The Canada Life
Assurance Company

Consolidated financial statements

First-quarter results

For the period ended March 31, 2021

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NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

CONSOLIDATED STATEMENTS OF EARNINGS *(unaudited)*

(in Canadian $ millions)

	For the three months ended	
	March 31 2021	March 31 2020
Income		
Premium income		
Gross premiums written	**$ 12,876**	$ 9,980
Ceded premiums	**(928)**	(986)
Total net premiums	**11,948**	8,994
Net investment income (note 4)		
Regular net investment income	**1,089**	1,021
Changes in fair value through profit or loss	**(4,383)**	(3,104)
Total net investment income (loss)	**(3,294)**	(2,083)
Fee and other income	**824**	776
	9,478	7,687
Benefits and expenses		
Policyholder benefits		
Gross	**10,531**	8,649
Ceded	**(736)**	(727)
Total net policyholder benefits	**9,795**	7,922
Changes in insurance and investment contract liabilities		
Gross	**(3,611)**	(2,625)
Ceded	**730**	183
Total net changes in insurance and investment contract liabilities	**(2,881)**	(2,442)
Policyholder dividends and experience refunds	**333**	360
Total paid or credited to policyholders	**7,247**	5,840
Commissions	**520**	520
Operating and administrative expenses	**787**	760
Premium taxes	**120**	113
Financing charges	**27**	28
Amortization of finite life intangible assets	**35**	35
Earnings before income taxes	**742**	391
Income taxes (note 12)	**64**	(19)
Net earnings before non-controlling interests	**678**	410
Attributable to non-controlling interests	**1**	1
Net earnings	**677**	409
Net earnings - participating account	**25**	10
Net earnings - common shareholder	**$ 652**	$ 399

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME *(unaudited)*

(in Canadian $ millions)

	For the three months ended	
	March 31 2021	March 31 2020
Net earnings	**$ 677**	$ 409
Other comprehensive income (loss)		
Items that may be reclassified subsequently to Consolidated Statements of Earnings		
Unrealized foreign exchange gains (losses) on translation of foreign operations	**(276)**	396
Income tax (expense) benefit	**(1)**	—
Unrealized gains (losses) on available-for-sale assets	**(186)**	62
Income tax (expense) benefit	**37**	(13)
Realized (gains) losses on available-for-sale assets	**(8)**	(31)
Income tax expense (benefit)	**2**	2
Non-controlling interests	**2**	(1)
Total items that may be reclassified	**(430)**	415
Items that will not be reclassified to Consolidated Statements of Earnings		
Re-measurements on defined benefit pension and other post-employment benefit plans (note 11)	**557**	407
Income tax (expense) benefit	**(142)**	(101)
Total items that will not be reclassified	**415**	306
Total other comprehensive income (loss)	**(15)**	721
Comprehensive income	**$ 662**	$ 1,130

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CONSOLIDATED BALANCE SHEETS *(unaudited)*

(in Canadian $ millions)

	March 31 2021	December 31 2020
Assets		
Cash and cash equivalents	**$ 3,110**	$ 3,105
Bonds (note 4)	**96,507**	100,608
Mortgage loans (note 4)	**22,325**	22,263
Stocks (note 4)	**11,255**	10,464
Investment properties (note 4)	**6,486**	6,267
Loans to policyholders	**3,437**	3,447
	143,120	146,154
Funds held by ceding insurers	**7,910**	8,455
Reinsurance assets (note 7)	**7,972**	8,924
Goodwill	**6,352**	6,386
Intangible assets	**2,252**	2,250
Derivative financial instruments	**502**	669
Owner occupied properties	**551**	555
Fixed assets	**283**	292
Other assets	**1,773**	1,711
Premiums in course of collection, accounts and interest receivable	**4,929**	4,525
Current income taxes	**89**	87
Deferred tax assets	**243**	232
Investments on account of segregated fund policyholders (note 8)	**216,866**	216,050
Total assets	**$ 392,842**	$ 396,290
Liabilities		
Insurance contract liabilities (note 7)	**$ 140,078**	$ 144,333
Investment contract liabilities (note 7)	**1,587**	1,671
Debentures and other debt instruments	**752**	768
Preferred shares (note 9)	**1,000**	1,000
Funds held under reinsurance contracts	**2,060**	2,174
Derivative financial instruments	**1,140**	1,150
Accounts payable	**1,640**	1,493
Other liabilities	**3,501**	3,760
Current income taxes	**275**	248
Deferred tax liabilities	**643**	586
Investment and insurance contracts on account of segregated fund policyholders (note 8)	**216,866**	216,050
Total liabilities	**369,542**	373,233
Equity		
Participating account surplus	**2,856**	2,858
Non-controlling interests	**24**	25
Shareholders' equity		
Share capital (note 9)		
Common shares	**7,884**	7,884
Accumulated surplus	**12,035**	11,802
Accumulated other comprehensive income	**85**	73
Contributed surplus	**416**	415
Total equity	**23,300**	23,057
Total liabilities and equity	**$ 392,842**	$ 396,290

