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The Canada Life Assurance Company

Consolidated financial statements

First quarter results

For the period ended March 31, 2022

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

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CONSOLIDATED STATEMENTS OF EARNINGS *(unaudited)*

(in Canadian $ millions)

	For the three months ended	
	March 31 2022	March 31 2021
Income		
Premium income		
Gross premiums written	**$ 14,255**	$ 12,876
Ceded premiums	**(926)**	(928)
Total net premiums	**13,329**	11,948
Net investment income (note 5)		
Regular net investment income	**1,164**	1,089
Changes in fair value through profit or loss	**(5,731)**	(4,383)
Total net investment income (loss)	**(4,567)**	(3,294)
Fee and other income	**864**	824
	9,626	9,478
Benefits and expenses		
Policyholder benefits		
Gross	**12,432**	10,531
Ceded	**(680)**	(736)
Total net policyholder benefits	**11,752**	9,795
Changes in insurance and investment contract liabilities		
Gross	**(5,205)**	(3,611)
Ceded	**390**	730
Total net changes in insurance and investment contract liabilities	**(4,815)**	(2,881)
Policyholder dividends and experience refunds	**372**	333
Total paid or credited to policyholders	**7,309**	7,247
Commissions	**550**	520
Operating and administrative expenses	**806**	787
Premium taxes	**116**	120
Financing charges	**27**	27
Amortization of finite life intangible assets	**39**	35
Earnings before income taxes	**779**	742
Income taxes (note 13)	**35**	64
Net earnings before non-controlling interests	**744**	678
Attributable to non-controlling interests	**1**	1
Net earnings	**743**	677
Net earnings - participating account	**26**	25
Net earnings - common shareholder	**$ 717**	$ 652

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME *(unaudited)*

(in Canadian $ millions)

	For the three months ended	
	March 31 2022	March 31 2021
Net earnings	**$ 743**	$ 677
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	**(472)**	(276)
Income tax (expense) benefit	**—**	(1)
Unrealized gains (losses) on hedges of the net investment in foreign operations	**14**	—
Income tax (expense) benefit	**(4)**	—
Unrealized gains (losses) on available-for-sale assets	**(349)**	(186)
Income tax (expense) benefit	**68**	37
Realized (gains) losses on available-for-sale assets	**12**	(8)
Income tax expense (benefit)	**—**	2
Non-controlling interests	**2**	2
Total items that may be reclassified	**(729)**	(430)
Items that will not be reclassified to Consolidated Statements of Earnings		
Re-measurements on defined benefit pension and other post-employment benefit plans (note 12)	**368**	557
Income tax (expense) benefit	**(102)**	(142)
Total items that will not be reclassified	**266**	415
Total other comprehensive income (loss)	**(463)**	(15)
Comprehensive income	**$ 280**	$ 662

CONSOLIDATED BALANCE SHEETS *(unaudited)*

(in Canadian $ millions)

		March 31 2022		December 31 2021
Assets				
Cash and cash equivalents	**$**	**3,777**	$	3,271
Bonds (note 5)		**92,951**		101,329
Mortgage loans (note 5)		**23,337**		23,113
Stocks (note 5)		**13,107**		13,252
Investment properties (note 5)		**8,001**		7,759
Loans to policyholders		**3,497**		3,480
		144,670		152,204
Funds held by ceding insurers		**7,168**		7,555
Reinsurance assets (note 8)		**8,129**		8,794
Goodwill		**6,347**		6,382
Intangible assets		**2,347**		2,362
Derivative financial instruments		**572**		582
Owner occupied properties		**545**		552
Fixed assets		**271**		288
Other assets		**1,914**		1,836
Premiums in course of collection, accounts and interest receivable		**5,185**		4,841
Current income taxes		**235**		242
Deferred tax assets		**296**		266
Investments on account of segregated fund policyholders (note 9)		**229,018**		240,500
Total assets	**$**	**406,697**	$	426,404
Liabilities				
Insurance contract liabilities (note 8)	**$**	**141,418**	$	148,884
Investment contract liabilities (note 8)		**1,545**		1,646
Debentures and other debt instruments		**733**		745
Preferred shares (note 10)		**1,000**		1,000
Funds held under reinsurance contracts		**1,834**		2,006
Derivative financial instruments		**1,025**		1,005
Accounts payable		**2,013**		1,945
Other liabilities		**2,885**		3,162
Current income taxes		**186**		160
Deferred tax liabilities		**901**		922
Investment and insurance contracts on account of segregated fund policyholders (note 9)		**229,018**		240,500
Total liabilities		**382,558**		401,975
Equity				
Participating account surplus		**3,051**		3,126
Non-controlling interests		**25**		26
Shareholders' equity				
Share capital (note 10)				
Common shares		**7,884**		7,884
Accumulated surplus		**13,171**		13,025
Accumulated other comprehensive income (loss)		**(413)**		(51)
Contributed surplus		**421**		419
Total equity		**24,139**		24,429
Total liabilities and equity	**$**	**406,697**	$	426,404

