canada life™

The Canada Life Assurance Company

Management's discussion and analysis

Third Quarter Results

For the period ended September 30, 2020

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS - QUARTERLY HIGHLIGHTS

FOR THE PERIOD ENDED SEPTEMBER 30, 2020

DATED: NOVEMBER 4, 2020

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

The Company's reportable operating segments are the participating and shareholder operations of the Company. Effective January 1, 2020, the business units within these segments are Canada, Europe, Capital and Risk Solutions, and Corporate. As a result of strategic operational changes, the Company divided its Europe/Reinsurance business unit into two separate business units – Europe and Capital and Risk Solutions. Reinsurance, which had previously been reported as part of the Europe/ Reinsurance business unit, is reported in the Capital and Risk Solutions business unit. The realignment resulted in a change to comparative figures within these business units. The Company's other business unit – Corporate – is unchanged. Business activities and transactions that are not associated with the specific business units are attributed to Corporate.

This Interim Management's Discussion and Analysis - Quarterly Highlights (MD&A - Quarterly Highlights) for the three and nine months ended September 30, 2020 provides material updates to the business operations, liquidity and capital resources of Canada Life since December 31, 2019. This Interim MD&A - Quarterly Highlights has been prepared in compliance with section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 - Continuous Disclosure Obligations. This Interim MD&A - Quarterly Highlights should be read in conjunction with the Company's condensed consolidated interim unaudited financial statements for the periods ended September 30, 2020. Comparative amounts presented and disclosed in the Company's condensed consolidated interim unaudited financial statements have previously been reported in the consolidated financial statements of Great-West Life, as published on the Company's website at www.canadalife.com. Also refer to the consolidated annual audited financial statements of Canada Life Financial Corporation for the year ended December 31, 2019 and the notes thereto, available under the Company's profile at www.sedar.com. The condensed consolidated interim unaudited financial statements of the Company, which are the basis for data presented in this Interim MD&A - Quarterly Highlights, have been prepared in accordance with International Financial Reporting Standards (IFRS) unless otherwise noted and are presented in millions of Canadian dollars unless otherwise indicated.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A may contain forward-looking information. Forward-looking information includes statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "will", "may", "expects", "anticipates", "intends", "plans", "believes", "estimates", "objective", "target", "potential" and other similar expressions or negative versions thereof. These statements include, without limitation, statements about the Company's operations, business, financial condition, expected financial performance (including revenues, earnings or growth rates), ongoing business strategies or prospects, and possible future actions by the Company, including statements made with respect to the expected benefits of acquisitions and divestitures, expected capital management activities and use of capital, expected dividend levels, expected cost reductions and savings, the impact of regulatory developments on the Company's business strategy and growth objectives, the expected impact of the current pandemic health event resulting from the novel coronavirus ("COVID-19") and related economic and market impacts on the Company's business operations, financial results and financial condition and the completion and expected impacts of the sale of GLC Asset Management Group Ltd., the timing of and establishment by Canada Life of a fund management company. Forward-looking statements are based on expectations, forecasts, estimates, predictions, projections and conclusions about future events that were current at the time of the statements and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, economic factors and the financial services industry generally, including the insurance, mutual fund and retirement solutions industries. They are not guarantees of future performance, and the reader is cautioned that actual events and results could differ materially from those expressed or implied by forward-looking statements. Whether or not actual results differ from forward-looking information may depend on numerous factors, developments and assumptions, including, without limitation, customer behaviour (including customer adoption levels), the Company's reputation, market prices for products provided, sales levels, premium income, fee income, expense levels, mortality experience, morbidity experience, policy lapse rates, reinsurance arrangements, liquidity requirements, capital requirements, credit ratings, taxes, inflation, interest and foreign exchange rates, investment values, hedging activities, global equity and capital markets (including continued access to equity and debt markets), industry sector and individual debt issuers' financial conditions (including developments and volatility arising from the COVID-19 pandemic, particularly in certain industries that may comprise part of the Company's investment portfolio), uncertainty regarding the outcome of the upcoming presidential election in the United States, the United Kingdom's exit ("Brexit") from the European Union, business competition and other general economic, political and market factors in North America and internationally. Many of these assumptions are based on factors and events that are not within the control of the Company and there is no assurance that they will prove to be correct. Important factors that could cause actual results to differ materially from those contained in forward-looking statements include customer responses to new products, impairments of goodwill and other intangible assets, the Company's ability to execute strategic plans and changes to strategic plans, technological changes, breaches or failure of information systems and security (including cyber attacks), payments required under investment products, changes in local and international laws and regulations, changes in accounting policies and the effect of applying future accounting policy changes, unexpected judicial or regulatory proceedings, catastrophic events, continuity and availability of personnel and third party service providers, the Company's ability to complete strategic transactions and integrate acquisitions, unplanned material changes to the Company's facilities, customer and employee relations or credit arrangements, levels of administrative and operational efficiencies, changes in trade organizations, and the severity, magnitude and impact of the COVID-19 pandemic (including the effects of the COVID-19 pandemic, and the effects of the governments' and other businesses' responses to the COVID-19 pandemic, on the economy and the Company's financial results, financial condition and operations). The reader is cautioned that the foregoing list of assumptions and factors is not exhaustive, and there may be other factors listed in other filings with securities regulators, including factors set out in the Canada Life Financial Corporation's 2019 Annual MD&A under "Risk Management and Control Practices" and "Summary of Critical Accounting Estimates", which, along with other filings, is available for review at www.sedar.com. The reader is also cautioned to consider these and other factors, uncertainties and potential events carefully and not to place undue reliance on forward-looking information. Other than as specifically required by applicable law, the Company does not intend to update any forward-looking information whether as a result of new information, future events or otherwise.

CAUTIONARY NOTE REGARDING NON-IFRS FINANCIAL MEASURES

This Interim MD&A - Quarterly Highlights contains some non-IFRS financial measures. Terms by which non-IFRS financial measures are identified include, but are not limited to, "constant currency basis", "impact of currency movement", "premiums and deposits", "sales", "assets under management" and "assets under administration". Non-IFRS financial measures are used to provide management and investors with additional measures of performance to help assess results where no comparable IFRS measure exists. However, non-IFRS financial measures do not have standard meanings prescribed by IFRS and are not directly comparable to similar measures used by other companies. Refer to the "Non-IFRS Financial Measures" section in this MD&A for the appropriate reconciliations of these non-IFRS financial measures to measures prescribed by IFRS as well as additional details on each measure.

CONSOLIDATED OPERATING RESULTS

Selected consolidated financial information
(in Canadian $ millions)

	As at or for the three months ended			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	**Sept. 30 2020**	Sept. 30 2019
Earnings					
Participating account	**$ 22**	$ 34	$ 44	**$ 66**	$ 40
Common shareholder[1]	**792**	844	748	**2,035**	1,986
Total net earnings	**814**	878	792	**2,101**	2,026
Total premiums and deposits[2]	**$ 16,942**	$ 19,434	$ 18,406	**$ 59,121**	$ 61,795
Fee and other income	**789**	753	831	**2,318**	2,487
Net policyholder benefits, dividends and experience refunds	**8,113**	9,079	7,152	**25,474**	24,199
Total assets per financial statements	**$ 381,491**	$ 371,174	$ 364,852		
Proprietary mutual funds and institutional assets[2]	**72,349**	71,592	66,202		
Total assets under management[2]	**453,840**	442,766	431,054		
Other assets under administration[2]	**28,169**	72,525	63,250		
Total assets under administration[2]	**$ 482,009**	$ 515,291	$ 494,304		
Total liabilities	**$ 358,583**	$ 348,456	$ 342,187		
Participating account surplus	**$ 2,858**	$ 2,836	$ 2,782		
Non-controlling interests	**24**	23	20		
Shareholders' equity	**20,026**	19,859	19,863		
Total equity	**$ 22,908**	$ 22,718	$ 22,665		
LICAT Ratio[3]	**131 %**	132 %	139 %		

(1) The third quarter of 2020 results include a net gain of $94 million post-tax related to the sale of Irish Progressive Services International Limited (IPSI). The 2019 year-to-date results include a net charge of $65 million relating to the sale, via indemnity reinsurance, of the U.S. individual life insurance and annuity business.
(2) This metric is a non-IFRS measure. Refer to "Non-IFRS Financial Measures" section of this document for additional details.
(3) The Life Insurance Capital Adequacy Test (LICAT) Ratio is detailed within the "Capital Management and Adequacy" section.

