspension will remain in place until market conditions have stabilized enough to determine valuations with greater certainty and the Company is comfortable with the funds' liquidity position. The Company, through its general account, has established a process to facilitate hardship and certain other withdrawals, including minimum registered retirement income fund payments.

In addition, the fair value of portfolio investments, the valuation of goodwill and other intangible assets and the recoverability of deferred tax assets reflect management's judgement based on current expectations but could be impacted in the future depending on current market developments. Given the uncertainty surrounding the current environment, the actual financial results could differ from the estimates made in preparation of the financial statements.

Government and Regulatory Responses

Governments and central banks in the jurisdictions in which the Company's subsidiaries operate have announced and implemented measures to deal with the economic impacts of the COVID-19 pandemic, including emergency spending, interest rate cuts, wage subsidies and other supports for individuals and businesses. Prudential regulators of the Company's insurance subsidiaries have also taken steps to support initiatives by insurers to enhance liquidity for their customers and borrowers, including providing capital relief for loan and insurance premium payment deferrals.

Regulators are also increasing their oversight activities, focusing on how the business, capital strength and liquidity of regulated entities are impacted by the pandemic, and the overall level of regulatory engagement with the Company's regulated subsidiaries is higher. Dividends and distributions of capital to shareholders of banks and insurers have been an area of focus during the pandemic and several prudential regulators have provided specific guidance on the payment of dividends and other shareholder distributions during the crisis, including in Canada, the United Kingdom and Ireland where some of the Company's regulated subsidiaries operate.

On March 13, 2020 the Office of the Superintendent of Financial Institutions (OSFI) instructed Canadian banks and insurers to suspend share buybacks and not to increase dividend payments. The Company does not currently intend to increase dividend or engage in share repurchases.

In the United Kingdom, the Prudential Regulatory Authority (PRA) wrote to all insurance companies in March and April 2020 to remind them to manage their financial resources prudently to ensure they are able to meet their commitments to policyholders and maintain safety and soundness and to satisfy themselves that any dividends are prudent, consistent with their risk appetite and informed by a range of scenarios including very severe ones.

In Ireland, the Central Bank of Ireland (CBI) has urged insurers to postpone dividends until they can forecast their costs and future revenues with a greater degree of certainty, noting this is consistent with recent guidance of the European Insurance and Occupational Pensions Authority (EIOPA). Therefore, the CBI's position is that insurers and reinsurers authorized by it should not pay dividends at this time.

As a holding company, the Company’s ability to pay dividends and, in part, its ability to deploy capital is dependent upon the Company receiving dividends from its operating subsidiaries. The Company’s operating subsidiaries are subject to regulation in a number of jurisdictions, each of which maintains its own regime for determining the amount of capital that must be held in connection with the different businesses carried on by the operating subsidiaries. The requirements imposed by the regulators in any jurisdiction may change from time to time, and thereby impact the ability of the operating subsidiaries to pay dividends to the Company.

The declaration and payment of dividends by the Company in future periods remains in the discretion of its directors and will depend among other things on the Company’s financial position, which will in turn depend on the duration of the COVID-19 pandemic and the severity and duration of the financial impacts. Although there can be no assurance, to the extent that the pandemic abates and the actions taken by governments lead to a sustained global financial recovery within a reasonable time, the Company expects that its ability to pay dividends at current levels will not be adversely impacted.

Outlook

Refer to Cautionary Note regarding Forward-looking Information and Cautionary Note regarding non-IFRS Financial Measures at the beginning of this document.

General market slowdown as a result of the outbreak impacted the Company’s results in the last part of the first quarter and could continue to impact total Company sales, net cash flows and net earnings. If this market uncertainty is sustained, or leads to adverse impacts on claims or sales, it will continue to adversely impact the Company’s performance. These impacts will depend on future developments, which are highly uncertain. The Company has governance structures and processes in place which support regular monitoring of the Company’s capital position based on current market information. The Company’s financial outlook for the year will depend on the duration and intensity of COVID-19 impacts. Earnings are expected to be lower in future periods if lower markets and interest rates persist, sales activity declines, premium income reduces and if higher disability incidence occurs.

Focus remains on supporting customers and employees through digital platforms to manage the challenges created by physical distancing. In recent years, the Company has invested in multiple digital platforms across its global groups enabling remote support for all aspects of the business.

Assets under administration declined in the first quarter of 2020 due to depressed market levels and, in some markets, elevated redemptions. The Company expects to see reduced sales opportunities given client and prospect concerns about the breadth and severity of the pandemic and its longer-term effect on businesses. Lower sales and net cash outflows may persist. If this occurs it will adversely impact asset and fee income levels. The reinsurance business, however, has a strong pipeline for new business and has currently not experienced any significant impacts from the COVID-19 pandemic.

In addition to the impact of future equity market levels and cash flows on asset values, as discussed in the previous "Measurement Uncertainty" section, the fair value of portfolio investments, the valuation of goodwill and other intangible assets and the recoverability of deferred tax assets which reflect management’s judgement based on current expectations could be impacted in the future depending on market developments.

The Company's asset liability management strategy is designed to mitigate interest rate risk, however while the Company has limited sensitivity to interest rates, a prolonged period of low interest rates may adversely impact the profitability of certain products the Company provides, and repricing actions have been, and will continue to be, undertaken as necessary.

For a further description of the Company's sensitivity to equity market and interest rate fluctuations, including expanded sensitivity disclosures as a result of current market conditions, refer to note 6 "Financial Instruments Risk Management", in the Company's condensed consolidated interim unaudited financial statements for the period ended March 31, 2020.

The impact of the pandemic on mortality is also uncertain at this time. Changes to mortality and longevity rates impact the Company's results. The Company manages risks of changes to mortality and longevity rates by issuing a diversified range of insurance and annuity products along with using reinsurance and capital market solutions.

The shutdown of non-essential health service providers, such as dentists, and physical distancing are expected to result in lower claims for group customers. The Company has responded in Canada and Ireland with premium reductions or rebates to reflect the change in environment. Starting in April 2020, in Canada, premiums are being lowered to compensate plan sponsors and members for this new environment. In Ireland, premiums for health customers will be reduced in response to the government making all private hospitals available for public use during the pandemic. Physical distancing and self-isolation requirements, as well as the restrictions on business and social activities and the adverse economic environment resulting from the pandemic, may cause disability claims experience to increase in future periods.

As a result of the COVID-19 pandemic, the Company may face increased costs associated with claims under their policies and/or an increased number of customers experiencing difficulty paying premiums. Further, from an operational perspective, the Company's employees, sales associates, brokers and distribution partners, as well as the workforce of vendors, services providers and counterparties with which the Company does business, may also be adversely affect by the COVID-19 pandemic or efforts to mitigate the pandemic, including government-mandated shutdowns, requests or orders for employees to work remotely, and other physical distancing measures, which could result in an adverse impact on the Company and its principal subsidiaries' ability to conduct their respective businesses, including its principal subsidiaries' ability to sell its products, including products that are traditionally sold in person.