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY *(unaudited)*

(in Canadian $ millions)

March 31, 2021

	Share capital	**Contributed surplus**	**Accumulated surplus**	**Accumulated other comprehensive income**	**Total shareholders' equity**	**Non-controlling interests**	**Participating account surplus**	**Total equity**
Balance, beginning of year	**$ 7,884**	**$ 415**	**$ 11,802**	**$ 73**	**$ 20,174**	**$ 25**	**$ 2,858**	**$ 23,057**
Net earnings	**—**	**—**	**652**	**—**	**652**	**1**	**25**	**678**
Other comprehensive income (loss)	**—**	**—**	**—**	**12**	**12**	**(2)**	**(27)**	**(17)**
	7,884	**415**	**12,454**	**85**	**20,838**	**24**	**2,856**	**23,718**
Dividends to common shareholder	**—**	**—**	**(419)**	**—**	**(419)**	**—**	**—**	**(419)**
Share-based payments	**—**	**1**	**—**	**—**	**1**	**—**	**—**	**1**
Balance, end of period	**$ 7,884**	**$ 416**	**$ 12,035**	**$ 85**	**$ 20,420**	**$ 24**	**$ 2,856**	**$ 23,300**

March 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	—	—	399	—	399	1	10	410
Other comprehensive income	—	—	—	643	643	1	78	722
	8,884	412	11,810	531	21,637	23	2,833	24,493
Dividends to common shareholder	—	—	(569)	—	(569)	—	—	(569)
Share-based payments	—	1	—	—	1	—	—	1
Conversion of common shares to preferred share liability (note 9)	(1,000)	—	—	—	(1,000)	—	—	(1,000)
Balance, end of period	$ 7,884	$ 413	$ 11,241	$ 531	$ 20,069	$ 23	$ 2,833	$ 22,925

CONSOLIDATED STATEMENTS OF CASH FLOWS *(unaudited)*

(in Canadian $ millions)

	For the three months ended March 31	
	2021	2020
Operations		
Earnings before income taxes	**$ 742**	$ 391
Income taxes paid, net of refunds received	**(85)**	(109)
Adjustments:		
Change in insurance and investment contract liabilities	**(3,427)**	(2,606)
Change in funds held by ceding insurers	**247**	163
Change in funds held under reinsurance contracts	**(101)**	(57)
Change in reinsurance assets	**709**	187
Changes in fair value through profit or loss	**4,383**	3,104
Other	**(253)**	(398)
	2,215	675
Financing Activities		
Dividends paid on common shares	**(419)**	(569)
Investment Activities		
Bond sales and maturities	**4,100**	4,094
Mortgage loan repayments	**609**	501
Stock sales	**1,269**	905
Investment property sales	**9**	1
Change in loans to policyholders	**6**	(59)
Business acquisitions, net of cash and cash equivalents acquired	**—**	(29)
Investment in bonds	**(5,318)**	(2,682)
Investment in mortgage loans	**(849)**	(1,011)
Investment in stocks	**(1,391)**	(1,890)
Investment in investment properties	**(180)**	(13)
	(1,745)	(183)
Effect of changes in exchange rates on cash and cash equivalents	**(46)**	112
Increase in cash and cash equivalents	**5**	35
Cash and cash equivalents, beginning of period	**3,105**	3,236
Cash and cash equivalents, end of period	**$ 3,110**	$ 3,271
Supplementary cash flow information		
Interest income received	**$ 883**	$ 924
Interest paid	**20**	20
Dividend income received	**70**	73

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

(in Canadian $ millions except per share amounts)

1. Corporate Information

The Canada Life Assurance Company (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), Canada Life Capital Corporation Inc., Toronto College Park Ltd., Quadrus Investment Services Ltd. (Quadrus), and GWL Realty Advisors Inc.