COVID-19 PANDEMIC IMPACTS

Beginning in January 2020, the outbreak of a virus known as COVID-19 and ensuing global pandemic have resulted in travel and border restrictions, self-imposed quarantine periods and physical distancing, supply chain disruptions, reduced consumer demand and significant market uncertainty. This has caused material disruption to businesses globally, resulting in an economic slowdown. In the first quarter of 2020, global financial markets experienced material and rapid declines and significant volatility; however, following March 31, 2020, the markets have experienced recoveries. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

The duration and impact of the COVID-19 pandemic continues to be unknown at this time, as is the efficacy of the government and central bank interventions. While, due to the evolving and highly uncertain nature of this event, it is currently not possible to estimate its impact precisely, the COVID-19 pandemic could adversely impact the Company's business, financial condition, results of operations, liquidity or prospects in a number of ways. The Company is monitoring the situation closely, including carrying out stress and scenario testing, and has implemented processes for the continuation of operations and to support the well-being of customers, employees and broader communities. The risks associated with the COVID-19 pandemic (financial, operational and other risks) are being managed within the Company's existing risk management framework. Service continuity plans are in operation across the Company, with a significant majority of employees continuing to work remotely to provide service to customers and maintain operations and technology functions. In addition, the Company has provided support to communities through financial donations across the geographic regions in which the Company operates.

Impact on Financial Results

<u>Net Earnings</u>
The Company's third quarter 2020 financial results were positively impacted by market recoveries as markets continued to rebound from the significant declines in the first quarter of 2020 at the onset of the COVID-19 pandemic, although Canadian and European equity markets remain below September 30, 2019 levels. While equity and fixed income markets have improved since March 31, 2020, interest rates remain low and COVID-19 challenges have been observed through investment credit rating downgrades and real estate values, although these were modest in the third quarter of 2020. Investment related and premium deferrals were limited, partially as a result of continued government support in many jurisdictions. While the Company experienced lower sales in certain areas of its business, customer retention remained high. These items are discussed in more detail throughout this MD&A including in the "Net Earnings" and "Invested Assets" sections of this document.

<u>Liquidity and Capital Position</u>
The Company's capital position remained strong at September 30, 2020, with a LICAT ratio for Canada Life of 131% which is well above the Company's internal target range and the supervisory target. Refer to the "Capital Management and Adequacy" section of this document for additional details on the LICAT Ratio.

The Company's liquidity requirements are largely self-funded, with short-term obligations being met by internal funds and maintaining levels of liquid investments adequate to meet anticipated liquidity needs. At September 30, 2020, the Company and its operating subsidiaries held cash, cash equivalents and short-term bonds of $6.2 billion. In addition, the Company maintains committed lines of credit with Canadian chartered banks for unanticipated liquidity needs, if required.

<u>Other Impacts</u>
Assets under administration of $482 billion at September 30, 2020 decreased compared to June 30, 2020 and December 31, 2019, primarily due to the sale of IPSI. IPSI's assets as of December 31, 2019 were approximately $44 billion (June 30, 2020 were approximately $45 billion). The impact of equity market movement was limited as equity markets have rebounded since the first quarter of 2020.

Many areas of the credit markets exhibited extreme volatility in March of 2020 with spreads widening in investment grade and high yield markets. In the third quarter of 2020, credit spreads continued a trend of narrowing that began in the second quarter and rating agency downgrades continued across industries, particularly to issuers in sectors most affected by economic shutdowns or perceived deterioration in future business models. The Company experienced some impact from the downgrades in period. Depending on the length of the shutdowns and recovery of the economy there could be a larger impact from downgrades in future periods.

Measurement Uncertainty
The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. The results of the Company reflect management's judgments regarding the impact of prevailing market conditions related to global credit, equities, investment properties and foreign exchange. These estimates and judgments are more challenging in a period of uncertainty as is currently being experienced.

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

During the third quarter of 2020, the Company maintained its temporary suspension of contributions, redemptions and transfers from its real estate segregated funds in Canada and Europe as the economic conditions caused by the COVID-19 situation continue to lead to valuation uncertainty in the real estate industry. Management determined the need to temporarily suspend withdrawals and transfers-out from the funds in order to protect the long term interests of unitholders in the first quarter of 2020.

Valuation certainty is selectively returning to certain sectors and geographies of the real estate market. Subsequent to the third quarter of 2020, on October 8, 2020, the temporary suspension was lifted from the Company's U.K. real estate fund as the material valuation uncertainty clauses that had been in effect across that fund's main asset classes were lifted by the independent third party appraisers. Deferral of redemptions and transfers in the largest Irish property fund is under review following the removal of valuation uncertainty clauses on the majority of sectors in the Irish property market, while the deferral remains in place for the smaller fund focused on individual clients. Property funds in Canada remain in suspension as material uncertainty is still present in those markets.

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

Government and Regulatory Responses
While conditions have become more stable, governments and central banks in the jurisdictions in which the Company's subsidiaries operate have extended many of the measures they introduced earlier this year to deal with the economic impacts of the COVID-19 pandemic, including emergency spending, interest rate cuts, wage subsidies and other supports for individuals and businesses. The Office of the Superintendent of Financial Institutions (OSFI), which regulates the Company's Canadian insurance subsidiaries, has begun phasing out capital relief for loan and insurance premium payment deferrals. This capital relief has not been material to the Company.

The overall level of regulatory engagement with the Company's regulated subsidiaries has moderated somewhat to reflect the more stable conditions. However, regulators continue to monitor the impact of the pandemic to ensure that regulated companies maintain sufficient capital and liquidity. Regulators in Canada, the U.K. and Ireland, where some of the Company's regulated subsidiaries operate, have maintained the guidance they provided earlier this year on the payment of dividends and other shareholder distributions during the crisis.

On March 13, 2020, OSFI instructed Canadian banks and insurers to suspend share buybacks and not to increase dividend payments. The Company does not currently intend to increase dividends or engage in share repurchases.

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

In Ireland, the position of the Central Bank of Ireland (CBI) is that, as the impact of COVID-19 remains uncertain, insurance firms should, at this time, postpone any payment of dividend distributions or similar transactions until they can forecast their costs and future revenues with a greater degree of certainty. The CBI has indicated that it will continue to review this position in conjunction with ongoing guidance from the European Insurance and Occupational Pension Authority and the European Systemic Risk Board.

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

Outlook

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

During the third quarter of 2020, equity markets continued to recover from first quarter of 2020 levels resulting in an increase in earnings; however, sales activity was lower. While the third quarter of 2020 benefited from market recoveries, general economic slowdown as a result of the outbreak could continue to impact total Company sales, net cash flows and net earnings. If this economic uncertainty is sustained, or leads to adverse impacts on claims or sales, it will continue to adversely impact the Company's performance. These impacts will depend on future developments, which are highly uncertain. The Company has governance structures and processes in place which support regular monitoring of the Company's capital and liquidity positions based on current market information. The Company's financial outlook for the remainder of the year will depend on the duration and intensity of COVID-19 pandemic impacts. Earnings are expected to be lower in future periods if lower markets and interest rates and sales activity persist, premium income reduces and if higher disability incidence occurs. Future market developments could also impact the fair value of portfolio investments, the valuation of goodwill and other intangible assets and the recoverability of deferred tax assets which reflect management's judgement based on current expectations.