While governmental and non-governmental organizations are engaging in efforts to combat the spread and severity of COVID-19 and related public health issues, these measures may not be effective. It is not possible to predict how legal and regulatory responses to concerns about COVID-19 and related public health issues, including the possible extension of insurance coverage beyond policy language, will impact the Company's businesses. The extent to which COVID-19 impacts the Company's businesses, results of operations, financial condition, liquidity or prospects will depend on future developments which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and the actions taken to contain or treat its impact.

The Company's businesses are well-diversified. This diversity, combined with business strength and experience, puts the Company in a strong position to manage the current environment and leverage opportunities for the future. The Company's strategies are equally resilient and flexible, positioning the Company to manage through the recovery and continue to identify and pursue opportunities, including organic growth and acquisition activities, while supporting customers and employees in a new environment.

2020 DEVELOPMENTS

- **COVID-19 Pandemic Impacts**
  The Company remains focused on supporting customers, communities and employees by providing customers with protection and wealth management solutions for their financial, physical and mental well-being during this unprecedented time. Products, services and support are being delivered digitally to promote physical distancing and help keep customers, advisors and employees safe. Financial assistance is being provided to plan sponsors and members to help maintain and extend coverage for employees, and to the communities through donations to support crisis relief efforts. On March 23, 2020, to support COVID-19 related crisis relief efforts in the communities, Canada Life, together with its affiliate IGM Financial and parent company Power Corporation of Canada announced a $1 million joint contribution. The funding will support immediate needs of local and national foodbanks, which are struggling to cope with increased demand in Canada. It will provide resources to other pressing needs of vulnerable people, utilizing the unique expertise of United Way and Centraide du Grand Montréal. It will also assist with the pressures faced by small businesses across Canada. All European businesses have made charitable contributions to organizations supporting the health services and key workers including providing accommodation for health staff, supporting isolated patients and family carers and providing emergency beds and isolation rooms for those accessing homeless services.

In the Canada business unit, customers can apply for insurance through SimpleProtect, a digital application that simplifies the policy application and approval process. In the current situation where paramedical services are temporarily unavailable in Canada, age and amount limits have been adapted for no medical underwriting while still staying within the Company’s risk tolerances. However, larger case insurance sales are expected to be affected for a period of time, with some time-delay as policy issuance typically happens a few weeks after a medical exam. Investment continues in digital solutions such as Dialogue, a virtual health care solution that will give more than one million Canadians easier access to high-quality health care, and Workplace Strategies for Mental Health providing guidance on managing stress for employers and their employees. As many health professionals have suspended services, claim levels will be materially lower for a period of time. Starting in April, premiums are being lowered to compensate plan sponsors and members for this new environment. Physical distancing and self-isolation requirements, as well as the restrictions on business and social activities and the adverse economic environment resulting from the pandemic, may cause disability claims experience to increase in future periods. Pricing of disability coverage will be adjusted over time as experience emerges.

In April 2020, Irish Life announced a reduction in health insurance premiums. The reduction will be applied retrospectively to premiums paid by customers for April, May and June and will be offset against premiums due in the following months. The premium reduction will be in place for the three months when the private hospitals will operate as part of the public health system following temporary changes as a result of the COVID-19 pandemic.

The Capital and Risk Solutions business unit finished 2019 with a strong new business pipeline and has not seen a material impact as a result of the COVID-19 pandemic in the first quarter. In 2020, Capital and Risk Solutions will continue to focus on meeting market demand for life reinsurance involving capital solutions in the U.S. and Europe.

- Effective January 2, 2020, the Company launched its new Canada Life participating life insurance product. This new product is available to advisors in all channels and supported by the amalgamated Canada Life participating account.
- On January 31, 2020, the U.K. left the European Union (EU) and entered a transition arrangement that will last until the end of 2020. The Company's U.K. and other European businesses have taken the necessary steps to handle the immediate impacts of Brexit and will continue to monitor any further steps that may become necessary as the U.K. and the EU negotiate their future relationship.
- As of March 31, 2020, £14 million of pre-tax annualized expense reductions have been achieved relating to the U.K. restructuring program, comparable to December 31, 2019. The Company remains on track to achieve targeted annual expense reductions of £20 million pre-tax by the end of the fourth quarter 2020; however, there could be a delay in the event of a prolonged COVID-19 lockdown in the U.K. The expense reductions are expected to come from various sources, including systems and process improvements and a reduction in headcount.
- On February 3, 2020, Irish Life, through its subsidiary Invesco Limited, completed the acquisition of Acumen & Trust DAC, an Irish financial services consultancy firm expanding into the areas of employee benefits consulting and individual financial advice.
- On February 10, 2020, Irish Life announced the sale of Irish Progressive Services International Limited, a wholly owned subsidiary whose principal activity is the provision of outsourced administration services for life assurance companies, to the FNZ Group. The necessary regulatory approvals have been submitted to the relevant authorities and the transaction is expected to be completed in the second quarter of 2020, subject to regulatory approval. The Company expects to recognize a gain related to this transaction, although it is not expected to have a material impact on the Company's financial results.
- On March 2, 2020, Irish Life acquired Conexim Advisors Limited (Conexim), which provides access to funds, equities, bonds and exchange traded funds across all major markets through an independent platform. Conexim provides its services through financial advisors who provide financial and investment advice to individual and corporate clients. The transaction is not expected to have a material impact on the Company's financial results.

NET EARNINGS

Net earnings - common shareholders

	For the three months ended		
	March 31 2020	Dec. 31 2019	March 31 2019
Attributable to participating account			
Net earnings before policyholder dividends	**$ 365**	$ 302	$ 345
Policyholder dividends	**355**	332	355
Total attributable to participating account	**$ 10**	$ (30)	$ (10)
Common shareholder			
Canada	**$ 161**	$ 206	$ 281
Europe(1)	**122**	373	227
Capital and Risk Solutions	**100**	109	103
Corporate	**16**	18	51
Total common shareholder	**$ 399**	$ 706	$ 662
Total net earnings	**$ 409**	$ 676	$ 652

(1) The fourth quarter of 2019 results include a net gain on Scottish Friendly transaction of $8 million.

For the three months ended March 31, 2020, total net earnings were $409 million compared to $652 million a year ago.

Net earnings attributable to the participating account
For the three months ended March 31, 2020, net earnings attributable to the participating account were $10 million compared to a net loss attributable to the participating account of $10 million for the same period in 2019.