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY *(unaudited)*

(in Canadian $ millions)

March 31, 2022

	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	**$ 7,884**	**$ 419**	**$ 13,025**	**$ (51)**	**$ 21,277**	**$ 26**	**$ 3,126**	**$ 24,429**
Net earnings	**—**	**—**	**717**	**—**	**717**	**1**	**26**	**744**
Other comprehensive income (loss)	**—**	**—**	**—**	**(362)**	**(362)**	**(2)**	**(101)**	**(465)**
	7,884	**419**	**13,742**	**(413)**	**21,632**	**25**	**3,051**	**24,708**
Dividends to common shareholder	**—**	**—**	**(571)**	**—**	**(571)**	**—**	**—**	**(571)**
Share-based payments	**—**	**2**	**—**	**—**	**2**	**—**	**—**	**2**
Balance, end of period	**$ 7,884**	**$ 421**	**$ 13,171**	**$ (413)**	**$ 21,063**	**$ 25**	**$ 3,051**	**$ 24,139**

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

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CONSOLIDATED STATEMENTS OF CASH FLOWS *(unaudited)*

(in Canadian $ millions)

	For the three months ended March 31	
	2022	2021
Operations		
Earnings before income taxes	**$ 779**	$ 742
Income taxes paid, net of refunds received	**(60)**	(85)
Adjustments:		
Change in insurance and investment contract liabilities	**(5,184)**	(3,427)
Change in funds held by ceding insurers	**(126)**	247
Change in funds held under reinsurance contracts	**(112)**	(101)
Change in reinsurance assets	**382**	709
Changes in fair value through profit or loss	**5,731**	4,383
Other	**(569)**	(253)
	841	2,215
Financing Activities		
Dividends paid on common shares	**(571)**	(419)
Investment Activities		
Bond sales and maturities	**4,696**	4,100
Mortgage loan repayments	**482**	609
Stock sales	**1,302**	1,269
Investment property sales	**5**	9
Change in loans to policyholders	**(24)**	6
Investment in bonds	**(4,069)**	(5,318)
Investment in mortgage loans	**(1,194)**	(849)
Investment in stocks	**(812)**	(1,391)
Investment in investment properties	**(66)**	(180)
	320	(1,745)
Effect of changes in exchange rates on cash and cash equivalents	**(84)**	(46)
Increase in cash and cash equivalents	**506**	5
Cash and cash equivalents, beginning of period	**3,271**	3,105
Cash and cash equivalents, end of period	**$ 3,777**	$ 3,110
Supplementary cash flow information		
Interest income received	**$ 850**	$ 883
Interest paid	**20**	20
Dividend income received	**82**	70

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., 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, 2022 were approved by the Board of Directors on May 4, 2022.

2. Basis of Presentation and Summary of Accounting Policies

These financial statements should be read in conjunction with the Company's December 31, 2021 consolidated annual audited financial statements and notes thereto.

The financial statements of the Company at March 31, 2022 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, 2021 except as described below.

Changes in Accounting Policies

The Company adopted the amendments to IFRS for IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* and *Annual Improvements 2018-2020 Cycl*e for the amendment to IFRS 16, *Leases* effective January 1, 2022. The adoption of these amendments did not have a significant impact on the Company’s financial statements.