There is continued focus on supporting customers and employees through digital platforms to manage the challenges created by physical distancing. Towards the end of the third quarter of 2020, confirmed COVID-19 cases began to rise in the jurisdictions in which the Company operates. Given the increase in confirmed cases, the Company is following a cautious approach for employees to return to the workplace, in line with local government guidance. The Company will monitor and adapt to restrictions as they are announced.

The Company expects to see a continued impact on sales opportunities for certain products given client and prospect concerns about the breadth and severity of the pandemic and its longer-term effect on businesses. Sales teams and financial advisors have been adapting to the new remote environment and are adjusting processes going forward. If lower sales persist it could adversely impact asset, premiums and fee income levels. While sales were lower in the third quarter of 2020, the Company is starting to see improvements following the end of the quarter. The reinsurance business, in the Capital and Risk Solutions business unit, continues to have a strong pipeline for new business and has currently not experienced any significant impacts from the COVID-19 pandemic.

The Company's asset liability management strategy is designed to mitigate interest rate risk; however while the Company has limited sensitivity to fluctuations in interest rates, a prolonged period of low interest rates may adversely impact the profitability of certain products the Company provides, and repricing actions have been, and will continue to be, undertaken as necessary. For a further description of the Company's sensitivity to equity market and interest rate fluctuations, including expanded sensitivity disclosures as a result of current market conditions, refer to note 6 "Financial Instruments Risk Management" in the Company's condensed consolidated interim unaudited financial statements for the period ended September 30, 2020.

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

The shutdown of non-essential health service providers, such as dentists, during the latter part of the first quarter and majority of the second quarter of 2020, as well as physical distancing resulted in lower claims for group customers in the second quarter of 2020. As these businesses started to re-open in most regions towards the end of the second quarter of 2020, claims increased in the third quarter of 2020. Physical distancing and self-isolation requirements, as well as the restrictions on business and social activities and the adverse economic environment resulting from the pandemic, may cause adverse impacts on disability and other claims experience in future periods.

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

2020 DEVELOPMENTS

- **COVID-19 Pandemic Impacts**

  The Company remains focused on supporting customers, communities and employees by providing pensions, protection and wealth management solutions for their financial, physical and mental well-being during this unprecedented time. Products, services and support are being delivered digitally to promote physical distancing and help keep customers, advisors and employees safe.

  The results of the Canada business unit in the third quarter of 2020 reflect the continued positive impact of market recoveries but also the impact of the economic slowdown caused by the COVID-19 pandemic on new business growth and lower contributions from investment experience. The impact of lower sales due to the economic slowdown was mostly offset by lower redemptions or lower business attrition. Many new product launches and digital capabilities are helping to build sales momentum. Experience was generally neutral with limited impact on mortality and lower claims experience and morbidity improvement offsetting pressures on expense recoveries. Insurance premium deferrals for customers were limited in the third quarter of 2020.

As health and dental claim volumes increase, administrative services only (ASO) expense recoveries are expected to improve. Physical distancing and self-isolation requirements as well as the restrictions on business and social activities and the adverse economic environment resulting from the pandemic may cause unfavourable disability experience in future periods. Pricing of disability coverage will be adjusted over time as experience emerges. Paramedical services started to return early in the third quarter of 2020; however, larger case insurance sales are expected to be affected for a period of time due to the absence of these services through the second quarter of 2020.

In the Canada business unit, the Company has been supporting customers through digital solutions such as SimpleProtect, which provides online insurance policy application and approval, Consult+, which provides group customers virtual health care access, and recently launched a new digital context based messaging feature into the GroupNet for Plan Members mobile application, letting members choose to receive personalized notifications and offers directly to their device. This service has been used to connect members with some of the supports and measures that were introduced as a result of COVID-19. Financial assistance is being provided to plan sponsors and members to help maintain and extend coverage for employees, and to the communities through donations.

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

The Company is maintaining a cautious approach to employees returning to the office, in line with the Company's principles and local government guidelines. Towards the end of the third quarter of 2020, confirmed COVID-19 cases began to rise in the jurisdictions in Canada in which the Company operates. The Company estimates that maximum occupancy will not exceed the current level of 15% to 20% by the end of the first quarter of 2021 for the Canadian business unit with health and safety protocols recommended by public health authorities in place.

- On January 31, 2020, the U.K. left the European Union (EU) and entered a transition arrangement that will last until the end of 2020. The Company's U.K. and other European businesses have taken the necessary steps to handle the immediate impacts of Brexit and will continue to monitor any further steps that may become necessary as the U.K. and the EU negotiate their future relationship.
- On August 4, 2020, Irish Life completed the previously announced sale of Irish Progressive Services International Limited (IPSI), a wholly-owned subsidiary, whose principal activity is the provision of outsourced administration services for life assurance companies, to a member of the FNZ group of companies. The net gain resulting from the transaction was $94 million post-tax.
- On August 4, 2020, Great-West Lifeco Inc. (Lifeco), the Company's parent company, announced the proposed sale of GLC Asset Management Group Ltd. (GLC) to Mackenzie Financial Corporation (Mackenzie), an affiliate of the Company. GLC is a wholly-owned subsidiary of Canada Life whose principal activity is the provision of investment management services to Canada Life. The Company will receive net cash consideration of $145 million on the transaction and expects to recognize a gain. The transaction is expected to be completed in the fourth quarter of 2020, subject to customary closing conditions and regulatory approvals. The carrying value and earnings of the business are immaterial to the Company. Refer to the "Transactions with Related Parties" section of this document for additional information regarding the proposed sale.

  Canada Life is also in the process of establishing its own fund management company, Canada Life Investment Management Ltd. (CLIML), and subject to first obtaining all necessary registrations and regulatory approvals, is expected to commence operations in the fourth quarter of 2020. Subject to meeting regulatory and fund securityholder requirements, CLIML will assume fund management responsibilities for the Canada Life Mutual Funds, offered by Quadrus Investment Services Ltd., a subsidiary of Canada Life, and other Canada Life branded investment funds in 2021. CLIML will enter into a long-term administration agreement with Mackenzie and Canada Life, and CLIML and Canada Life will enter into a long-term distribution agreement with Mackenzie to provide them with access to Mackenzie’s investment management services at preferred rates.

- On August 20, 2020, Canada Life and Mackenzie launched the newly rebranded Canada Life mutual fund shelf, Canada Life Mutual Funds. The shelf features 18 new mutual funds, which were available for sale starting September 9, 2020, and rebrands the existing Quadrus Group of Funds shelf, creating a curated selection of competitive investment strategies across a range of managers, asset classes and styles. Canada Life Mutual Funds are managed by Mackenzie and will be exclusively available through Quadrus Investment Services Ltd.
- During the third quarter of 2020, the Company completed the roll-out of the new Advisor Workspace to all Freedom 55 Financial and WISE advisors, approximately 75% of whom have registered to use the platform as of September 30, 2020. Advisor Workspace allows advisors to view their clients' complete book of business with Canada Life as well as to complete some simple non-financial transactions. Advisor Workspace will become the platform for all advisor information and activity with Canada Life as it continues to evolve.
- In August 2020, the Company became the first Group provider in Canada to launch an employer sponsored Registered Education Savings Program (RESP). This digital RESP simplifies the enrollment process and forms, offers lower fees and an easy to use portal.
- As of September 30, 2020, £15 million of pre-tax annualized expense reductions have been achieved relating to the Canada Life U.K. restructuring program, compared to £14 million as of December 31, 2019. The Company remains committed to achieving targeted annual expense reductions of £20 million pre-tax; however, due to the COVID-19 pandemic and other factors, this target is now expected to be achieved in 2021. The expense reductions are expected to come from various sources, including systems and process improvements and a reduction in headcount.
- The Company offers property catastrophe coverage to reinsurance companies. Current preliminary estimates of industry losses arising from catastrophe events in the third quarter of 2020 do not reach the level where any claims would be anticipated. As any precautionary claim notifications are unlikely to be received for some period of time, the Company will continue to monitor events and will update any estimates as required.