The condensed consolidated interim unaudited financial statements (financial statements) of the Company as at and for the three months ended March 31, 2021 were approved by the Board of Directors on May 5, 2021.

2. Basis of Presentation and Summary of Accounting Policies

These financial statements should be read in conjunction with the Company's December 31, 2020 consolidated annual audited financial statements and notes thereto.

The financial statements of the Company at March 31, 2021 have been prepared in compliance with the requirements of International Accounting Standard (IAS) 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB) using the same accounting policies and methods of computation followed in the consolidated annual audited financial statements for the year ended December 31, 2020 except as described below.

Changes in Accounting Policies

The Company adopted the *Interest Rate Benchmark Reform – Phase 2* amendments to IFRS for IAS 39, *Financial Instruments: Recognition and Measurement*, IFRS 7, *Financial Instruments: Disclosures*, IFRS 4, *Insurance Contracts* and IFRS 16, *Leases,* effective January 1, 2021. The adoption of these amendments did not have a significant impact on the Company’s consolidated financial statements.

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

The Company actively monitors changes in IFRS, both proposed and released, by the IASB for potential impact on the Company. The following sets out standards released and updates to the Company's analysis since the year ended December 31, 2020:

Standard	**Summary of Future Changes**
IAS 1 – *Presentation of Financial Statements*	In February 2021, the IASB published *Disclosure of Accounting Policies*, amendments to IAS 1, *Presentation of Financial Statements.* The amendments clarify how an entity determines whether accounting policy information is material. These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Company is evaluating the impact for the adoption of these amendments.
IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*	In February 2021, the IASB published *Definition of Accounting Estimates,* amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors.* The amendments clarify the difference between an accounting policy and an accounting estimate. These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Company is evaluating the impact for the adoption of these amendments.

<u>Use of Significant Judgments, Estimates and Assumptions</u>
In preparation of these financial statements, management is required to make significant judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, net earnings and related disclosures. Although some uncertainty is inherent in these judgments and estimates, management believes that the amounts recorded are reasonable. Key sources of estimation uncertainty and areas where significant judgments have been made are further described in the relevant accounting policies as described in note 2 of the Company's December 31, 2020 consolidated annual audited financial statements and notes thereto.

<u>Impact of COVID-19 on Significant Judgments, Estimates and Assumptions</u>
The COVID-19 pandemic has continued to result in uncertainty in global financial markets and the economic environment in which the Company operates. The duration and impact of the COVID-19 pandemic continues to be unknown at this time, as is the efficacy of the associated fiscal and monetary interventions by governments and central banks.

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. In addition to its own credit assessments, 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 4), the valuation of goodwill and other intangible assets, the valuation of insurance contract liabilities (note 7) and the recoverability of deferred tax asset carrying values reflect management’s judgment.

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

3. Restructuring

Canada Restructuring

At March 31, 2021, the Company has a restructuring provision of $76 remaining in other liabilities. The change in the restructuring provision for the Canada restructuring is set out below:

		March 31 2021		December 31 2020
Balance, beginning of year	**$**	**86**	$	—
Restructuring expenses		**—**		92
Amounts used		**(10)**		(6)
Balance, end of period	**$**	**76**	$	86

The Company expects to pay out substantially all of these amounts by December 31, 2022.