The Company actively monitors changes in IFRS, both proposed and released, by the IASB for potential impact on the Company. No standards have been released since the year ended December 31, 2021 that impact the Company's financial reporting. The following sets out significant standards that will be adopted on January 1, 2023:

Standard	Summary of Future Changes
IFRS 17 - *Insurance Contracts*	IFRS 17, *Insurance Contracts* (IFRS 17), will replace IFRS 4, *Insurance Contracts* effective January 1, 2023. The adoption of IFRS 17 is a significant initiative for the Company supported by a formal governance framework and project plan, for which substantial resources are being dedicated. The Company continues to make progress in implementing its project plan, and will be compliant with the standard effective January 1, 2023. IFRS 17 sets out the requirements for the recognition, measurement, presentation and disclosures of insurance contracts a company issues and reinsurance contracts it holds. The future profit for providing insurance coverage (including impacts of new business) is reflected in the initial recognition of insurance contract liabilities and then recognized into profit or loss over time as the insurance services are provided. As a result of the new valuation methodologies required under IFRS 17, the Company expects its insurance contract liabilities, including the contractual service margin, to increase upon adoption. The recognition of the contractual service margin liabilities will also have the effect of reducing accumulated surplus on transition to IFRS 17. IFRS 17 will affect how the Company accounts for its insurance contracts and how it reports financial performance in the Consolidated Statements of Earnings, in particular the timing of earnings recognition for insurance contracts. The adoption of IFRS 17 will also have a significant impact on how insurance contract results are presented and disclosed in the consolidated financial statements and on regulatory and tax regimes that are dependent upon IFRS accounting values. The Company is also actively monitoring potential impacts on regulatory capital and the associated ratios and disclosures. The Office of the Superintendent of Financial Institutions (OSFI) has stated that it intends to maintain capital frameworks consistent with current capital policies and minimizing potential industry-wide capital impacts. The Company continues to assess all these impacts through its global implementation plan, however the change will not impact the economics of the affected businesses or our business model.

Standard	Summary of Future Changes
IFRS 9 - *Financial Instruments*	IFRS 9, *Financial Instruments* (IFRS 9) will replace IAS 39, *Financial Instruments: Recognition and Measurement* effective January 1, 2023. The standard provides changes to financial instruments accounting for the following: • classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset; • impairment based on an expected loss model; and • hedge accounting that incorporates the risk management practices of an entity. The disclosure for the measurement and classification of the Company's portfolio investments provides most of the information required by IFRS 9. Upon adoption, the Company does not expect a material change in the level of invested assets, nor a material increase in earnings volatility, however the Company continues to evaluate the impact of the adoption of this standard with the adoption of IFRS 17.

Use of Significant Judgments, Estimates and Assumptions

In preparation of these financial statements, management is required to make significant judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, net earnings and related disclosures. Although some uncertainty is inherent in these judgments and estimates, management believes that the amounts recorded are reasonable. Key sources of estimation uncertainty and areas where significant judgments have been made are further described in the relevant accounting policies as described in note 2 of the Company's December 31, 2021 consolidated annual audited financial statements and notes thereto.

Impact of COVID-19 and the Conflict Between Russia and Ukraine on Significant Judgments, Estimates and Assumptions

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.

Global financial markets continued to be volatile in the first quarter of 2022, in part due to Russia's military invasion of Ukraine and the related sanctions and economic fallout. The Company continues to monitor potential impacts of the conflict, including financial impacts, heightened cyber risks, and risks related to disruption of key suppliers.

The results of the Company reflect management's judgments regarding the impact of prevailing market conditions related to global credit, equities, investment properties, foreign exchange and inflation, 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 5), the valuation of goodwill and other intangible assets, the valuation of insurance contract liabilities (note 8) 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. Business Acquisitions

Acquisition of Ark Life Assurance Company

On November 1, 2021, Irish Life Group Limited (Irish Life), an indirect wholly-owned subsidiary of the Company, completed the acquisition of Ark Life Assurance Company dac (Ark Life) from Phoenix Group Holdings plc for total cash consideration of $332 (€230). Ark Life is closed to new business and manages a range of pensions, savings and protection policies for its customers in the Irish market.