NET EARNINGS

Net earnings - common shareholders

	For the three months ended			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	**Sept. 30 2020**	Sept. 30 2019
Attributable to participating account					
Net earnings before policyholder dividends	**$ 340**	$ 381	$ 371	**$ 1,086**	$ 1,069
Policyholder dividends	**318**	347	327	**1,020**	1,029
Total attributable to participating account	**$ 22**	$ 34	$ 44	**$ 66**	$ 40
Common shareholder					
Canada	**$ 255**	$ 393	$ 297	**$ 809**	$ 879
Europe[1]	**347**	285	311	**754**	762
Capital and Risk Solutions	**168**	189	88	**457**	283
Corporate[2]	**22**	(23)	52	**15**	62
Total common shareholder[1][2]	**$ 792**	$ 844	$ 748	**$ 2,035**	$ 1,986
Total net earnings[1][2]	**$ 814**	$ 878	$ 792	**$ 2,101**	$ 2,026

(1) The third quarter of 2020 results include a net gain of $94 million post-tax related to the sale of Irish Progressive Services International Limited (IPSI).
(2) The 2019 year-to-date results include a net charge of $65 million relating to the sale, via indemnity reinsurance, of the U.S. individual life insurance and annuity business

For the three months ended September 30, 2020, total net earnings were $814 million compared to $792 million a year ago. Included in the third quarter of 2020 was a net gain of $94 million related to the sale of Irish Progressive Services International Limited (IPSI) in the Europe business unit.

For the nine months ended September 30, 2020, total net earnings were $2,101 million compared to $2,026 million for the same period in 2019. Included in the nine months ended September 30, 2020 was a net gain of $94 million related to the sale of IPSI. Total net earnings for the nine months ended September 30, 2019 included a net charge of $65 million relating to the sale, via indemnity reinsurance, of the U.S. individual life insurance and annuity business to Protective Life Company (Protective Life).

Net earnings attributable to the participating account
For the three months ended September 30, 2020, net earnings attributable to the participating account were $22 million compared to $44 million a year ago.

For the nine months ended September 30, 2020, net earnings attributable to the participating account were $66 million compared to $40 million for the same period in 2019.

Net earnings attributable to the common shareholder
For the three months ended September 30, 2020, net earnings attributable to the common shareholder (net earnings) were $792 million compared to $748 million a year ago. The increase was primarily due to business growth in the Capital and Risk Solutions business unit, a net gain of $94 million relating to the sale of IPSI and favourable market-related impacts. The increase was partially offset by lower contributions from investment experience in the Canada business unit.

For the nine months ended September 30, 2020, net earnings were $2,035 million compared to $1,986 million for the same period in 2019. The increase was primarily due to business growth in the Capital and Risk Solutions business unit and the net gain on the sale of IPSI discussed for the in-quarter results, partially offset by lower contributions from insurance contract liability basis changes. In addition, the net earnings for the nine months ended September 30, 2019 included a net charge of $65 million related to the sale, via indemnity reinsurance, of the U.S. individual life insurance and annuity business to Protective Life.

MARKET IMPACTS

Market-Related Impacts
In the regions where the Company operates, average equity market levels for the three months ended September 30, were higher in the U.S. and lower in Canada, the U.K. and broader Europe compared to the same period in 2019; however, markets ended the quarter higher for the U.S. and Canada, and lower in the U.K. and broader Europe compared to June 30, 2020. For the nine months ended September 30, 2020, average equity market levels were higher in the U.S. and lower in Canada, the U.K. and broader Europe compared to the same period in 2019.

Comparing the third quarter of 2020 to the third quarter of 2019, average equity market levels were up by 12% in the U.S. (as measured by S&P 500), down 1% in Canada (measured by S&P TSX), down 18% in the U.K. (measured by FTSE 100) and down 5% in broader Europe (measured by EURO STOXX 50). The major equity indices finished the third quarter of 2020 up by 4% in Canada, up by 8% in the U.S., down by 5% in the U.K. and down by 1% in broader Europe compared to June 30, 2020.

In countries where the Company operates, government treasury rates for the most part remained consistent, while credit spreads narrowed during the quarter.

Market-related impacts on liabilities positively impacted net earnings by $19 million in the third quarter of 2020 (negative impact of $28 million in the third quarter of 2019), primarily reflecting the impact of equity market recoveries in-period which impacted the value of segregated fund and variable annuity guarantees, including related hedging ineffectiveness, as well as the valuation of insurance contract liabilities which are supported by equities and real estate. For the nine months ended September 30, 2020, market-related impacts on liabilities negatively impacted net earnings by $78 million (negative impact of $76 million year-to-date in 2019). While equity markets rebounded in the second and third quarter of 2020, the year-to-date negative impact reflects the significant decline and volatility in equity markets and interest rates in the first quarter of 2020 which impacted the value of segregated fund and variable annuity guarantees, including related hedging ineffectiveness and was only partially recovered in-period.

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

For a further description of the Company's sensitivity to equity market and interest rate fluctuations, refer to "Financial Instruments Risk Management", note 6 to the Company's condensed consolidated interim unaudited financial statements for the period ended September 30, 2020.

<u>Foreign Currency</u>
The average currency translation rate for the third quarter of 2020 increased for the U.S. dollar, the euro and the British pound compared to the third quarter of 2019. The overall impact of currency movement on the Company's net earnings for the three months ended September 30, 2020 was an increase of $27 million ($31 million year-to-date) compared to translation rates a year ago.

From June 30, 2020 to September 30, 2020, the market rates at the end of the reporting period used to translate U.S. dollar to the Canadian dollar decreased, while the euro and British pound increased. The movements in end-of-period market rates resulted in unrealized foreign exchange gains from the translation of foreign operations, including related hedging activities, of $232 million in-quarter ($275 million net unrealized gains year-to-date) recorded in other comprehensive income.

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

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

<u>Credit Markets</u>
In the third quarter of 2020, the Company experienced net charges on impaired investments, including dispositions, which negatively impacted common shareholder's net earnings by $1 million (negligible impact in the third quarter of 2019). Net charges on impaired investments reflect net allowances for credit losses included in net investment income and the associated release of actuarial provisions for future credit losses, as applicable. Changes in credit ratings in the Company's fixed income portfolio resulted in a net increase in provisions for future credit losses in insurance contract liabilities, which negatively impacted common shareholder's net earnings by $20 million ($2 million negative impact in the third quarter of 2019), primarily due to downgrades of various corporate bond and commercial mortgage holdings.

For the nine months ended September 30, 2020, the Company experienced net charges on impaired investments, including dispositions, which negatively impacted common shareholder's net earnings by $5 million ($20 million net charge year-to-date in 2019). Charges for the nine months ended September 30, 2019 were primarily driven by impairment charges on mortgage loans as a result of a U.K. retail tenant entering a prepackaged administration, which was followed by a Company Voluntary Arrangement (CVA). Changes in credit ratings in the Company's fixed income portfolio resulted in a net increase in provisions for future credit losses in insurance contract liabilities, which negatively impacted common shareholders' net earnings by $59 million year-to-date ($12 million net positive impact year-to-date in 2019), primarily due to the same reasons discussed for the in-quarter results.

ACTUARIAL ASSUMPTION CHANGES AND MANAGEMENT ACTIONS

During the third quarter of 2020, actuarial assumption changes and management actions resulted in a positive net earnings impact of $114 million, compared to a positive impact of $93 million for the same quarter last year and a positive impact of $121 million for the previous quarter.

In Europe, net earnings were positively impacted by $116 million, primarily due to a net gain of $94 million on the sale of IPSI and updated policyholder behaviour assumptions. In Canada, net earnings were positively impacted by $4 million. In Capital and Risk Solutions, net earnings were negatively impacted by $5 million primarily due to updated annuitant mortality and modeling refinements, partially offset by updated life mortality and policyholder behavior assumptions. In the US, net earnings were negatively impacted by $1 million.