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4. Portfolio Investments

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

	March 31, 2021		December 31, 2020	
	Carrying value	**Fair value**	Carrying value	Fair value
Bonds				
Designated fair value through profit or loss [(1)]	**$ 69,869**	**$ 69,869**	$ 74,190	$ 74,190
Classified fair value through profit or loss [(1)]	**1,786**	**1,786**	1,863	1,863
Available-for-sale	**10,003**	**10,003**	9,902	9,902
Loans and receivables	**14,849**	**16,566**	14,653	17,443
	96,507	**98,224**	100,608	103,398
Mortgage loans				
Residential				
Designated fair value through profit or loss [(1)]	**2,034**	**2,034**	2,020	2,020
Loans and receivables	**7,243**	**7,570**	7,325	7,858
	9,277	**9,604**	9,345	9,878
Commercial	**13,048**	**13,662**	12,918	14,034
	22,325	**23,266**	22,263	23,912
Stocks				
Designated fair value through profit or loss [(1)]	**10,808**	**10,808**	10,014	10,014
Available-for-sale	**9**	**9**	8	8
Available-for-sale, at cost [(2)]	**8**	**8**	8	8
Equity method	**430**	**425**	434	397
	11,255	**11,250**	10,464	10,427
Investment properties	**6,486**	**6,486**	6,267	6,267
Total	**$ 136,573**	**$ 139,226**	$ 139,602	$ 144,004

(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.

4. Portfolio Investments (cont'd)

(b) Included in portfolio investments are the following:

Carrying amount of impaired investments

	March 31 2021	December 31 2020
Impaired amounts by classification		
Fair value through profit or loss	$ 7	$ 8
Available-for-sale	2	2
Loans and receivables	35	23
Total	$ 44	$ 33

The carrying amount of impaired investments includes $9 bonds and $35 mortgage loans at March 31, 2021 ($10 bonds and $23 mortgage loans at December 31, 2020). The above carrying values for loans and receivables are net of allowances of $56 at March 31, 2021 and $57 at December 31, 2020.

(c) Net investment income comprises the following:

For the three months ended March 31, 2021	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	$ 690	$ 184	$ 74	$ 103	$ 98	$ 1,149
Net realized gains						
Available-for-sale	8	—	—	—	—	8
Other classifications	—	9	—	—	—	9
Net allowances for credit losses on loans and receivables	—	(6)	—	—	—	(6)
Other income (expenses)	—	—	—	(35)	(36)	(71)
	698	187	74	68	62	1,089
Changes in fair value through profit or loss assets:						
Classified fair value through profit or loss	(46)	—	—	—	—	(46)
Designated fair value through profit or loss	(4,601)	(134)	626	—	(297)	(4,406)
Recorded at fair value through profit or loss	—	—	—	69	—	69
	(4,647)	(134)	626	69	(297)	(4,383)
Total	$ (3,949)	$ 53	$ 700	$ 137	$ (235)	$ (3,294)

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4. Portfolio Investments (cont'd)

For the three months ended March 31, 2020	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	$ 724	$ 185	$ 79	$ 105	$ (31)	$ 1,062
Net realized gains						
Available-for-sale	31	—	1	—	—	32
Other classifications	1	6	—	—	—	7
Net allowances for credit losses on loans and receivables	—	(9)	—	—	—	(9)
Other income (expenses)	—	—	—	(31)	(40)	(71)
	756	182	80	74	(71)	1,021
Changes in fair value through profit or loss assets:						
Classified fair value through profit or loss	14	—	—	—	—	14
Designated fair value through profit or loss	(1,069)	(99)	(1,775)	—	(65)	(3,008)
Recorded at fair value through profit or loss	—	—	—	(110)	—	(110)
	(1,055)	(99)	(1,775)	(110)	(65)	(3,104)
Total	$ (299)	$ 83	$ (1,695)	$ (36)	$ (136)	$ (2,083)

Investment income earned comprises income from investments that are classified as available-for-sale, loans and receivables and investments classified or designated as fair value through profit or loss. Investment income from bonds and mortgages includes interest income and premium and discount amortization. Income from stocks includes dividends, distributions from private equity and equity income from the investment in IGM Financial Inc. 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.

5. Financial Instruments Risk Management

The Company has policies relating to the identification, measurement, management, monitoring and reporting of risks associated with financial instruments. The key risks related to financial instruments are credit risk, liquidity risk and market risk (currency, interest rate and equity). The Risk Committee of the Board of Directors is responsible for the oversight of the Company's key risks. The Company's approach to risk management has not substantially changed from that described in the Company's 2020 Annual Report. Certain risks have been outlined below. For a discussion of the Company's risk governance structure and risk management approach, see the "Financial Instruments Risk Management" note in the Company's December 31, 2020 consolidated annual audited financial statements.