The initial amounts assigned to the assets acquired, goodwill and liabilities assumed on November 1, 2021, reported as at March 31, 2022 are as follows:

Assets acquired and goodwill		
Cash and cash equivalents	**$**	**17**
Bonds		**333**
Goodwill		**21**
Reinsurance Assets		**1,238**
Premiums in the course of collection, accounts and interest receivable		**89**
Investments on account of segregated fund policyholders		**2,844**
Total assets acquired and goodwill	**$**	**4,542**
Liabilities assumed		
Insurance contract liabilities	**$**	**1,257**
Investment contract liabilities		**43**
Other liabilities		**66**
Investment and insurance contracts on account of segregated fund policyholders		**2,844**
Total liabilities assumed	**$**	**4,210**

As at March 31, 2022, the accounting for the acquisition is not finalized pending completion of a comprehensive valuation of the net assets acquired. The financial statements at March 31, 2022 reflect management's current best estimate of the purchase price allocation. Final valuation of the assets acquired and liabilities assumed and the completion of the purchase price allocation are expected to occur during the second half of 2022. As at March 31, 2022, provisional amounts for intangible assets have not been separately identified and valued within the assets of the purchase price allocation pending completion of the valuation exercise.

As a result, the excess of the purchase price over the fair value of net assets acquired, representing goodwill of $21 (€15) on the date of acquisition, will be adjusted in future periods.

The goodwill represents the excess of the purchase price over the fair value of the net assets, representing the synergies or future economic benefits arising from other assets acquired that are not individually identified and separately recognized in the acquisition. These synergies represent meaningful expense and revenue opportunities which are expected to be accretive to earnings.

4. Restructuring

Canada Restructuring

At March 31, 2022, the Company has a restructuring provision of $42 remaining in other liabilities. The change in the restructuring provision for the Canada restructuring is set out below:

	March 31 2022	December 31 2021
Balance, beginning of year	**$ 56**	$ 86
Amounts used	**(14)**	(30)
Balance, end of period	**$ 42**	$ 56

The Company expects to pay out a significant portion of these amounts during the year.

5. Portfolio Investments

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

	March 31, 2022		December 31, 2021	
	Carrying value	**Fair value**	Carrying value	Fair value
Bonds				
Designated fair value through profit or loss [1]	**$ 67,719**	**$ 67,719**	$ 75,352	$ 75,352
Classified fair value through profit or loss [1]	**70**	**70**	137	137
Available-for-sale	**8,801**	**8,801**	9,492	9,492
Loans and receivables	**16,361**	**16,645**	16,348	18,189
	92,951	**93,235**	101,329	103,170
Mortgage loans				
Residential				
Designated fair value through profit or loss [1]	**2,551**	**2,551**	2,609	2,609
Loans and receivables	**7,551**	**7,445**	7,309	7,550
	10,102	**9,996**	9,918	10,159
Commercial	**13,235**	**12,944**	13,195	13,681
	23,337	**22,940**	23,113	23,840
Stocks				
Designated fair value through profit or loss [1]	**12,605**	**12,605**	12,754	12,754
Available-for-sale	**16**	**16**	16	16
Available-for-sale, at cost [2]	**8**	**8**	8	8
Equity method	**478**	**514**	474	526
	13,107	**13,143**	13,252	13,304
Investment properties	**8,001**	**8,001**	7,759	7,759
Total	**$ 137,396**	**$ 137,319**	$ 145,453	$ 148,073

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

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

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

(b) Included in portfolio investments are the following:
Carrying amount of impaired investments

	March 31 2022	December 31 2021
Impaired amounts by classification		
Fair value through profit or loss	**$ 6**	$ 6
Loans and receivables	**70**	71
Total	**$ 76**	$ 77

The carrying amount of impaired investments includes $6 bonds and $70 mortgage loans at March 31, 2022 ($6 bonds and $71 mortgage loans at December 31, 2021). The above carrying values for loans and receivables are net of allowances of $28 at March 31, 2022 and $28 at December 31, 2021.