Net earnings attributable to the common shareholder
For the three months ended March 31, 2020, net earnings attributable to the common shareholder (net earnings) were $399 million compared to $662 million a year ago. The decrease was primarily due to unfavourable contributions from insurance contract liability basis changes related to updated economic assumptions for products with long-tail cash flows, driven by the significant equity market decline in the quarter in Canada as well as other market-related impacts across all business units driven by significant market declines and volatility in the first quarter of 2020 driven by the COVID-19 pandemic. These items were partially offset by the impact of business growth in the Capital and Risk Solutions business unit.

MARKET IMPACTS

Equity Market and Interest Rate Impacts
Equity market impacts have been significant in the period driven by declines in market levels since December 31, 2019. In the regions where the Company operates, average equity market levels in the first quarter of 2020 were higher in Canada, the U.S. and broader Europe and lower in the U.K. compared to the same period in 2019; however, ended the quarter at significantly lower market levels compared to December 31, 2019. Comparing the first quarter of 2020 to the first quarter of 2019, average equity market levels were up by 4% in Canada (as measured by S&P TSX), 13% in the U.S. (measured by S&P 500) and 7% in broader Europe (measured by EURO STOXX 50) and down 3% in the U.K. (measured by FTSE 100). The major equity indices finished the first quarter of 2020 down by 22% in Canada, 20% in the U.S., 25% in the U.K. and 26% in broader Europe, compared to December 31, 2019.

In countries where the Company operates, government treasury rates for the most part declined, while there was an increase in corporate spreads during the quarter.

In addition to the $98 million negative impact included in actuarial assumption changes, market-related impacts were $137 million in the first quarter of 2020 reflecting the unfavourable impacts of a decline in equity markets and interest rates in-period which impacted the value of segregated fund and variable annuity guarantees, including related hedging ineffectiveness, as well as the valuation of insurance contract liabilities which are supported by equities and real estate.

In order to mitigate the Company's exposure to interest rate fluctuations, the Company follows disciplined processes for matching asset and liability cash flows. As a result, the impact of changing interest rates is mostly mitigated in the current period, including the impact of changes in fair values of bonds backing insurance contract liabilities recorded through profit or loss which was mostly offset by a corresponding change in the insurance contract liabilities.

For a further description of the Company's sensitivity to equity market and interest rate fluctuations, refer to "Financial Instruments Risk Management", note 6 to the Company's condensed consolidated interim unaudited financial statements for the period ended March 31, 2020.

Foreign Currency

The average currency translation rate for the first quarter of 2020 increased for the U.S. dollar and decreased for the British pound and the euro compared to the first quarter of 2019. The overall impact of currency movement on the Company's net earnings for the three months ended March 31, 2020 was a decrease of $1 million compared to translation rates a year ago.

From December 31, 2019 to March 31, 2020, the market rates at the end of the reporting period used to translate U.S. dollar, euro and British pound assets and liabilities to the Canadian dollar increased. The movements in end-of-period market rates resulted in unrealized foreign exchange gains from the translation of foreign operations, including related hedging activities, of $396 million in-quarter recorded in other comprehensive income.

Throughout this document, a number of terms are used to highlight the impact of foreign exchange on results, such as: "constant currency basis", "impact of currency movement" and "effect of currency translation fluctuations". These non-IFRS measures have been calculated using the average or period-end rates, as appropriate, in effect at the date of the comparative period. These non-IFRS measures provide useful information as they facilitate the comparability of results between periods.

Translation rates for the reporting period and comparative periods are detailed in the "Translation of Foreign Currency" section.

Credit Markets

In the first quarter of 2020, the Company experienced net charges on impaired investments, including dispositions, which negatively impacted common shareholder's net earnings by $2 million ($4 million net charge in the first quarter of 2019). Changes in credit ratings in the Company's fixed income portfolio resulted in a net increase in provisions for future credit losses in insurance contract liabilities, which negatively impacted common shareholder's net earnings by $17 million ($14 million net positive impact in the first quarter of 2019), primarily due to downgrades of various corporate bond holdings.

The pandemic impacted credit markets late in the first quarter of 2020, resulting in relatively limited credit and impairment activity prior to the quarter end. As economic and market impacts continue to develop, it could lead to adverse impacts on credit ratings and impairment activity, which will in turn adversely impact the Company’s results.

ACTUARIAL ASSUMPTION CHANGES AND MANAGEMENT ACTIONS

During the first quarter of 2020, the Company updated economic assumptions related to in-quarter market impacts which had a negative impact of $98 million partially offset by updates to modeling refinements, other economic assumptions and annuity mortality assumptions which had a positive impact of $49 million resulting in a net negative impact of $49 million on net earnings. This compares to a positive impact to net earnings of $129 million for the same quarter last year and a negative impact of $102 million for the previous quarter.

In Canada, net earnings were negatively impacted by $94 million, and included negative $98 million related to updated economic assumptions for products with long-tail cash flows, driven by the significant equity market decline in the quarter. In Europe, net earnings were positively impacted by $38 million, primarily due to modeling refinements and updated economic and morbidity assumptions. In Capital and Risk Solutions, net earnings were positively impacted by $7 million.

PREMIUMS AND DEPOSITS AND SALES

Premiums and deposits[1]	**For the three months ended**		
	March 31 2020	Dec. 31 2019	March 31 2019
Canada	**$ 6,888**	$ 7,229	$ 6,644
Europe	**10,901**	8,034	12,037
Capital and Risk Solutions	**4,584**	4,427	4,437
Corporate	**372**	412	104
Total premiums and deposits[1]	**$ 22,745**	$ 20,102	$ 23,222

Sales[1][2]	**For the three months ended**		
	March 31 2020	Dec. 31 2019	March 31 2019
Canada	**$ 3,632**	$ 3,609	$ 3,180
Europe	**10,109**	6,670	11,312
Total sales[1]	**$ 13,741**	$ 10,279	$ 14,492

(1) This metric is a non-IFRS measure. Refer to "Non-IFRS Financial Measures" section of this document for additional details.
(2) Sales is not a relevant measure for the Capital and Risk Solutions segment due to the nature of operations.

Premiums and deposits

Premiums and deposits for the first quarter of 2020 decreased by $0.5 billion to $22.7 billion compared to the same quarter last year, primarily due to lower fund management and payout annuity sales in Europe. The decrease was partially offset by higher pension sales in Europe as well as an increase in participating life insurance premiums and proprietary mutual fund deposits in Canada.

Sales

Sales for the first quarter of 2020 decreased by $0.8 billion to $13.7 billion compared to the same quarter last year. The decrease in the Europe business unit was primarily due to lower fund management and bulk and individual annuity sales, partially offset by higher pension and equity release mortgage sales. The increase in the Canada business unit was primarily due to higher segregated fund and third party mutual fund sales.