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

(a) Credit Risk

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

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. No significant changes have occurred from the year ended December 31, 2020.

(b) Liquidity Risk

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

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

(c) Market Risk

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

Caution Related to Risk Sensitivities

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

- Assessment of the circumstances that led to the scenario may lead to changes in (re)investment approaches and interest rate scenarios considered,
- Changes in actuarial, investment return and future investment activity assumptions,
- Actual experience differing from the assumptions,
- Changes in business mix, effective income tax rates and other market factors,

- Interactions among these factors and assumptions when more than one changes, and
- The general limitations of the Company's internal models.

For these reasons, the sensitivities should only be viewed as directional estimates of the underlying sensitivities for the respective factors based on the assumptions outlined above. Given the nature of these calculations, the Company cannot provide assurance that the actual impact on net earnings attributed to shareholders will be as indicated.

(i) Currency Risk

Currency risk relates to the Company operating and holding financial instruments in different currencies. For the assets backing insurance and investment contract liabilities that are not matched by currency, changes in foreign exchange rates can expose the Company to the risk of foreign exchange losses not offset by liability decreases.

- 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 immediate 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 immediate change in net earnings.

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.

(ii) Interest Rate Risk

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

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

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

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

- At March 31, 2021 and December 31, 2020, 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 March 31, 2021 and December 31, 2020, 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.

	March 31, 2021		December 31, 2020	
	1% increase	**1% decrease**	1% increase	1% decrease
Change in interest rates				
Increase (decrease) in non-participating insurance and investment contract liabilities	**$ (312)**	**$ 768**	$ (297)	$ 785
Increase (decrease) in net earnings	**$ 241**	**$ (584)**	$ 231	$ (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.

5. Financial Instruments Risk Management (cont'd)

	March 31, 2021				December 31, 2020			
	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)**	**$ 32**	**$ 173**	$ (34)	$ (18)	$ 62	$ 264
Increase (decrease) in net earnings	**$ 28**	**$ 15**	**$ (28)**	**$ (141)**	$ 28	$ 15	$ (51)	$ (208)

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 supporting liabilities.

	March 31, 2021				December 31, 2020			
	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	**$ (46)**	**$ (13)**	**$ 60**	**$ 159**	$ (41)	$ (8)	$ 88	$ 138
Increase (decrease) in net earnings	**$ 39**	**$ 11**	**$ (48)**	**$ (123)**	$ 34	$ 6	$ (69)	$ (108)

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:

	March 31, 2021		December 31, 2020	
	1% increase	**1% decrease**	1% increase	1% decrease
Change in best estimate return assumptions				
Increase (decrease) in non-participating insurance contract liabilities	**$ (667)**	**$ 844**	$ (691)	$ 861
Increase (decrease) in net earnings	**$ 531**	**$ (662)**	$ 556	$ (682)

6. Fair Value Measurement

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

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

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

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

6. *Fair Value Measurement (cont'd)*

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

	March 31, 2021			
Assets measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 3,110	$ —	$ —	$ 3,110
Financial assets at fair value through profit or loss				
Bonds	—	71,579	76	71,655
Mortgage loans	—	—	2,034	2,034
Stocks	9,352	4	1,452	10,808
Total financial assets at fair value through profit or loss	9,352	71,583	3,562	84,497
Available-for-sale financial assets				
Bonds	—	10,003	—	10,003
Stocks	—	—	9	9
Total available-for-sale financial assets	—	10,003	9	10,012
Investment properties	—	—	6,486	6,486
Funds held by ceding insurers	192	5,727	—	5,919
Derivatives [1]	—	502	—	502
Reinsurance assets	—	110	—	110
Other assets - trading account assets	167	—	—	167
Total assets measured at fair value	$ 12,821	$ 87,925	$ 10,057	$ 110,803
Liabilities measured at fair value				
Derivatives [2]	$ 3	$ 1,137	$ —	$ 1,140
Investment contract liabilities	—	1,587	—	1,587
Total liabilities measured at fair value	$ 3	$ 2,724	$ —	$ 2,727

(1) Excludes collateral received from counterparties of $96.

(2) Excludes collateral pledged to counterparties of $529.