(c) Net investment income comprises the following:

For the three months ended March 31, 2022	**Bonds**	**Mortgage loans**	**Stocks**	**Investment properties**	**Other**	**Total**
Regular net investment income:						
Investment income earned	**$ 742**	**$ 185**	**$ 81**	**$ 109**	**$ 136**	**$ 1,253**
Net realized gains (losses)						
Available-for-sale	**(12)**	**—**	**—**	**—**	**—**	**(12)**
Other classifications	**—**	**8**	**—**	**—**	**—**	**8**
Net allowances for credit losses on loans and receivables	**—**	**—**	**—**	**—**	**—**	**—**
Other income (expenses)	**—**	**—**	**—**	**(38)**	**(47)**	**(85)**
	730	**193**	**81**	**71**	**89**	**1,164**
Changes in fair value through profit or loss assets:						
Classified fair value through profit or loss	**—**	**—**	**—**	**—**	**—**	**—**
Designated fair value through profit or loss	**(5,739)**	**(224)**	**377**	**—**	**(465)**	**(6,051)**
Recorded at fair value through profit or loss	**—**	**—**	**—**	**320**	**—**	**320**
	(5,739)	**(224)**	**377**	**320**	**(465)**	**(5,731)**
Total	**$ (5,009)**	**$ (31)**	**$ 458**	**$ 391**	**$ (376)**	**$ (4,567)**

5. *Portfolio Investments (cont'd)*

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)

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.

6. Financial Instruments Risk Management

The Company has policies relating to the identification, measurement, management, monitoring and reporting of risks associated with financial instruments. The key risks related to financial instruments are credit risk, liquidity risk and market risk (currency, interest rate and equity). The Risk Committee of the Board of Directors is responsible for the oversight of the Company's key risks. The Company's approach to risk management has not substantially changed from that described in the Company's 2021 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, 2021 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.

<u>Concentration of Credit Risk</u>
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, 2021.

(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.

<u>Caution Related to Risk Sensitivities</u>
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 because the Company's sensitivity to interest rate movements varies at different terms.

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.

The impact to the value of liabilities from an immediate parallel 1% increase or 1% decrease in the interest rates would be largely offset by changes in the value of assets supporting the liabilities.

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 parallel 1% increase or 1% decrease in the interest rates as well as a corresponding parallel shift in the ultimate reinvestment rates, as defined in the actuarial standards.

	March 31, 2022		December 31, 2021	
	1% increase	**1% decrease [1]**	1% increase	1% decrease [1]
Change in interest rates				
Increase (decrease) in non-participating insurance and investment contract liabilities	**$ (149)**	**$ 534**	$ (219)	$ 678
Increase (decrease) in net earnings	**$ 126**	**$ (419)**	$ 197	$ (555)

[1] For the 1% decrease, initial risk-free yields are floored at zero, wherever risk-free yields are not currently negative.

(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 a 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 change 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.

	March 31, 2022				December 31, 2021			
	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	**$ (36)**	**$ (21)**	**$ 33**	**$ 98**	$ (26)	$ (16)	$ 22	$ 76
Increase (decrease) in net earnings	**$ 30**	**$ 18**	**$ (29)**	**$ (86)**	$ 21	$ 13	$ (19)	$ (66)

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, 2022				December 31, 2021			
	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	**$ (106)**	**$ (55)**	**$ 35**	**$ 127**	$ (92)	$ (46)	$ 38	$ 144
Increase (decrease) in net earnings	**$ 92**	**$ 47**	**$ (29)**	**$ (101)**	$ 79	$ 39	$ (30)	$ (112)

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, 2022		December 31, 2021	
	1% increase	**1% decrease**	1% increase	1% decrease
Change in best estimate return assumptions				
Increase (decrease) in non-participating insurance contract liabilities	**$ (716)**	**$ 821**	$ (715)	$ 829
Increase (decrease) in net earnings	**$ 569**	**$ (643)**	$ 567	$ (649)