FEE AND OTHER INCOME

In addition to providing traditional risk-based insurance products, the Company also provides certain products on a fee-for-service basis. The most significant of these products are segregated funds and mutual funds, for which the Company earns investment management fees on assets managed and other fees, as well as administrative services only (ASO) contracts, under which the Company provides group benefit plan administration on a cost-plus basis.

Fee and other income

	For the three months ended		
	March 31 2020	Dec. 31 2019	March 31 2019
Canada	**$ 425**	$ 443	$ 407
Europe	**333**	377	395
Capital and Risk Solutions	**3**	2	3
Corporate	**15**	15	15
Total fee and other income	**$ 776**	$ 837	$ 820

Fee and other income for the first quarter of 2020 of $776 million decreased by $44 million compared to the same quarter last year, primarily due to lower management fees in Europe, partially offset by higher fee income in Canada due to higher average assets under management and an increase in other income.

INCOME TAXES

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

In the first quarter of 2020, the Company had an effective income tax rate of negative 4.9%, down from 12.2% in the first quarter of 2019. The decrease in the effective income tax rate for the first quarter of 2020 was mainly due to changes in certain tax estimates, primarily related to a favourable tax item, in the U.K. within the Europe business unit, driven by market movements which contributed an 11.7 point decrease. In addition, an increase in the amount of income subject to lower rates in foreign jurisdictions contributed to the remaining decrease.

Refer to note 13 in the Company's condensed consolidated interim unaudited financial statements for the period ended March 31, 2020 for further details.

CONSOLIDATED FINANCIAL POSITION

ASSETS

Assets under administration[1]

	March 31 2020	December 31 2019
Assets		
Invested assets	**$ 138,034**	$ 138,395
Goodwill and intangible assets	**8,499**	8,369
Other assets	**25,200**	24,311
Investments on account of segregated fund policyholders	**182,185**	199,589
Total assets	**353,918**	370,664
Proprietary mutual funds and institutional assets[1]	**67,077**	71,342
Total assets under management[1]	**420,995**	442,006
Other assets under administration[1]	**66,468**	65,856
Total assets under administration[1]	**$ 487,463**	$ 507,862

[1] This metric is a non-IFRS measure. Refer to "Non-IFRS Financial Measures" section of this document for additional details.

Total assets under administration at March 31, 2020 decreased by $20.4 billion to $487.5 billion compared to December 31, 2019, primarily due to the impact of market movement, partially offset by the impact of currency movement.

INVESTED ASSETS

The Company manages its general fund assets to support the cash flow, liquidity and profitability requirements of the Company's insurance and investment products. The Company follows prudent and conservative investment policies, so that assets are not unduly exposed to concentration, credit or market risks. Within the framework of the Company's policies, the Company implements strategies and reviews and adjusts them on an ongoing basis considering liability cash flows and capital market conditions. The majority of investments of the general fund are in medium-term and long-term fixed-income investments, primarily bonds and mortgages, reflecting the characteristics of the Company's liabilities.

Bond portfolio – It is the Company's policy to acquire primarily investment grade bonds subject to prudent and well-defined investment policies. Modest investments in below investment grade rated securities may occur while not changing the overall discipline and conservative approach to the investment strategy. The total bond portfolio, including short-term investments, was $94.9 billion or 69% of invested assets at March 31, 2020 compared to $95.1 billion or 69% of invested assets at December 31, 2019. The overall quality of the bond portfolio remained high, with 99.7% of the portfolio rated investment grade and 82% rated A or higher. Bond credit ratings reflect bond rating agency activity up to March 31, 2020. Management continues to closely monitor bond rating agency activity and general market conditions as the pandemic continues.

Bond portfolio quality

	March 31, 2020		December 31, 2019	
AAA	**$ 15,312**	**16 %**	$ 15,899	17 %
AA	**30,465**	**32**	30,826	32
A	**31,598**	**34**	31,199	33
BBB	**17,174**	**18**	16,924	18
BB or lower	**301**	**—**	293	—
Total	**$ 94,850**	**100 %**	$ 95,141	100 %

Mortgage portfolio – It is the Company's practice to acquire high quality commercial mortgages meeting strict underwriting standards and diversification criteria. The Company has a well-defined risk-rating system, which it uses in its underwriting and credit monitoring processes for commercial loans. Residential loans are originated by the Company's mortgage specialists in accordance with well-established underwriting standards and are well diversified across each geographic region, including specific diversification requirements for non-insured mortgages. Equity release mortgages are originated in the Europe segment following well-defined lending criteria and held in both the Canada and Europe segments. Equity release mortgages are loans provided to seniors who want to continue living in their homes while accessing some of the underlying equity value in their homes. Loans are typically repaid when the borrower dies or moves into long-term care.

Mortgage portfolio

	March 31, 2020				December 31, 2019	
Mortgage loans by type	**Insured**	**Non-insured**	**Total**		Total	
Single family residential	**$ 564**	**$ 1,512**	**$ 2,076**	**10%**	$ 2,069	10%
Multi-family residential	**3,455**	**1,955**	**5,410**	**25**	5,431	26
Equity release	**—**	**1,433**	**1,433**	**7**	1,314	6
Commercial	**251**	**12,118**	**12,369**	**58**	11,902	58
Total	**$ 4,270**	**$ 17,018**	**$ 21,288**	**100%**	$ 20,716	100%

The total mortgage portfolio was $21.3 billion or 15% of invested assets at March 31, 2020, compared to $20.7 billion or 15% of invested assets at March 31, 2019. The increase in the total mortgage portfolio was primarily due to net commercial mortgage originations. Total insured loans were $4.3 billion or 20% of the mortgage portfolio.

The current market environment has led to a small number of mortgage deferral requests subsequent to March 31, 2020. Management is closely monitoring and evaluating these requests which are currently not material but may impact the Company's performance going forward.

Single family residential mortgages

Region	**March 31, 2020**		December 31, 2019	
Ontario	**$ 1,083**	**52%**	$ 1,073	52%
Quebec	**432**	**21**	432	21
Alberta	**117**	**6**	118	6
Newfoundland	**97**	**5**	98	5
British Columbia	**93**	**4**	94	4
Saskatchewan	**91**	**4**	90	4
Nova Scotia	**57**	**3**	58	3
New Brunswick	**54**	**3**	53	3
Manitoba	**48**	**2**	48	2
Other	**4**	**—**	5	—
Total	**$ 2,076**	**100%**	$ 2,069	100%

During the three months ended March 31, 2020, single family mortgage originations, including renewals, were $103 million, of which 23% were insured. Insured mortgages include mortgages where insurance is provided by a third party and protects the Company in the event that the borrower is unable to fulfill their mortgage obligations. Loans that are insured are subject to the requirements of the mortgage default insurance provider. For new originations of non-insured residential mortgages, the Company's investment policies limit the amortization period to a maximum of 25 years and the loan-to-value ratio to a maximum of 80% of the purchase price or current appraised value of the property. The weighted average remaining amortization period for the single family residential mortgage portfolio was 21 years as at March 31, 2020 (21 years as at December 31, 2019).