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

6. Fair Value Measurement (cont'd)

	December 31, 2020			
Assets measured at fair value	Level 1	Level 2	Level 3	Total
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 account 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 period.

6. *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:

	March 31, 2021					
	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	Total Level 3 assets
Balance, beginning of year	$ 73	$ 2,020	$ 1,312	$ 8	$ 6,267	$ 9,680
Total gains (losses)						
Included in net earnings	1	(135)	8	—	69	(57)
Included in other comprehensive income [1]	(4)	(7)	—	—	(21)	(32)
Purchases	6	—	144	1	180	331
Issues	—	192	—	—	—	192
Sales	—	—	(12)	—	(9)	(21)
Settlements	—	(36)	—	—	—	(36)
Transfers into Level 3 [2]	—	—	—	—	—	—
Transfers out of Level 3 [2]	—	—	—	—	—	—
Balance, end of period	$ 76	$ 2,034	$ 1,452	$ 9	$ 6,486	$ 10,057
Total gains (losses) for the period included in net investment income	$ 1	$ (135)	$ 8	$ —	$ 69	$ (57)
Change in unrealized gains (losses) for the period included in earnings for assets held at March 31, 2021	$ 1	$ (135)	$ 8	$ —	$ 69	$ (57)

(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 investments in mutual and segregated funds.

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

6. *Fair Value Measurement (cont'd)*

	December 31, 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 Irish Progressive Services International Limited, 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.

On March 20, 2020, Canada Life 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 pandemic 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.

On January 11, 2021, Canada Life partially lifted the temporary suspension, allowing contributions and transfers into its Canadian real estate investment funds as confidence over the valuation of the underlying properties returned as a result of increased market activity.

Subsequent event

On April 19, 2021, Canada Life fully lifted the temporary suspension on redemptions and transfers out of its Canadian real estate investment funds. As a result of the lifting of these temporary suspensions, the Company's investment in these funds with a fair value of $457 was transferred on April 19, 2021 from Level 3 to Level 1.

6. Fair Value Measurement (cont'd)

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

Type of asset	Valuation approach	Significant unobservable input	Input value	Inter-relationship between key unobservable inputs and fair value measurement
Investment properties	Investment property valuations are generally determined using property valuation models based on expected capitalization rates and models that discount expected future net cash flows. The determination of the fair value of investment property requires the use of estimates such as future cash flows (such as future leasing assumptions, rental rates, capital and operating expenditures) and discount, reversionary and overall capitalization rates applicable to the asset based on current market rates.	Discount rate Reversionary rate Vacancy rate	Range of 3.5% - 12.6% Range of 3.5% - 7.0% Weighted average of 2.9%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value. 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 3.6% - 4.9%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.

7. Insurance and Investment Contract Liabilities

	March 31, 2021		
	Gross liability	**Reinsurance assets**	**Net**
Insurance contract liabilities	**$ 140,078**	**$ 7,862**	**$ 132,216**
Investment contract liabilities	**1,587**	**110**	**1,477**
Total	**$ 141,665**	**$ 7,972**	**$ 133,693**

	December 31, 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

8. Segregated Funds

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

(a) Investments on account of segregated fund policyholders

	March 31 2021	December 31 2020
Cash and cash equivalents	**$ 12,158**	$ 15,352
Bonds	**32,238**	34,396
Mortgage loans	**2,590**	2,686
Stocks and units in unit trusts	**118,840**	112,652
Mutual funds	**39,921**	39,181
Investment properties	**12,271**	12,430
	218,018	216,697
Accrued income	**368**	314
Other liabilities	**(3,181)**	(2,451)
Non-controlling mutual funds interest	**1,661**	1,490
Total	**$ 216,866**	$ 216,050

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

	For the three months ended March 31	
	2021	2020
Balance, beginning of year	**$ 216,050**	$ 199,589
Additions (deductions):		
Policyholder deposits	**6,155**	5,745
Net investment income	**132**	575
Net realized capital gains on investments	**2,764**	657
Net unrealized capital gains (losses) on investments	**2,523**	(23,593)
Unrealized gains (losses) due to changes in foreign exchange rates	**(4,836)**	4,737
Policyholder withdrawals	**(6,097)**	(5,556)
Change in General Fund investment in Segregated Fund	**(8)**	234
Net transfer from General Fund	**12**	4
Non-controlling mutual funds interest	**171**	(207)
Total	**816**	(17,404)
Balance, end of period	**$ 216,866**	$ 182,185

(c) Investments on account of segregated fund policyholders by fair value hierarchy level (note 6)

	March 31, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments on account of segregated fund policyholders [1]	**$ 145,391**	**$ 60,810**	**$ 13,326**	**$ 219,527**

[1] Excludes other liabilities, net of other assets, of $2,661.