7. Fair Value Measurement

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

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

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

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

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

	March 31, 2022			
Assets measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	**$ 3,777**	**$ —**	**$ —**	**$ 3,777**
Financial assets at fair value through profit or loss				
Bonds	**—**	**67,688**	**101**	**67,789**
Mortgage loans	**—**	**—**	**2,551**	**2,551**
Stocks	**11,172**	**—**	**1,433**	**12,605**
Total financial assets at fair value through profit or loss	**11,172**	**67,688**	**4,085**	**82,945**
Available-for-sale financial assets				
Bonds	**—**	**8,801**	**—**	**8,801**
Stocks	**—**	**—**	**16**	**16**
Total available-for-sale financial assets	**—**	**8,801**	**16**	**8,817**
Investment properties	**—**	**—**	**8,001**	**8,001**
Funds held by ceding insurers	**108**	**4,708**	**—**	**4,816**
Derivatives (1)	**3**	**569**	**—**	**572**
Reinsurance assets	**—**	**93**	**—**	**93**
Other assets - trading account assets	**140**	**—**	**—**	**140**
Total assets measured at fair value	**$ 15,200**	**$ 81,859**	**$ 12,102**	**$ 109,161**
Liabilities measured at fair value				
Derivatives (2)	**$ 13**	**$ 1,012**	**$ —**	**$ 1,025**
Investment contract liabilities	**—**	**1,545**	**—**	**1,545**
Total liabilities measured at fair value	**$ 13**	**$ 2,557**	**$ —**	**$ 2,570**

(1) Excludes collateral received from counterparties of $203.
(2) Excludes collateral pledged to counterparties of $437.

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

7. Fair Value Measurement (cont'd)

Assets measured at fair value	December 31, 2021 Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 3,271	$ —	$ —	$ 3,271
Financial assets at fair value through profit or loss				
Bonds	—	75,389	100	75,489
Mortgage loans	—	—	2,609	2,609
Stocks	11,382	—	1,372	12,754
Total financial assets at fair value through profit or loss	11,382	75,389	4,081	90,852
Available-for-sale financial assets				
Bonds	—	9,492	—	9,492
Stocks	—	—	16	16
Total available-for-sale financial assets	—	9,492	16	9,508
Investment properties	—	—	7,759	7,759
Funds held by ceding insurers	158	5,268	—	5,426
Derivatives (1)	1	581	—	582
Reinsurance assets	—	106	—	106
Other assets - trading account assets	146	—	—	146
Total assets measured at fair value	$ 14,958	$ 90,836	$ 11,856	$ 117,650
Liabilities measured at fair value				
Derivatives (2)	$ 3	$ 1,002	$ —	$ 1,005
Investment contract liabilities	—	1,646	—	1,646
Total liabilities measured at fair value	$ 3	$ 2,648	$ —	$ 2,651

(1) Excludes collateral received from counterparties of $65.
(2) Excludes collateral pledged to counterparties of $370.

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

7. Fair Value Measurement (cont'd)

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

	March 31, 2022					
	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	$ 100	$ 2,609	$ 1,372	$ 16	$ 7,759	$ 11,856
Total gains (losses)						
Included in net earnings	—	(255)	(5)	—	320	60
Included in other comprehensive income [1]	(3)	(57)	—	—	(139)	(199)
Purchases	4	—	79	—	66	149
Issues	—	297	—	—	—	297
Sales	—	—	(13)	—	(5)	(18)
Settlements	—	(43)	—	—	—	(43)
Transfers into Level 3 [2]	—	—	—	—	—	—
Transfers out of Level 3 [2]	—	—	—	—	—	—
Balance, end of period	$ 101	$ 2,551	$ 1,433	$ 16	$ 8,001	$ 12,102
Total gains (losses) for the period included in net investment income	$ —	$ (255)	$ (5)	$ —	$ 320	$ 60
Change in unrealized gains (losses) for the period included in earnings for assets held at March 31, 2022	$ —	$ (254)	$ (5)	$ —	$ 320	$ 61

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

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

	December 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	4	(121)	125	—	615	623
Included in other comprehensive income (1)	(5)	(21)	—	4	(53)	(75)
Purchases	28	—	591	4	970	1,593
Issues	—	896	—	—	—	896
Sales	—	—	(199)	—	(40)	(239)
Settlements	—	(165)	—	—	—	(165)
Transfers into Level 3 (2)	—	—	—	—	—	—
Transfers out of Level 3 (2)(4)	—	—	(457)	—	—	(457)
Balance, end of year	$ 100	$ 2,609	$ 1,372	$ 16	$ 7,759	$ 11,856
Total gains (losses) for the year included in net investment income	$ 4	$ (121)	$ 125	$ —	$ 615	$ 623
Change in unrealized gains (losses) for the year included in earnings for assets held at December 31, 2021	$ 4	$ (115)	$ 122	$ —	$ 621	$ 632

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

(4) On January 11, 2021, Canada Life lifted the temporary suspension on contributions to and transfers into its Canadian real estate investment funds, and on April 19, 2021, the temporary suspension on redemptions and transfers out was fully lifted, as confidence over the valuation of the underlying properties returned as a result of increased market activity. 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.