Provision for future credit losses

As a component of insurance contract liabilities, the total actuarial provision for future credit losses is determined consistent with the Canadian Institute of Actuaries' Standards of Practice and includes provisions for adverse deviation.

At March 31, 2020, the total actuarial provision for future credit losses in insurance contract liabilities was $2,473 million compared to $2,423 million at December 31, 2019, an increase of $50 million. The increase was primarily due to the impact of currency movement, rating changes and normal business activity.

The aggregate of impairment provisions of $49 million ($51 million at December 31, 2019) and actuarial provisions for future credit losses in insurance contract liabilities of $2,473 million ($2,423 million at December 31, 2019) represents 2.1% of bond and mortgage assets, including funds held by ceding insurers, at March 31, 2020 (2.0% at December 31, 2019).

Energy Sector Related Exposures

Holdings of Energy Sector related Bonds, Mortgages and Investment Properties

	March 31, 2020					December 31, 2019
	Canada	**U.S.**	**Europe**	**Capital and Risk Solutions**	**Total**	Total
Bonds[1][2][3]	**$ 2,112**	**$ 110**	**$ 690**	**$ 412**	**$ 3,324**	$ 3,431
Mortgages[4]	**1,924**	**53**	**39**	**—**	**2,016**	2,054
Investment properties	**462**	**—**	**—**	**—**	**462**	456
Total	**$ 4,498**	**$ 163**	**$ 729**	**$ 412**	**$ 5,802**	$ 5,941

(1) Energy sector bond holdings are a sub-category of certain industry sectors presented in note 9(a)(ii) in the Company's December 31, 2019 annual consolidated financial statements.
(2) Amortized cost of these bonds is $3,327 million at March 31, 2020 and $3,177 million at December 31, 2019.
(3) Includes certain funds held by ceding insurers with a carrying value of $175 million and an amortized cost of $177 million at March 31, 2020.
(4) Includes $587 million of insured mortgages at March 31, 2020 and $615 million at December 31, 2019.

At March 31, 2020, the Company's holdings of energy sector related investments, including funds held by ceding insurers, were $5.8 billion ($5.9 billion at December 31, 2019). This included direct exposure of bond holdings of $3.3 billion ($3.4 billion at December 31, 2019), or 2.3% of invested assets including funds held by ceding insurers, and indirect exposure of commercial mortgages and investment properties of $2.5 billion ($2.5 billion at December 31, 2019), or 1.7% of invested assets including funds held by ceding insurers.

At March 31, 2020, the Company's energy sector related bond holdings were well diversified across multiple sub-sectors and were high quality with 99% rated investment grade. Approximately 60% of the portfolio was invested in Midstream and Refining entities and 40% in Integrated, Independent, Oil Field Services and Government Agency entities.

In addition, the Company's indirect exposure of energy sector related commercial mortgages and investment properties were concentrated in certain geographic regions where the economy is more dependent upon the energy sector and were well diversified across property type - Multi-family (37%), Industrial/Other (23%), Retail (22%) and Office (18%). Over 96% of the total portfolio was concentrated in the province of Alberta, with the remainder primarily in the state of Texas. The weighted average loan-to-value ratio of the commercial mortgages was 68% at March 31, 2020.

In March 2020, Moody's Investors Service and S&P Global Ratings revised their forecasts for crude oil downward for the remainder of 2020, due to decreased demand resulting from the COVID-19 pandemic. Hydrocarbon price assumptions are a key input into cash flow forecasts and the resulting issuer and sector credit risk profile, particularly for the Integrated, Independent and Oil Field Services sub-sectors. Increases to provisions for future credit losses as a result of ratings downgrades specific to the energy sector were modest and there were no impairment charges incurred on energy sector holdings in the first quarter of 2020.

United Kingdom Property Related Exposures

Holdings of United Kingdom Mortgages and Investment Properties

	March 31, 2020							December 31, 2019
	Multi-family residential	**Retail & shopping centres**	**Office buildings**	**Industrial**	**Equity release**	**Other**	**Total**	Total
Mortgages	**$ 703**	**$ 1,478**	**$ 1,353**	**$ 832**	**$ 1,433**	**$ 564**	**$ 6,363**	$ 6,129
Investment properties	**—**	**884**	**644**	**775**	**—**	**345**	**2,648**	2,726
Total	**$ 703**	**$ 2,362**	**$ 1,997**	**$ 1,607**	**$ 1,433**	**$ 909**	**$ 9,011**	$ 8,855

At March 31, 2020, the Company's holdings of property related investments in the U.K. were $9.0 billion ($8.9 billion at December 31, 2019), or 6.5% of invested assets. These holdings were well diversified across property type: Industrial/ Other (28%), Retail (26%), Office (22%), Equity release (16%) and Multi-family (8%). Of the Retail sector holdings, 49% relate to warehouse/distribution and other retail, 28% relate to shopping centres and department stores and 23% relate to grocery retail sub-categories.

LIABILITIES

Total liabilities

	March 31 2020	December 31 2019
Insurance and investment contract liabilities	**$ 136,370**	$ 137,114
Preferred shares	**1,000**	—
Other general fund liabilities	**11,438**	10,600
Investment and insurance contracts on account of segregated fund policyholders	**182,185**	199,589
Total	**$ 330,993**	$ 347,303

Total liabilities decreased by $16.3 billion to $331.0 billion at March 31, 2020 from December 31, 2019.

On January 1, 2020, the Company issued Class A preferred shares Series 6 to Great-West Lifeco Inc. (Lifeco), its parent company. The Class A preferred shares Series 6 of the Company have an aggregate redemption amount of $1 billion at $25 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.

Investment and insurance contracts on account of segregated fund policyholders decreased by $17.4 billion, primarily due to the combined impact of market value losses and investment income of $22.4 billion, partially offset by the impact of currency movement of $4.7 billion and net deposits of $0.2 billion. Other general fund liabilities increased by $0.8 billion, primarily due to an increase in derivative financial instruments, partially offset by lower other liabilities and account payables. Insurance and investment contract liabilities decreased by $0.7 billion, primarily due to fair value adjustments, partially offset by the weakening of the Canadian dollar against the euro, British pound, and U.S. dollar and the impact of new business.

Segregated Fund and Variable Annuity Guarantees

The Company offers retail segregated fund products, unitized with profits (UWP) products and variable annuity products that provide for certain guarantees that are tied to the market values of the investment funds.