	December 31, 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.

During the first three months of 2021, certain foreign stock holdings valued at $4,713 have been transferred from Level 2 to Level 1 ($3,190 were transferred from Level 1 to Level 2 at December 31, 2020) primarily based on the Company's change in use of inputs in addition to quoted prices in active markets for certain foreign stock holdings. Level 2 assets include those assets where fair value is not available from normal market pricing sources, where inputs are utilized in addition to quoted prices in active markets and where the Company does not have access to the underlying asset details within an investment fund.

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

	March 31 2021	December 31 2020
Balance, beginning of year	**$ 13,556**	$ 13,988
Total gains (losses) included in segregated fund investment income	**(222)**	78
Purchases	**65**	167
Sales	**(73)**	(712)
Transfers into Level 3	**—**	35
Transfers out of Level 3	**—**	—
Balance, end of period	**$ 13,326**	$ 13,556

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.

9. Share Capital

	For the three months ended March 31			
	2021		2020	
	Number	**Carrying value**	Number	Carrying value
Classified as liabilities:				
Preferred shares				
Class A, Series 6, 6.25% Cumulative First Preferred Shares	**40,000,000**	**$ 1,000**	40,000,000	$ 1,000
Classified as equity:				
Preferred shares				
Class A, Series 1, Non-Cumulative	**18,000**	**$ —**	18,000	$ —
Common shares				
Balance, beginning of year	**2,407,384**	**$ 7,884**	2,407,385	$ 8,884
Common shares converted to preferred share liability	**—**	**—**	—	(1,000)
Common shares donated by parent and cancelled	**—**	**—**	(1)	—
Balance, end of period	**2,407,384**	**$ 7,884**	2,407,384	$ 7,884

10. Capital Management

(a) Policies and Objectives

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

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

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

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

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

10. Capital Management (cont'd)

(b) Regulatory Capital

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

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

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

	March 31 2021	December 31 2020
Tier 1 Capital	**$ 11,750**	$ 11,593
Tier 2 Capital	**4,174**	4,568
Total Available Capital	**15,924**	16,161
Surplus Allowance & Eligible Deposits	**13,378**	14,226
Total Capital Resources	**$ 29,302**	$ 30,387
Required Capital	**$ 23,909**	$ 23,607
Total LICAT Ratio (OSFI Supervisory Target = 100%) [1]	**123 %**	129 %

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

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

11. Pension Plans and Other Post-Employment Benefits

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

	For the three months ended March 31	
	2021	2020
Pension plans		
Service costs	**$ 44**	$ 43
Net interest costs	**4**	4
Curtailment	**1**	(1)
	49	46
Other post-employment benefits		
Net interest costs	**2**	3
Pension plans and other post-employment benefits expense - Consolidated Statements of Earnings	**51**	49
Pension plans - re-measurements (gain) loss		
Actuarial gain	**(619)**	(974)
Return on assets less than assumed	**83**	534
Change in the asset ceiling	**12**	69
Pension plans re-measurement gain	**(524)**	(371)
Other post-employment benefits - re-measurements		
Actuarial gain	**(33)**	(36)
Pension plans and other post-employment benefits re-measurements - other comprehensive (income) loss	**(557)**	(407)
Total pension plans and other post-employment benefits (income) expense including re-measurements	**$ (506)**	$ (358)

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

	March 31		December 31	
	2021	2020	2020	2019
Weighted average discount rate	**2.8 %**	3.3 %	2.1 %	2.6 %

12. Income Taxes

(a) Income Tax Expense

Income tax expense (recovery) consists of the following:

	For the three months ended March 31	
	2021	2020
Current income taxes	**$ 135**	$ 50
Deferred income taxes	**(71)**	(69)
Total income tax expense	**$ 64**	$ (19)

(b) Effective Income Tax Rate

The effective income tax rates are generally lower than the Company's statutory income tax rate of 26.50% due to benefits related to non-taxable investment income and lower income tax in certain foreign jurisdictions.