7. Fair Value Measurement (cont'd)

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

Type of asset	Valuation approach	Significant unobservable input	Input value	Inter-relationship between key unobservable inputs and fair value measurement
Investment properties	Investment property valuations are generally determined using property valuation models based on expected capitalization rates and models that discount expected future net cash flows. The determination of the fair value of investment property requires the use of estimates such as future cash flows (such as future leasing assumptions, rental rates, capital and operating expenditures) and discount, reversionary and overall capitalization rates applicable to the asset based on current market rates.	Discount rate Reversionary rate Vacancy rate	Range of 3.3% - 11.7% Range of 3.5% - 7.5% Weighted average of 2.5%	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 3.3% - 5.6%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.

8. Insurance and Investment Contract Liabilities

	March 31, 2022		
	Gross liability	**Reinsurance assets**	**Net**
Insurance contract liabilities	**$ 141,418**	**$ 8,036**	**$ 133,382**
Investment contract liabilities	**1,545**	**93**	**1,452**
Total	**$ 142,963**	**$ 8,129**	**$ 134,834**

	December 31, 2021		
	Gross liability	Reinsurance assets	Net
Insurance contract liabilities	$ 148,884	$ 8,688	$ 140,196
Investment contract liabilities	1,646	106	1,540
Total	$ 150,530	$ 8,794	$ 141,736

9. Segregated Funds

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

(a) Investments on account of segregated fund policyholders

	March 31 2022	December 31 2021
Cash and cash equivalents	$ **11,930**	$ 12,101
Bonds	**32,339**	34,417
Mortgage loans	**2,292**	2,377
Stocks and units in unit trusts	**125,588**	134,541
Mutual funds	**42,619**	44,008
Investment properties	**12,939**	12,776
	227,707	240,220
Accrued income	**369**	311
Other liabilities	**(2,854)**	(3,156)
Non-controlling mutual funds interest	**3,796**	3,125
Total	$ **229,018**	$ 240,500

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

	For the three months ended March 31	
	2022	2021
Balance, beginning of year	$ **240,500**	$ 216,050
Additions (deductions):		
Policyholder deposits	**6,725**	6,155
Net investment income	**77**	132
Net realized capital gains on investments	**1,016**	2,764
Net unrealized capital gains (losses) on investments	**(9,650)**	2,523
Unrealized losses due to changes in foreign exchange rates	**(5,613)**	(4,836)
Policyholder withdrawals	**(4,709)**	(6,097)
Change in General Fund investment in Segregated Fund	**(9)**	(8)
Net transfer from General Fund	**10**	12
Non-controlling mutual funds interest	**671**	171
Total	**(11,482)**	816
Balance, end of period	$ **229,018**	$ 216,866

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

	March 31, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments on account of segregated fund policyholders [1]	**$ 151,048**	**$ 66,474**	**$ 13,988**	**$ 231,510**

[1] Excludes other liabilities, net of other assets, of $2,492.

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Investments on account of segregated fund policyholders [1]	$ 161,465	$ 68,088	$ 13,822	$ 243,375

[1] Excludes other liabilities, net of other assets, of $2,875.