Guaranteed minimum withdrawal benefit (GMWB) products offered by the Company provide income guarantees and in addition, may provide death and maturity guarantees. The Company has a hedging program in place to manage certain risks associated with options embedded in its GMWB products. At March 31, 2020, the market value of GMWB product in-force in Canada, Ireland and Germany was $2,280 million ($2,518 million at December 31, 2019). The decrease in market value was primarily due to declines in equity markets in the quarter.

Segregated fund and variable annuity guarantee exposure

		March 31, 2020			
		Investment deficiency by benefit type			
	Market Value	Income	Maturity	Death	Total[1]
Canada	$ 28,981	$ 21	$ 56	$ 630	$ 630
Europe	9,336	25	16	1,252	1,252
Capital and Risk Solutions[2]	770	575	1	—	575
Total	**$ 39,087**	**$ 621**	**$ 73**	**$ 1,882**	**$ 2,457**

(1) A policy can only receive a payout from one of the three trigger events (income election, maturity or death). Total deficiency measures the point-in-time exposure assuming the most costly trigger event for each policy occurred on March 31, 2020.
(2) Capital and Risk Solutions exposure is to markets in Canada and the U.S.

Investment deficiency at March 31, 2020 increased by $1,480 million to $2,457 million compared to December 31, 2019. The increase was primarily due to declines in equity markets and higher value of variable annuity guarantees driven by lower interest rates in the U.S. The investment deficiency measures the point-in-time exposure to a trigger event (i.e., income election, maturity or death) assuming it occurred on March 31, 2020 and does not include the impact of the Company's hedging program for GMWB products. The actual cost to the Company will depend on the trigger event having occurred and the market values at that time. The actual claims before tax associated with these guarantees were $8 million for the first quarter of 2020 ($5 million for the first quarter of 2019).

DEBENTURES AND OTHER DEBT INSTRUMENTS

At March 31, 2020, debentures and other debt instruments increased by $17 million to $768 million compared to December 31, 2019, primarily due to the impact of currency movement.

CAPITAL TRUST SECURITIES

At March 31, 2020, the Company had $150 million principal outstanding of Canada Life Capital Trust Securities – Series B (CLiCS – Series B). Included in the Company's invested assets at March 31, 2020 were CLiCS – Series B with a fair value of $49 million and principal value of $37 million (fair value of $53 million at December 31, 2019).

Each holder of the CLiCS – Series B is entitled to receive a semi-annual non-cumulative fixed cash distribution of $37.645 per CLiCS – Series B, representing an annual yield of 7.529% payable out of Canada Life Capital Trust's (CLCT) distributable funds. Subject to regulatory approval, CLCT may redeem the CLiCS – Series B, in whole or in part, at any time and the CLiCS – Series B are callable at par on June 30, 2032.

EQUITY

The Company is a wholly-owned subsidiary of Lifeco. The Company's share capital consists of common shares and preferred shares issued by the Company. At March 31, 2020, there were 2,407,384 common shares of the Company issued and outstanding with a stated value of $7,884 million (2,407,385 and $8,884 million as at December 31, 2019).

Participating account surplus and shareholders' equity

As at March 31, 2020, the Company's total participating account surplus and shareholders' equity was $22.9 billion, compared to $23.4 billion at December 31, 2019. The decrease was primarily due to the conversion of common shares to preferred shares classified as liabilities of $1.0 billion and a decrease in accumulated surplus of $0.6 billion due to dividends paid on common shares. The decrease was partially offset by re-measurements on defined benefit pension and other post-employment benefit plans of $0.4 billion and unrealized foreign exchange losses on translation of the net investment in foreign operations for the three months ended March 31, 2020 of $0.4 billion, which are recorded within accumulated other comprehensive income within equity, as well as net earnings of $0.4 billion.

LIQUIDITY AND CAPITAL MANAGEMENT AND ADEQUACY

LIQUIDITY

The Company's liquidity requirements are largely self-funded, with short-term obligations being met by internal funds and maintaining levels of liquid investments adequate to meet anticipated liquidity needs. At March 31, 2020, the Company and its operating subsidiaries held cash, cash equivalents and short-term bonds of $4.8 billion ($6.6 billion at December 31, 2019) and other liquid assets and marketable securities of $75.6 billion ($76.5 billion at December 31, 2019). The decrease of $1.8 billion in cash, cash equivalents and short-term bonds was primarily due to the acquisition of stocks and increased pledged assets on derivatives. In addition, the Company maintains committed lines of credit with Canadian chartered banks for unanticipated liquidity needs, if required.

The Company does not have a formal common shareholder dividend policy. Dividends on outstanding common shares of the Company are declared and paid at the sole discretion of the Board of Directors of the Company. The decision to declare a dividend on the common shares of the Company takes into account a variety of factors including the level of earnings, adequacy of capital and availability of cash resources.

The Company's ability to pay dividends and, in part, its ability to deploy capital is dependent upon the Company receiving dividends from its subsidiaries. The Company's subsidiaries are subject to regulation in a number of jurisdictions, each of which maintains its own regime for determining the amount of capital that must be held in connection with the different businesses carried on by the operating subsidiaries. The requirements imposed by the regulators in any jurisdiction may change from time to time, and thereby impact the ability of the operating subsidiaries to pay dividends to the Company. Refer to "COVID-19 Pandemic Impact, Government and Regulatory Responses" section for additional discussion of the impact of the current environment.

CASH FLOWS

Cash flows

	For the three months ended March 31	
	2020	2019
Cash flows relating to the following activities:		
Operations	**$ 675**	$ 653
Financing	**(569)**	(502)
Investment	**(183)**	29
	(77)	180
Effects of changes in exchange rates on cash and cash equivalents	**112**	(32)
Increase in cash and cash equivalents in the period	**35**	148
Cash and cash equivalents, beginning of period	**3,236**	2,911
Cash and cash equivalents, end of period	**$ 3,271**	$ 3,059

The principal source of funds for the Company on a consolidated basis is cash provided by operating activities, including premium income, net investment income and fee income. These funds are used primarily to pay policy benefits, policyholder dividends and claims, as well as operating expenses and commissions. Cash flows generated by operations are mainly invested to support future liability cash requirements. Cash flows related to financing activities include the issuance and repayment of capital instruments, and associated dividends and interest payments.

In the first quarter of 2020, cash and cash equivalents increased by $35 million from December 31, 2019. Cash flows provided by operations during the first quarter of 2020 were $675 million, an increase of $22 million compared to the first quarter of 2019. Cash flows used in financing were $569 million were used for the payment of dividends on common shares. For the three months ended March 31, 2020, cash flows were used by the Company to acquire an additional $183 million of investment assets.

COMMITMENTS/CONTRACTUAL OBLIGATIONS

Commitments/contractual obligations have not changed materially from December 31, 2019.

CAPITAL MANAGEMENT AND ADEQUACY

The Company's practice is 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. Other foreign operations and foreign subsidiaries are required to comply with local capital or solvency requirements in their respective jurisdictions.