For the nine months ended September 30, 2020, actuarial assumption changes and management actions resulted in a positive net earnings impact of $186 million compared to $260 million for the same period in 2019. Excluding the positive net earnings impact of $94 million due to the net gain on sale of IPSI, assumption changes and other management actions for the nine months ended September 30, 2020 positively impacted net earnings by $92 million.

PREMIUMS AND DEPOSITS AND SALES

Premiums and deposits(1)	**For the three months ended**			**For the nine months ended**	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	**Sept. 30 2020**	Sept. 30 2019
Canada	**$ 6,085**	$ 5,602	$ 7,053	**$ 18,575**	$ 20,117
Europe	**6,216**	8,214	7,645	**25,331**	27,730
Capital and Risk Solutions	**4,476**	4,949	4,090	**14,009**	12,942
Corporate(2)	**165**	669	(382)	**1,206**	1,006
Total premiums and deposits(1)	**$ 16,942**	$ 19,434	$ 18,406	**$ 59,121**	$ 61,795

Sales(1)(3)	**For the three months ended**			**For the nine months ended**	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	**Sept. 30 2020**	Sept. 30 2019
Canada	**$ 2,520**	$ 2,390	$ 3,520	**$ 8,542**	$ 9,640
Europe	**5,415**	7,204	7,152	**22,728**	25,712
Total sales(1)(3)	**$ 7,935**	$ 9,594	$ 10,672	**$ 31,270**	$ 35,352

(1) This metric is a non-IFRS measure. Refer to "Non-IFRS Financial Measures" section of this document for additional details.
(2) For the nine months ended September 30, 2019, premiums and deposits exclude the initial ceded premium of $701 million related to the sale, via indemnity reinsurance, of the of the U.S. individual life insurance and annuity business to Protective Life.
(3) Sales is not a relevant measure for the Capital and Risk Solutions segment due to the nature of operations.

Premiums and deposits
Premiums and deposits for the third quarter of 2020 decreased by $1.5 billion to $16.9 billion compared to the same quarter last year. The decrease was primarily due to lower fund management sales in the Europe business unit as well as lower segregated fund deposits and lower premiums from single premium group annuities (SPGAs) in the Canada business unit. The decrease was partially offset by higher pension sales and the impact of currency movement in the Europe business unit and new reinsurance agreements in the Capital and Risk Solutions business unit.

For the nine months ended September 30, 2020, premiums and deposits decreased by $2.7 billion to $59.1 billion compared to the same period last year. The decrease was primarily due to lower U.K. bulk and individual annuity sales, lower Irish wealth management sales and the arrangement with NN Investment Partners that was entered into in the first quarter of 2019 in Europe as well as lower administrative services only (ASO) deposits for group insurance, lower segregated fund deposits and lower premiums from SPGAs in Canada. Lower ASO deposits were primarily related to the impact of the COVID-19 pandemic resulting in lower claims of approximately $0.3 billion. The decrease was partially offset by new reinsurance agreements in Capital and Risk Solutions.

Sales
Sales for the third quarter of 2020 decreased by $2.7 billion to $7.9 billion compared to the same quarter last year, primarily due to lower fund management sales in Europe as well as lower large case sales in Canada. There has been low market activity as a result of the COVID-19 pandemic, resulting in lower sales.

For the nine months ended September 30, 2020, sales decreased by $4.1 billion to $31.3 billion compared to the same period last year, primarily due to the arrangement with NN Investment Partners that was entered into in the first quarter of 2019 and lower bulk and individual annuity and wealth management sales in Europe.

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

Fee and other income	For the three months ended			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	**Sept. 30 2020**	Sept. 30 2019
Canada	**$ 430**	$ 396	$ 432	**$ 1,251**	$ 1,263
Europe	**342**	340	382	**1,015**	1,162
Capital and Risk Solutions	**3**	2	2	**8**	7
Corporate	**14**	15	15	**44**	55
Total fee and other income	**$ 789**	$ 753	$ 831	**$ 2,318**	$ 2,487

Fee and other income for the third quarter of 2020 of $789 million decreased by $42 million compared to the same quarter last year, primarily due to a new reinsurance treaty and lower management fees as a result of the unit-linked policies sold to Scottish Friendly in the fourth quarter of 2019 in the Europe business unit.

For the nine months ended September 30, 2020, fee and other income decreased by $169 million to $2,318 million, primarily due to the same reasons discussed for the in-quarter results.

INCOME TAXES

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

In the third quarter of 2020, the Company had an effective income tax rate of negative 1.6%, which is down from 3.5% in the third quarter of 2019. The decrease in the effective income tax rate for the third quarter of 2020 was primarily due to changes in certain tax estimates as well as a non-taxable gain on the disposal of the shares of IPSI. The effective income tax rate for the shareholder account for the third quarter of 2020 was 1.5% compared to 4.7% for the third quarter of 2019.

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

Refer to note 13 in the Company's condensed consolidated interim unaudited financial statements for the period ended September 30, 2020 for further details.

CONSOLIDATED FINANCIAL POSITION

ASSETS

Assets under administration[1]

	September 30 2020	December 31 2019
Assets		
Invested assets	**$ 143,711**	$ 138,395
Goodwill and intangible assets	**8,558**	8,369
Other assets	**25,367**	24,311
Investments on account of segregated fund policyholders	**203,855**	199,589
Total assets	**381,491**	370,664
Proprietary mutual funds and institutional assets[1]	**72,349**	71,342
Total assets under management[1]	**453,840**	442,006
Other assets under administration[1]	**28,169**	65,856
Total assets under administration[1]	**$ 482,009**	$ 507,862

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

Total assets under administration at September 30, 2020 decreased by $25.9 billion to $482.0 billion compared to December 31, 2019, primarily due to the sale of IPSI and the impact of market movement, partially offset by the impact of currency movement. IPSI's assets as of December 31, 2019 were approximately $44 billion (June 30, 2020 were approximately $45 billion) and were primarily included in other assets under administration.

INVESTED ASSETS

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

Bond portfolio – It is the Company's policy to acquire primarily investment grade bonds subject to prudent and well-defined investment policies. Modest investments in below investment grade rated securities may occur while not changing the overall discipline and conservative approach to the investment strategy. The total bond portfolio, including short-term investments, was $99.9 billion or 70% of invested assets at September 30, 2020 compared to $95.1 billion or 69% of invested assets at December 31, 2019. The increase in the bond portfolio was primarily related to an increase in fair value due to a decline in bond yields across all geographies. The overall quality of the bond portfolio remained high, with 99.6% of the portfolio rated investment grade and 81% rated A or higher. Bond credit ratings reflect bond rating agency activity up to September 30, 2020. Management continues to closely monitor bond rating agency activity and general market conditions as the pandemic continues.

Bond portfolio quality	**September 30, 2020**		December 31, 2019	
AAA	**$ 16,552**	**17 %**	$ 15,899	17 %
AA	**31,163**	**31**	30,826	32
A	**32,857**	**33**	31,199	33
BBB	**18,968**	**19**	16,924	18
BB or lower	**361**	**—**	293	—
Total	**$ 99,901**	**100 %**	$ 95,141	100 %

At September 30, 2020, non-investment grade bonds were $0.4 billion or 0.4% of the bond portfolio compared to $0.3 billion or 0.3% of the bond portfolio at December 31, 2019. The increase in non-investment grade bonds was primarily due to corporate bond downgrades.

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

Mortgage portfolio

	September 30, 2020				December 31, 2019	
Mortgage loans by type	Insured	Non-insured	Total		Total	
Single family residential	$ 537	$ 1,552	$ 2,089	10%	$ 2,069	10%
Multi-family residential	3,354	1,995	5,349	24	5,431	26
Equity release	—	1,805	1,805	8	1,314	6
Commercial	241	12,335	12,576	58	11,902	58
Total	$ 4,132	$ 17,687	$ 21,819	100%	$ 20,716	100%

The total mortgage portfolio was $21.8 billion or 15% of invested assets at September 30, 2020, compared to $20.7 billion or 15% of invested assets at December 31, 2019. The increase in the total mortgage portfolio was primarily due to net commercial mortgage and equity release mortgage originations. Total insured loans were $4.1 billion or 19% of the mortgage portfolio.