During the first three months of 2022, certain foreign stock holdings valued at $2,347 have been transferred from Level 1 to Level 2 ($2,137 were transferred from Level 2 to Level 1 at December 31, 2021) 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 2022	December 31 2021
Balance, beginning of year	**$ 13,822**	$ 13,556
Total gains included in segregated fund investment income	**40**	415
Purchases	**181**	333
Sales	**(55)**	(482)
Transfers into Level 3	**—**	4
Transfers out of Level 3	**—**	(4)
Balance, end of period	**$ 13,988**	$ 13,822

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

10. Share Capital

	For the three months ended March 31					
	2022			2021		
	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	**2,407,384**	**$**	**7,884**	2,407,384	$	7,884

11. Capital Management

(a) Policies and Objectives

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

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

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

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

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

(b) Regulatory Capital

In Canada, 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 2022	December 31 2021
Tier 1 Capital	**$ 12,038**	$ 12,584
Tier 2 Capital	**4,484**	4,417
Total Available Capital	**16,522**	17,001
Surplus Allowance & Eligible Deposits	**11,790**	13,225
Total Capital Resources	**$ 28,312**	$ 30,226
Required Capital	**$ 23,745**	$ 24,323
Total LICAT Ratio (OSFI Supervisory Target = 100%) [1]	**119 %**	124 %

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

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

12. Pension Plans and Other Post-Employment Benefits

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

	For the three months ended March 31	
	2022	2021
Pension plans		
Service costs	**$ 41**	$ 44
Net interest costs	**—**	4
Curtailments	**—**	1
	41	49
Other post-employment benefits		
Net interest costs	**3**	2
Pension plans and other post-employment benefits (income) expense - Consolidated Statements of Earnings	**44**	51
Pension plans - re-measurements (gain) loss		
Actuarial (gain) loss	**(762)**	(619)
Return on assets (greater) less than assumed	**425**	83
Change in the asset ceiling	**11**	12
Pension plans re-measurement (gain) loss	**(326)**	(524)
Other post-employment benefits - re-measurements		
Actuarial (gain) loss	**(42)**	(33)
Pension plans and other post-employment benefits re-measurements - other comprehensive (income) loss	**(368)**	(557)
Total pension plans and other post-employment benefits (income) expense including re-measurements	**$ (324)**	$ (506)

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	
	2022	2021	2021	2020
Weighted average discount rate	**3.5 %**	2.8 %	2.6 %	2.1 %

13. Income Taxes

(a) Income Tax Expense

Income tax expense (recovery) consists of the following:

	For the three months ended March 31	
	2022	2021
Current income taxes	**$ 140**	$ 135
Deferred income taxes	**(105)**	(71)
Total income tax expense	**$ 35**	$ 64

(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, 2022 was 4.5% compared to 8.6% for the three months ended March 31, 2021. The effective income tax rate for the three months ended March 31, 2022 was lower than the effective income tax rate for the three months ended March 31, 2021 primarily due to changes in certain tax estimates.

The effective income tax rate for the shareholder account for the three months ended March 31, 2022 was 8.3% compared to 11.5% for the three months ended March 31, 2021.

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14. Segmented Information

Consolidated Net Earnings

For the three months ended March 31, 2022

	Shareholder					Participating	
	Canada	Europe	Capital and Risk Solutions	Corporate	Total	Total	Total Company
Income							
Total net premiums	$ 2,225	$ 1,271	$ 7,289	$ 1,341	$ 12,126	$ 1,203	$ 13,329
Net investment income							
Regular net investment income	357	345	41	20	763	401	1,164
Changes in fair value through profit or loss	(2,485)	(1,863)	(522)	(11)	(4,881)	(850)	(5,731)
Total net investment income (loss)	(2,128)	(1,518)	(481)	9	(4,118)	(449)	(4,567)
Fee and other income	500	354	2	8	864	—	864
	597	107	6,810	1,358	8,872	754	9,626
Benefits and expenses							
Paid or credited to policyholders	(516)	(620)	6,572	1,339	6,775	534	7,309
Other [1]	739	452	58	2	1,251	221	1,472
Financing charges	—	—	2	25	27	—	27
Amortization of finite life intangible assets	19	12	—	5	36	3	39
Earnings (loss) before income taxes	355	263	178	(13)	783	(4)	779
Income taxes	84	18	5	(42)	65	(30)	35
Net earnings before non-controlling interests	271	245	173	29	718	26	744
Non-controlling interests	—	1	—	—	1	—	1
Net earnings	271	244	173	29	717	26	743
Net earnings - participating policyholder	—	—	—	—	—	26	26
Net earnings - common shareholder	$ 271	$ 244	$ 173	$ 29	$ 717	$ —	$ 717

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

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14. Segmented Information (cont'd)

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.

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