In Canada, the Office of the Superintendent of Financial Institutions (OSFI) has established a capital adequacy measurement for life insurance companies incorporated under the Insurance Companies Act (Canada) and their subsidiaries, known as the Life Insurance Capital Adequacy Test (LICAT).

The LICAT ratio compares the regulatory capital resources of a company to its required capital. The required capital is calibrated so that a life insurer can both withstand severe stress events and support the continuity of existing business. The LICAT guideline uses a risk-based approach for measuring specific life insurer risks and for aggregating the results to calculate the amount of a life insurer's capital requirements.

OSFI has established a Supervisory Target Total Ratio of 100%, and a Supervisory Minimum Total Ratio of 90%. The internal target range of the LICAT ratio for Lifeco's major Canadian operating subsidiary is 110% to 120% (on a consolidated basis).

The LICAT ratio at March 31, 2020 for Canada Life was 133% (The Great-West Life consolidated LICAT ratio of 135% at December 31, 2019). The 2 point decrease was a result of dividends paid to Lifeco, in addition to market impacts and regular business activity in the quarter. Equity market declines in the first quarter of 2020 resulted in a decrease of approximately 1.5 points to the total LICAT ratio of Canada Life, primarily driven by higher LICAT capital requirements for segregated funds with guarantees. The movement of interest rates in the first quarter of 2020 increased the LICAT ratio by approximately 2 points.

The following provides a summary of the LICAT information and ratios for Canada Life:

LICAT Ratio	**March 31 2020**	Dec. 31 2019
Tier 1 Capital	**$ 11,483**	$ 11,952
Tier 2 Capital	**4,340**	3,637
Total Available Capital	**15,823**	15,589
Surplus Allowance & Eligible Deposits	**12,942**	12,625
Total Capital Resources	**$ 28,765**	$ 28,214
Required Capital	**$ 21,673**	$ 20,911
Total Ratio (OSFI Supervisory Target = 100%)[(1)]	**133%**	135%

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

COVID-19 OSFI Regulatory Measures
OSFI is providing capital relief for insurance companies due to the COVID-19 economic environment.

OSFI announced that loan payment deferrals for up to six months will not increase capital requirements on mortgages, leases, and other loans. Deferrals for up to six months for premium payments will also not result in increased capital requirements.

OSFI introduced a temporary smoothing calculation to address potential volatility in the interest rate requirement for participating insurance products. The temporary smoothing calculation averages the participating interest rate risk requirements over the trailing six quarters, thereby reducing unwarranted volatility. The smoothing methodology is optional for the first quarter but mandatory for the second quarter LICAT reporting. The Company did not adopt the smoothing methodology in its results for this reporting period.

OSFI Regulatory Capital Initiatives
The Company will continue to work with OSFI, the Canadian Institute of Actuaries, and other industry participants, as the LICAT guideline further evolves to allow for any future development including adaptations relating to the IFRS 17 accounting standard and developments relating to Segregated Fund Guarantee Risk requirements.

The International Accounting Standards Board (IASB) has issued IFRS 17, *Insurance Contracts*, which will replace IFRS 4, *Insurance Contracts* with an effective date of January 1, 2023. IFRS 17 includes new requirements for the recognition, measurement, presentation and disclosure of insurance contracts the Company issues and reinsurance contracts it holds. The new standard is expected to have a significant impact for insurers related to the timing of earnings recognition and on the presentation and disclosure of results. Adoption of the standard is expected to lead to further review and possible amendments to the OSFI LICAT Guideline. Refer to the "Accounting Policies - International Financial Reporting Standards" section for further details.

RATINGS

The Company received strong ratings from the five rating agencies that rate Canada Life as set out below. The parent company of the Company, Great-West Lifeco Inc. (Lifeco) and Lifeco's major operating subsidiaries, including Canada Life, are assigned a group rating from each rating agency. Credit ratings are intended to provide investors with an independent measure of the credit quality of the securities of a corporation and are indicators of the likelihood of payment and the capacity of a corporation to meet its obligations in accordance with the terms of each obligation. In 2020, the credit ratings for Canada Life were unchanged (set out in table below). These ratings are not a recommendation to buy, sell or hold the securities of the Company or its subsidiaries and do not address market price or other factors that might determine suitability of a specific security for a particular investor. The ratings also may not reflect the potential impact of all risks on the value of securities and are subject to revision or withdrawal at any time by the rating agency.

This group rating is predominantly supported by Canada Life's and other major affiliates' leading positions in the Canadian insurance market and competitive positions in the U.S. and Europe. Each of Lifeco's operating companies benefits from the strong implicit financial support and collective ownership by Lifeco.

Rating agency	Measurement	Rating
A.M. Best Company	Financial Strength	A+
DBRS Morningstar	Issuer Rating	AA
	Financial Strength	AA
	Subordinated Debt	AA (low)
Fitch Ratings	Insurer Financial Strength	AA
	Subordinated Debt	A+
Moody's Investors Service	Insurance Financial Strength	Aa3
Standard & Poor's Ratings Services	Insurer Financial Strength	AA
	Subordinated Debt	AA-

Effective January 1, 2020, Great-West Life, London Life, Canada Life and their holding companies, Canada Life Financial Corporation and London Insurance Group Inc., amalgamated into a single life insurance company, The Canada Life Assurance Company. The ratings of the affected companies were updated to reflect the Company’s current corporate structure and are consistent with existing ratings.

RISK MANAGEMENT AND CONTROL PRACTICES

The Company’s Enterprise Risk Management (ERM) Framework facilitates the alignment of business strategy with risk appetite, informs and improves the deployment of capital; and supports the identification, mitigation and management of exposure to risk and potential losses. The Company’s Risk Function is responsible for establishing and maintaining the Risk Appetite Framework (RAF), the supporting risk policies and risk limit structure, and provides independent risk oversight across the Company’s operations. The Board of Directors is ultimately responsible for the Company's risk governance and associated risk policies. These include the ERM Policy, which establishes the guiding principles of risk management, and the RAF, which reflects the levels and types of risk that the Company is willing to accept to achieve its business objectives. During the first quarter of 2020, there were no significant changes to the Company's risk management and control practices. Refer to the Company's 2019 Annual MD&A for a detailed description of the Company's risk management and control practices.

ACCOUNTING POLICIES

INTERNATIONAL FINANCIAL REPORTING STANDARDS

Due to the evolving nature of IFRS, there are a number of IFRS changes impacting the Company in 2020, as well as standards that could impact the Company in future reporting periods. The Company actively monitors future IFRS changes proposed by the International Accounting Standards Board (IASB) to assess if the changes to the standards may have an impact on the Company's results or operations.