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

Single family residential mortgages

Region	September 30, 2020		December 31, 2019	
Ontario	$ 1,111	53 %	$ 1,073	52 %
Quebec	417	20	432	21
Alberta	112	5	118	6
Saskatchewan	99	5	90	4
Newfoundland	93	5	98	5
British Columbia	89	4	94	4
New Brunswick	57	3	53	3
Nova Scotia	55	3	58	3
Manitoba	51	2	48	2
Other	5	—	5	—
Total	$ 2,089	100 %	$ 2,069	100 %

During the nine months ended September 30, 2020, single family mortgage originations, including renewals, were $432 million, of which 24% were insured (28% at December 31, 2019). Insured mortgages include mortgages where insurance is provided by a third party and protects the Company in the event that the borrower is unable to fulfill their mortgage obligations. Loans that are insured are subject to the requirements of the mortgage default insurance provider. For new originations of non-insured residential mortgages, the Company's investment policies limit the amortization period to a maximum of 25 years and the loan-to-value ratio to a maximum of 80% of the purchase price or current appraised value of the property. The weighted average remaining amortization period for the single family residential mortgage portfolio was 21 years as at September 30, 2020 (21 years as at December 31, 2019).

Provision for future credit losses

As a component of insurance contract liabilities, the total actuarial provision for future credit losses is determined consistent with the Canadian Institute of Actuaries' Standards of Practice and includes provisions for adverse deviation. The provisions reflect the current credit ratings and potential future rating migration. No provision is held for government or government related debt rated A+ or higher where the issuer is monetarily sovereign.

At September 30, 2020, the total actuarial provision for future credit losses in insurance contract liabilities was $2,607 million compared to $2,423 million at December 31, 2019, an increase of $184 million. The increase was primarily due to normal business activity and rating changes.

The aggregate of impairment provisions of $53 million ($51 million at December 31, 2019) and actuarial provisions for future credit losses in insurance contract liabilities of $2,607 million ($2,423 million at December 31, 2019) represents 2.1% of bond and mortgage assets, including funds held by ceding insurers, at September 30, 2020 (2.0% at December 31, 2019).

Energy Sector Related Exposures

Holdings of Energy Sector related Bonds, Mortgages and Investment Properties

	September 30, 2020					December 31, 2019
	Canada	**U.S.**	**Europe**	**Capital and Risk Solutions**	**Total**	Total
Bonds[(1)(2)(3)]	**$ 2,390**	**$ 97**	**$ 762**	**$ 484**	**$ 3,733**	$ 3,431
Mortgages[(4)]	**1,836**	**50**	**37**	**—**	**1,923**	2,054
Investment properties	**446**	**—**	**—**	**—**	**446**	456
Total	**$ 4,672**	**$ 147**	**$ 799**	**$ 484**	**$ 6,102**	$ 5,941

(1) Energy sector bond holdings are a sub-category of certain industry sectors presented in note 9(a)(ii) in the Company's December 31, 2019 annual consolidated financial statements.
(2) Amortized cost of these bonds is $3,387 million at September 30, 2020 and $3,177 million at December 31, 2019.
(3) Includes certain funds held by ceding insurers with a carrying value of $224 million and an amortized cost of $209 million at September 30, 2020.
(4) Includes $560 million of insured mortgages at September 30, 2020 and $615 million at December 31, 2019.

At September 30, 2020, the Company's holdings of energy sector related investments, including funds held by ceding insurers, were $6.1 billion ($5.9 billion at December 31, 2019). This included direct exposure of bond holdings of $3.7 billion ($3.4 billion at December 31, 2019), or 2.5% of invested assets including funds held by ceding insurers, and indirect exposure of commercial mortgages and investment properties of $2.4 billion ($2.5 billion at December 31, 2019), or 1.6% of invested assets including funds held by ceding insurers.

At September 30, 2020, the Company's energy sector related bond holdings were well diversified across multiple sub-sectors and were high quality with 99% rated investment grade. 59% of the portfolio was invested in Midstream and Refining entities and 41% in Integrated, Independent, Oil Field Services and Government Agency entities.

In addition, the Company's indirect exposure of energy sector related commercial mortgages and investment properties were concentrated in certain geographic regions where the economy is more dependent upon the energy sector and were well diversified across property type - Multi-family (36%), Industrial/Other (25%), Retail (22%) and Office (17%). Over 96% of the total portfolio was concentrated in the province of Alberta, with the remainder primarily in the state of Texas. The weighted average loan-to-value ratio of the commercial mortgages was 71% at September 30, 2020.

In March 2020, Moody's Investors Service and S&P Global Ratings revised their forecasts for crude oil downward for the remainder of 2020, due to decreased demand resulting from the COVID-19 pandemic. In June 2020, Moody's Investors Service further reduced its short and medium-term forecasts for crude oil downward due to potential longer lasting impacts to global demand for oil. Hydrocarbon price assumptions are a key input into cash flow forecasts and the resulting issuer and sector credit risk profile, particularly for the Integrated, Independent and Oil Field Services sub-sectors. Increases to provisions for future credit losses as a result of ratings downgrades and impairment charges specific to energy sector holdings were modest in the third quarter of 2020.

United Kingdom Property Related Exposures

Holdings of United Kingdom Mortgages and Investment Properties

	September 30, 2020							December 31, 2019
	Multi-family residential	**Retail & shopping centres**	**Office buildings**	**Industrial**	**Equity release**	**Other**	**Total**	Total
Mortgages	**$ 711**	**$ 1,516**	**$ 1,387**	**$ 793**	**$ 1,805**	**$ 555**	**$ 6,767**	$ 6,129
Investment properties	**—**	**797**	**632**	**775**	**—**	**333**	**2,537**	2,726
Total	**$ 711**	**$ 2,313**	**$ 2,019**	**$ 1,568**	**$ 1,805**	**$ 888**	**$ 9,304**	$ 8,855

At September 30, 2020, the Company's holdings of property related investments in the U.K. were $9.3 billion ($8.9 billion at December 31, 2019), or 6.5% of invested assets. The increase from December 31, 2019 was primarily due to originations of commercial and equity release mortgages. These holdings were well diversified across property type: Industrial/Other (26%), Retail (25%), Office (22%), Equity release (19%) and Multi-family (8%). Of the Retail sector holdings, 52% relate to warehouse/distribution and other retail, 27% relate to shopping centres and department stores and 21% relate to grocery retail sub-categories.

LIABILITIES

Total liabilities

	September 30 2020	December 31 2019
Insurance and investment contract liabilities	**$ 142,787**	$ 137,114
Preferred shares	**1,000**	—
Other general fund liabilities	**10,941**	10,600
Investment and insurance contracts on account of segregated fund policyholders	**203,855**	199,589
Total	**$ 358,583**	$ 347,303

Total liabilities increased by $11.3 billion to $358.6 billion at September 30, 2020 from December 31, 2019.

On January 1, 2020, the Company issued Class A preferred shares Series 6 to Great-West Lifeco Inc. (Lifeco), its parent company. The Class A preferred shares Series 6 of the Company have an aggregate redemption amount of $1 billion at $25 per share, an annual 6.25% cumulative dividend rate, payable quarterly, a mandatory redemption date of January 1, 2045, and are classified as liabilities. Dividends on the preferred shares classified as liabilities are recorded in financing charges.

Investment and insurance contracts on account of segregated fund policyholders increased by $4.3 billion, primarily due to the impact of currency movement of $5.0 billion and net deposits of $1.8 billion, partially offset by the combined impact of market value losses and investment income of $2.6 billion. Insurance and investment contract liabilities increased by $5.7 billion, primarily due to fair value adjustments, the impact of new business, the weakening of the Canadian dollar, and natural movement. Other general fund liabilities increased by $0.3 billion, primarily due to an increase in derivative financial instruments and other liabilities, partially offset by a decrease in accounts payable.