The overall effective income tax rate for the three months ended March 31, 2021 was 8.6% compared to negative 4.9% for the three months ended March 31, 2020. The effective income tax rate for the three months ended March 31, 2021 is higher than the effective income tax rate for the three months ended March 31, 2020 primarily due to a favourable tax item in the first quarter of 2020 in the United Kingdom, driven by market movements, which contributed a 9.0 point decrease but had a negligible impact in the first quarter of 2021. In addition, the increase in the effective income tax rate for the three months ended March 31, 2021 is also due to a change in the jurisdictional mix of earnings.

The effective income tax rate for the shareholder account for the three months ended March 31, 2021 was 11.5% compared to negative 2.0% for the three months ended March 31, 2020.

13. Segmented Information

Consolidated Net Earnings

For the three months ended March 31, 2021

	Shareholder					Participating	
	Canada	Europe	Capital and Risk Solutions	Corporate	Total	Total	Total Company
Income							
Total net premiums	$ 2,059	$ 944	$ 7,443	$ 347	$ 10,793	$ 1,155	$ 11,948
Net investment income							
Regular net investment income	312	298	52	13	675	414	1,089
Changes in fair value through profit or loss	(2,085)	(1,700)	(322)	3	(4,104)	(279)	(4,383)
Total net investment income (loss)	(1,773)	(1,402)	(270)	16	(3,429)	135	(3,294)
Fee and other income	454	353	2	15	824	—	824
	740	(105)	7,175	378	8,188	1,290	9,478
Benefits and expenses							
Paid or credited to policyholders	(329)	(795)	6,960	348	6,184	1,063	7,247
Other [(1)]	683	444	54	25	1,206	221	1,427
Financing charges	—	—	2	25	27	—	27
Amortization of finite life intangible assets	16	13	—	4	33	2	35
Earnings (loss) before income taxes	370	233	159	(24)	738	4	742
Income taxes	87	21	3	(26)	85	(21)	64
Net earnings before non-controlling interests	283	212	156	2	653	25	678
Non-controlling interests	—	1	—	—	1	—	1
Net earnings	283	211	156	2	652	25	677
Net earnings - participating policyholder	—	—	—	—	—	25	25
Net earnings - common shareholder	$ 283	$ 211	$ 156	$ 2	$ 652	$ —	$ 652

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

13. Segmented Information (cont'd)

For the three months ended March 31, 2020

	Shareholder					Participating	
	Canada	Europe	Capital and Risk Solutions	Corporate	Total	Total	Total Company
Income							
Total net premiums	$ 2,123	$ 791	$ 4,579	$ 357	$ 7,850	$ 1,144	$ 8,994
Net investment income							
Regular net investment income	245	292	70	21	628	393	1,021
Changes in fair value through profit or loss	(806)	(647)	(212)	10	(1,655)	(1,449)	(3,104)
Total net investment income (loss)	(561)	(355)	(142)	31	(1,027)	(1,056)	(2,083)
Fee and other income	425	333	3	15	776	—	776
	1,987	769	4,440	403	7,599	88	7,687
Benefits and expenses							
Paid or credited to policyholders	1,106	235	4,284	359	5,984	(144)	5,840
Other [(1)]	665	432	46	20	1,163	230	1,393
Financing charges	—	—	3	25	28	—	28
Amortization of finite life intangible assets	16	12	—	4	32	3	35
Earnings (loss) before income taxes	200	90	107	(5)	392	(1)	391
Income taxes	39	(33)	7	(21)	(8)	(11)	(19)
Net earnings before non-controlling interests	161	123	100	16	400	10	410
Non-controlling interests	—	1	—	—	1	—	1
Net earnings	161	122	100	16	399	10	409
Net earnings - participating policyholder	—	—	—	—	—	10	10
Net earnings - common shareholder	$ 161	$ 122	$ 100	$ 16	$ 399	$ —	$ 399

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

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