The Company adopted the narrow scope amendments to International Financial Reporting Standards (IFRS) for IFRS 3, *Business Combinations*; IAS 1, *Presentation of Financial Statements;* IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*; 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.

For a further description of the impact of the accounting policy change, refer to note 2 of the Company's condensed consolidated interim unaudited financial statements for the period ended March 31, 2020.

On June 26, 2019, the IASB issued an exposure draft covering targeted amendments to IFRS 17, *Insurance Contracts*. On March 17, 2020, the IASB deferred the effective date of the standard by one year until January 1, 2023. In addition, the IASB extended to January 1, 2023 the exemption for insurers to apply the financial instruments standard, IFRS 9, *Financial Instruments*, keeping the alignment of the effective dates for IFRS 9 and IFRS 17. The IASB is planning to issue the final amendments to IFRS 17 in mid-2020.

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. As a result of the new valuation methodologies required under IFRS 17, the Company expects its insurance contract liabilities to increase upon adoption. The adoption of IFRS 17 will also have a significant impact on how insurance contract results are presented and disclosed in the consolidated financial statements and on regulatory and tax regimes that are dependent upon IFRS accounting values. The Company is also actively monitoring potential impacts on regulatory capital and the associated ratios and disclosures. The Company continues to assess all these impacts through its global implementation plan.

There have been no other significant changes to the future accounting policies that could impact the Company, in addition to the disclosure in the December 31, 2019 Annual MD&A.

OTHER INFORMATION

NON-IFRS FINANCIAL MEASURES

The Company uses several non-IFRS measures to measure overall performance of the Company and to assess each of its business units. A financial measure is considered a non-IFRS measure for Canadian securities law purposes if it is presented other than in accordance with generally accepted accounting principles used for the Company's consolidated financial statements. The consolidated financial statements of the Company have been prepared in compliance with IFRS as issued by the IASB. Non-IFRS measures do not have a standardized meaning under IFRS and may not be comparable to similar financial measures presented by other issuers.

Premiums and deposits

Total premiums and deposits include premiums on risk-based insurance and annuity products net of ceded reinsurance (as defined under IFRS), premium equivalents on self-funded group insurance ASO contracts, deposits on individual and group segregated fund products as well as deposits on proprietary mutual funds and institutional accounts. This measure provides an indicator of top-line growth.

Premiums and deposits

	For the three months ended		
	March 31 2020	Dec. 31 2019	March 31 2019
Amounts reported in the financial statements			
Net premium income (Life insurance, guaranteed annuities and insured health products)	**$ 8,994**	$ 8,873	$ 8,411
Policyholder deposits (segregated funds)	**5,745**	6,663	5,099
Premiums and deposits reported in the financial statements	**14,739**	15,536	13,510
Self-funded premium equivalents (ASO contracts)	**812**	841	811
Proprietary mutual funds and institutional deposits	**7,194**	3,725	8,901
Total premiums and deposits	**$ 22,745**	$ 20,102	$ 23,222

Assets under management (AUM) and assets under administration (AUA)

Assets under management and assets under administration are non-IFRS measures that provide an indicator of the size and volume of the Company's overall business.

Assets under management include internally and externally managed funds where the Company has oversight of the investment policies. 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.

Other assets under administration 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.

Assets under administration

	March 31 2020	Dec. 31 2019	March 31 2019
Total assets per financial statements	**$ 353,918**	$ 370,664	$ 359,813
Proprietary mutual funds and institutional assets	**67,077**	71,342	64,665
Total assets under management	**420,995**	442,006	424,478
Other assets under administration	**66,468**	65,856	61,964
Total assets under administration	**$ 487,463**	$ 507,862	$ 486,442

Sales

Sales is a non-IFRS measure for which there is no comparable measure in IFRS and is an indicator of new business growth. Sales are measured according to product type:

- For risk-based insurance and annuity products, sales include 100% of single premium and annualized premiums expected in the first twelve months of the plan.

- Group insurance and ASO sales reflect annualized premiums and premium equivalents for new policies and new benefits covered or expansion of coverage on existing policies.
- For individual wealth management products, sales include deposits on segregated fund products, proprietary mutual funds and institutional accounts as well as deposits on non-proprietary mutual funds.
- For group wealth management products, sales include assets transferred from previous plan providers and the expected annual contributions from the new plan.

Impact of currency movement
Items impacting the Company's Consolidated Statements of Earnings, such as income and benefits and expenses and net earnings, are translated into Canadian dollars at an average rate for the period. For items impacting the Company's Consolidated Balance Sheets, such as assets and liabilities, period end rates are used for currency translation purposes.

Throughout this document a number of terms are used to highlight the impact of foreign exchange on results, such as: "constant currency basis", "impact of currency movement", and "effect of currency translation fluctuations". These measures highlight the impact of changes in currency translation rates on Canadian dollar equivalent IFRS results and have been calculated using the average or period end rates, as appropriate, in effect at the date of the comparative period. This measure provides useful information as it facilitates the comparability of results between periods.

TRANSACTIONS WITH RELATED PARTIES

On January 1, 2020, the Company issued Class A preferred shares Series 6 to Lifeco, its parent company. The Class A preferred shares Series 6 of the Company have an aggregate redemption amount of $1 billion at $25 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.

No other related party transactions have changed materially from December 31, 2019.

TRANSLATION OF FOREIGN CURRENCY

Through its operating subsidiaries, the Company conducts business in multiple currencies. The four primary currencies are the Canadian dollar, U.S. dollar, British pound and the euro. Throughout this document, foreign currency assets and liabilities are translated into Canadian dollars at the market rate at the end of the reporting period. All income and expense items are translated at an average rate for the period. The rates employed are:

Translation of foreign currency **Period ended**	**Mar. 31 2020**	Dec. 31 2019	Sept. 30 2019	June 30 2019	Mar. 31 2019
United States dollar					
Balance sheet	**$ 1.40**	$ 1.30	$ 1.32	$ 1.31	$ 1.34
Income and expenses	**$ 1.34**	$ 1.32	$ 1.32	$ 1.34	$ 1.33
British pound					
Balance sheet	**$ 1.74**	$ 1.72	$ 1.63	$ 1.66	$ 1.74
Income and expenses	**$ 1.72**	$ 1.70	$ 1.63	$ 1.72	$ 1.73
Euro					
Balance sheet	**$ 1.55**	$ 1.46	$ 1.44	$ 1.49	$ 1.50
Income and expenses	**$ 1.48**	$ 1.46	$ 1.47	$ 1.50	$ 1.51

Additional information relating to Canada Life, including Canada Life's most recent consolidated financial statements and CEO/CFO certification are available at www.sedar.com.

The Canada Life Assurance Company
100 Osborne Street North, Winnipeg, Manitoba, Canada R3C 1V3
A Member of the Power Corporation Group of Companies®

canadalife.com