Segregated Fund and Variable Annuity Guarantees

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

Guaranteed minimum withdrawal benefit (GMWB) products offered by the Company provide income guarantees and in addition, may provide death and maturity guarantees. The Company has a hedging program in place to manage certain risks associated with options embedded in its GMWB products. At September 30, 2020, the market value of GMWB product in-force in Canada, Ireland and Germany was $2,465 million ($2,518 million at December 31, 2019).

Segregated fund and variable annuity guarantee exposure

		September 30, 2020			
		Investment deficiency by benefit type			
	Market Value	Income	Maturity	Death	Total[1]
Canada	$ 31,954	$ 4	$ 18	$ 95	$ 95
Europe	10,241	12	—	1,047	1,047
Capital and Risk Solutions[2]	841	432	—	—	432
Total	**$ 43,036**	**$ 448**	**$ 18**	**$ 1,142**	**$ 1,574**

(1) A policy can only receive a payout from one of the three trigger events (income election, maturity or death). Total deficiency measures the point-in-time exposure assuming the most costly trigger event for each policy occurred on September 30, 2020.
(2) Capital and Risk Solutions exposure is to markets in Canada and the U.S.

Investment deficiency at September 30, 2020 increased by $597 million to $1,574 million compared to December 31, 2019. The increase was primarily due to the year-to-date drop in non-U.S. equity markets and higher value of annuitization benefit guarantee driven by lower year-to-date interest rates in the U.S. The investment deficiency measures the point-in-time exposure to a trigger event (i.e., income election, maturity or death) assuming it occurred on September 30, 2020 and does not include the impact of the Company's hedging program for GMWB products. The actual cost to the Company will depend on the trigger event having occurred and the market values at that time. The actual claims before tax associated with these guarantees were $8 million in-quarter ($4 million for the third quarter of 2019) and $20 million year-to-date ($15 million year-to-date for 2019) with the majority arising in the Capital and Risk Solutions business unit related to a legacy block of business.

DEBENTURES AND OTHER DEBT INSTRUMENTS

At September 30, 2020, debentures and other debt instruments increased by $19 million to $770 million compared to December 31, 2019, primarily due to the impact of currency movement.

CAPITAL TRUST SECURITIES

At September 30, 2020, the Company had $150 million principal outstanding of Canada Life Capital Trust Securities – Series B (CLiCS – Series B). Included in the Company's invested assets at September 30, 2020 were CLiCS – Series B with a fair value of $54 million and principal value of $37 million (fair value of $53 million at December 31, 2019).

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

EQUITY

The Company is a wholly-owned subsidiary of Lifeco. The Company's share capital consists of common shares and preferred shares issued by the Company. At September 30, 2020, there were 2,407,384 common shares of the Company issued and outstanding with a stated value of $7,884 million (2,407,385 and $8,884 million as at December 31, 2019).

Participating account surplus and shareholders' equity

As at September 30, 2020, the Company's total participating account surplus and shareholders' equity was $22.9 billion, compared to $23.4 billion at December 31, 2019. The decrease was primarily due to the conversion of common shares to preferred shares classified as liabilities of $1.0 billion and a decrease in accumulated surplus of $1.7 billion due to dividends paid on common shares, partially offset by net earnings of $2.1 billion.

LIQUIDITY AND CAPITAL MANAGEMENT AND ADEQUACY

LIQUIDITY

The Company's liquidity requirements are largely self-funded, with short-term obligations being met by internal funds and maintaining levels of liquid investments adequate to meet anticipated liquidity needs. At September 30, 2020, the Company and its operating subsidiaries held cash, cash equivalents and short-term bonds of $6.2 billion ($6.6 billion at December 31, 2019) and other liquid assets and marketable securities of $78.8 billion ($76.5 billion at December 31, 2019). In addition, the Company maintains committed lines of credit with Canadian chartered banks for unanticipated liquidity needs, if required.

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

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

CASH FLOWS

Cash flows

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	**2020**	2019
Cash flows relating to the following activities:				
Operations	**$ 1,355**	$ 1,211	**$ 3,076**	$ 3,181
Financing	**(829)**	(321)	**(1,729)**	(2,462)
Investment	**(462)**	(674)	**(1,485)**	(594)
	64	216	**(138)**	125
Effects of changes in exchange rates on cash and cash equivalents	**28**	(35)	**57**	(137)
Increase in cash and cash equivalents in the period	**92**	181	**(81)**	(12)
Cash and cash equivalents, beginning of period	**3,063**	2,718	**3,236**	2,911
Cash and cash equivalents, end of period	**$ 3,155**	$ 2,899	**$ 3,155**	$ 2,899

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

In the third quarter of 2020, cash and cash equivalents increased by $92 million from June 30, 2020. Cash flows provided by operations during the third quarter of 2020 were $1,355 million, an increase of $144 million compared to the third quarter of 2019. Cash flows used in financing of $829 million were used for the payment of dividends on common shares. For the three months ended September 30, 2020, cash flows were used by the Company to acquire an additional $462 million of investment assets.

For the nine months ended September 30, 2020, cash and cash equivalents decreased by $81 million from December 31, 2019. Cash flows provided by operations were $3,076 million, a decrease of $105 million compared to the same period in 2019. Cash flows used in financing of $1,729 million were used for the payments of dividends on common shares. For the nine months ended September 30, 2020, cash flows were used by the Company to acquire an additional $1,485 million of investment assets.

COMMITMENTS/CONTRACTUAL OBLIGATIONS

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

CAPITAL MANAGEMENT AND ADEQUACY

The Company’s practice is to maintain the capitalization of its regulated operating subsidiaries at a level that will exceed the relevant minimum regulatory capital requirements in the jurisdictions in which they operate. Other foreign operations and foreign subsidiaries are required to comply with local capital or solvency requirements in their respective jurisdictions.

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

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

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

The LICAT ratio at September 30, 2020 for Canada Life was 131% (The Great-West Life consolidated LICAT ratio of 135% at December 31, 2019). The decrease in the LICAT Ratio from December 31, 2019 is primarily due to the growth in capital requirements from both new business written in the year and market movements.

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

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

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

LICAT Sensitivities

Caution Related to Sensitivities

This section includes estimates of sensitivities for certain risks. 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;
- 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. Given the nature of these calculations, the Company cannot provide assurance that the actual impact on the Canada Life consolidated LICAT Ratio will be as indicated.

Publicly Traded Common Stocks

The following table sets out the estimated immediate impact to Canada Life's consolidated LICAT Ratio of certain instantaneous changes in publicly traded common stock values as at September 30, 2020. These sensitivity estimates assume instantaneous shocks, followed by a return to historical average growth levels for broader equity markets. The sensitivity estimates relate to publicly traded common stocks and do not cover other non-fixed income assets. These estimates are illustrative as actual equity exposures may vary due to active management of the public stock portfolios.

Immediate change in publicly traded common stock values	September 30, 2020			
	20% increase	10% increase	10% decrease	20% decrease
Potential increase (decrease) on LICAT Ratio	1 point	0 points	0 points	(3 points)

Interest Rates

Sensitivity to interest rates is dependent on many factors and may result in non-linear impacts to the LICAT Ratio. Canada Life's consolidated LICAT Ratio will generally increase in an environment of declining interest rates and vice-versa. Lower interest rates will increase the value of the Company's surplus assets and other regulatory capital resources. These sensitivity estimates are illustrative. Actual movement in credit spreads or government treasury rates may produce different movements in Canada Life's consolidated LICAT Ratio. These sensitivities do not include a change in the ultimate interest rates outlined in Actuarial Standards.

Immediate parallel shift in yield curve	September 30, 2020	
	50 bps increase	50 bps decrease
Potential increase (decrease) on LICAT Ratio	(2 points)	3 points

Impact of a LICAT interest rate risk scenario shift is not included in the sensitivity estimates.

LICAT Interest Rate Scenario Shift

The LICAT interest rate requirements are based on the results of the most adverse of four scenarios. The determination of the most adverse scenario is dependent on government treasury rates and credit spreads, as well as the position of the Company's assets and liabilities. A change in the level and term structure of interest rates used can cause a shift in the interest rate scenario applied in the LICAT calculation. This results in a discontinuity where capital requirements can change materially. During the first quarter of 2020, OSFI introduced a smoothing calculation to address potential volatility in the interest rate requirement for participating insurance products. The smoothing calculation averages the participating interest rate risk requirements over the trailing six quarters, thereby reducing unwarranted volatility. OSFI has communicated that the smoothing calculation will be in place until at least the end of 2023.

During the third quarter of 2020, the Company experienced a shift to a different most adverse interest rate scenario in North America. The Company previously communicated that a shift to a different adverse scenario was estimated to decrease the Company's consolidated LICAT Ratio by approximately 5.5 points. This impact is spread over a six quarter period resulting in approximately a 1 point decrease in the current quarter ratio with the remaining decrease of approximately 4.5 points being reflected over the next 5 quarters, if the Company remains on the current scenario.

COVID-19 OSFI Regulatory Measures
OSFI is providing capital relief for insurance companies due to the COVID-19 economic environment. During the third quarter of 2020, OSFI updated their relief measures announced earlier in the year to phase out the special capital treatment for payment deferrals. The capital relief provided by this temporary measure is not material to the Company.

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

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

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

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

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

RISK MANAGEMENT AND CONTROL PRACTICES

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

ACCOUNTING POLICIES

INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

In June 2020, the IASB issued amendments to IFRS 17, *Insurance Contracts* (IFRS 17). The amended standard confirmed the effective date for the standard of January 1, 2023. In addition, the IASB confirmed the extension to January 1, 2023 of the exemption for insurers to apply the financial instruments standard, IFRS 9, *Financial Instruments* (IFRS 9), keeping the alignment of the effective dates for IFRS 9 and IFRS 17.

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

In May 2020, the IASB issued amendments to IAS 37, *Provisions, Contingent Liabilities, and Contingent Assets*. The amendments specify which costs should be included when assessing whether a contract will be loss-making. These amendments are effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. The Company is evaluating the impact for the adoption of these amendments.

In May 2020, the IASB issued *Annual Improvements 2018-2020 Cycle* as part of its ongoing process to efficiently deal with non-urgent narrow scope amendments to IFRS. Two amendments were included in this issue that are applicable for the Company relating to IFRS 9, *Financial Instruments* and IFRS 16, *Leases*. The amendments are effective January 1, 2022. The Company is evaluating the impact for the adoption of these amendments.

In May 2020, the IASB published amendments to IFRS 16, *Leases* amending the standard to provide lessees with an optional exemption from assessing whether a COVID-19-related rent concession is a lease modification. The amendments are effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted. The Company does not anticipate a significant impact on its consolidated financial statements as a result of this amendment.

In August 2020, the IASB published *Interest Rate Benchmark Reform – Phase 2* (with amendments relevant to the Company under IAS 39, IFRS 7, IFRS 4 and IFRS 16). The amendments address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after January 1, 2021, with earlier application permitted. The Company is evaluating the impact for the adoption of these amendments.

For a further description of the impact of the accounting policy change, refer to note 2 of the Company's condensed consolidated interim unaudited financial statements for the period ended September 30, 2020.

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

OTHER INFORMATION

NON-IFRS FINANCIAL MEASURES

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

Premiums and deposits

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

Premiums and deposits

	For the three months ended			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	**Sept. 30 2020**	Sept. 30 2019
Amounts reported in the financial statements					
Net premium income (Life insurance, guaranteed annuities and insured health products)	**$ 8,405**	$ 9,630	$ 7,962	**$ 27,029**	$ 25,923
Policyholder deposits (segregated funds)	**4,633**	4,275	5,571	**14,653**	15,601
Premiums and deposits reported in the financial statements	**13,038**	13,905	13,533	**41,682**	41,524
Self-funded premium equivalents (ASO contracts)	**786**	520	813	**2,118**	2,454
Proprietary mutual funds and institutional deposits	**3,118**	5,009	4,060	**15,321**	17,116
Add back: U.S. Individual Life Insurance & Annuity Business - initial reinsurance ceded premiums	**—**	—	—	**—**	701
Total premiums and deposits	**$ 16,942**	$ 19,434	$ 18,406	**$ 59,121**	$ 61,795

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

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

Assets under management include internally and externally managed funds where the Company has oversight of the investment policies. Services provided in respect of assets under management include the selection of investments, the provision of investment advice and discretionary portfolio management on behalf of clients.

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

Total assets under administration includes total assets per financial statements, proprietary mutual funds and institutional net assets and other assets under administration.

Assets under administration

	Sept. 30 2020	June 30 2020	Sept. 30 2019
Total assets per financial statements	**$ 381,491**	$ 371,174	$ 364,852
Proprietary mutual funds and institutional assets	**72,349**	71,592	66,202
Total assets under management	**453,840**	442,766	431,054
Other assets under administration	**28,169**	72,525	63,250
Total assets under administration	**$ 482,009**	$ 515,291	$ 494,304

Sales

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

- For risk-based insurance and annuity products, sales include 100% of single premium and annualized premiums expected in the first twelve months of the plan.
- Group insurance and ASO sales reflect annualized premiums and premium equivalents for new policies and new benefits covered or expansion of coverage on existing policies.
- For individual wealth management products, sales include deposits on segregated fund products, proprietary mutual funds and institutional accounts as well as deposits on non-proprietary mutual funds.
- For group wealth management products, sales include assets transferred from previous plan providers and the expected annual contributions from the new plan.

Impact of currency movement

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

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

TRANSACTIONS WITH RELATED PARTIES

On January 1, 2020, the Company issued Class A preferred shares Series 6 to Lifeco, its parent company. The Class A preferred shares Series 6 of the Company have an aggregate redemption amount of $1 billion at $25 per share, an annual 6.25% cumulative dividend rate, payable quarterly, a mandatory redemption date of January 1, 2045, and are classified as liabilities. Dividends on the preferred shares classified as liabilities are recorded in financing charges.

On August 4, 2020, the Company announced the proposed sale of GLC Asset Management Group Ltd. (GLC) to Mackenzie Financial Corporation (Mackenzie), an affiliate of the Company. This is a related party transaction and board of directors of each of the Company and its parent, Lifeco, established a committee of directors independent of management and Mackenzie to assess, review and consider the proposed terms of the transaction and to make recommendations regarding the transaction to its board of directors. The proposed transaction is subject to customary closing conditions including receipt of required regulatory approvals and is expected to be completed in the fourth quarter of 2020.

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

TRANSLATION OF FOREIGN CURRENCY

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

Translation of foreign currency							
Period ended	**Sept. 30 2020**	June 30 2020	Mar. 31 2020	Dec. 31 2019	Sept. 30 2019	June 30 2019	Mar. 31 2019
United States dollar							
Balance sheet	**$ 1.33**	$ 1.36	$ 1.40	$ 1.30	$ 1.32	$ 1.31	$ 1.34
Income and expenses	**$ 1.33**	$ 1.39	$ 1.34	$ 1.32	$ 1.32	$ 1.34	$ 1.33
British pound							
Balance sheet	**$ 1.72**	$ 1.68	$ 1.74	$ 1.72	$ 1.63	$ 1.66	$ 1.74
Income and expenses	**$ 1.72**	$ 1.72	$ 1.72	$ 1.70	$ 1.63	$ 1.72	$ 1.73
Euro							
Balance sheet	**$ 1.56**	$ 1.52	$ 1.55	$ 1.46	$ 1.44	$ 1.49	$ 1.50
Income and expenses	**$ 1.56**	$ 1.53	$ 1.48	$ 1.46	$ 1.47	$ 1.50	$ 1.51

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

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