Annual Report 2023

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We are clients, we are partners, we are employees.
Together, over one million strong.
Harnessing the power of togetherness.

We are Equitable

Our Heritage

We are proud to be built on more than 100 years of serving clients with excellence, in Canada and only in Canada.

Sydney Tweed started The Ontario Equitable Life & Accident Insurance Company in a two-room, second floor office in Waterloo, Ontario in 1920. In 1936, our corporate name was changed to The Equitable Life Insurance Company of Canada.

From these humble beginnings, we are today known simply as Equitable®. We are the one and only Canadian mutual life insurance company federally regulated by the Office of the Superintendent of Financial Institutions.

Today, we provide financial solutions that protect and support more than one million people across Canada, coast to coast. We offer individual insurance, group insurance, savings, and retirement solutions. We partner with independent financial advisors to help our clients achieve financial security throughout a lifetime.

Our Purpose

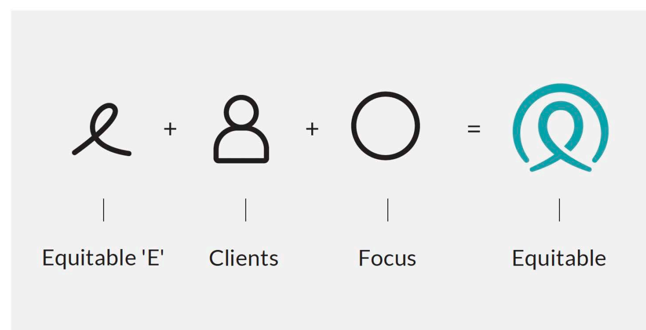
When we come together, great things follow. The world is better when we harness the power of togetherness to forge collective purpose.

At Equitable, this is more than just a feeling. It's a mindset driving our behaviours, decisions, and actions to power equitable outcomes. It's how we show up daily, committed to be at our very best to support Canadians today and for all tomorrows to come. And our unique structure enables us to focus all our efforts towards improving the financial wellbeing of those we serve – our clients, partners, and community.

For over a century we have delivered on our promise to be there for Canadians. We believe that now, it's more important than ever, that we invest further, to recommit to our path of being a mutual and to welcome all to join in the shared benefits of living an equitable life.

Our Commitment

We introduced a new corporate brand in 2023. This new brand is a testament to our focus and commitment to our clients.



The new logo represents you, our client, at the centre of everything we do, with the surrounding circle representing our unwavering commitment.

The shortening of the brand name to Equitable emphasizes a mindset powering outcomes, rather than a corporate name.

Finally, the ribbon represents us recognizing that life journeys are not linear. They flex, wind and intertwine. At Equitable, we will always be there for you, focused on you, through your unique life journey.

That is our commitment to you, today and for all tomorrows to come.

Financial Highlights

(in $ millions)	IFRS 17 & 9	IFRS 4 & IAS 39 [1]				
	2023	2022	2021	2020	2019	2018
Growth Momentum						
New Business Sales						
Individual Insurance	178	148	134	149	132	119
Group Insurance	63	51	49	46	48	53
Savings & Retirement	744	547	498	401	407	380
Premiums & Deposits						
Individual Insurance	1,199	1,048	939	806	691	579
Group Insurance	664	591	532	497	499	472
Savings & Retirement	744	548	498	401	405	380
Total	**2,607**	**2,187**	**1,969**	**1,704**	**1,595**	**1,431**
Total Assets						
General Fund	5,800	5,075	4,905	4,347	3,666	3,060
Segregated Funds	2,320	1,862	1,932	1,642	1,413	1,191
Total	**8,120**	**6,937**	**6,837**	**5,989**	**5,079**	**4,251**
Payment to Clients						
Dividends to Policyholders [2]	**104**	**79**	**62**	**49**	**38**	**27**
Claims and Benefits						
Death, Disability & Health Claims	695	624	564	511	508	464
Annuity, Surrender & Maturity Benefits	138	109	105	100	94	76
Payments from Segregated Funds	301	241	273	209	220	200
Total	**1,134**	**974**	**942**	**820**	**822**	**740**
Financial Strength						
Total Balance Sheet Capital [3]						
Policyholders' Equity	1,365	1,319	1,230	1,052	891	771
Contractual Service Margin	516	---	---	---	---	---
Total	**1,881**	**1,319**	**1,230**	**1,052**	**891**	**771**
Total Capital Adequacy [4]						
Capital Resources	2,407	2,050	2,031	1,815	1,615	1,371
Capital Requirements	1,402	1,362	1,214	1,095	1,041	931
LICAT Ratio	**172%**	**150%**	**167%**	**166%**	**155%**	**147%**

(1) Amounts presented for 2018 to 2022 in the table above are as reported on an IFRS 4 and IAS 39 basis.

(2) Represents dividends declared and paid to participating policyholders during the calendar year and excludes the change in provisions for any future dividends.

(3) IFRS 9 and IFRS 17 were adopted effective January 1, 2023. As a result, Total Balance Sheet Capital as of that date was $1,695 million ($1,218 million in policyholders' equity plus $478 million in contractual service margin).

(4) Capital resources represents the sum of adjusted policyholders' equity, surplus allowances, and effective January 1, 2023, contractual service margins attributable to non-segregated businesses. The capital requirement is the base solvency buffer as per the Life Insurance Capital Adequacy Test (LICAT) guideline issued by the Office of the Superintendent of Financial Institutions (OSFI).

As a mutual we provide financial security differently by focusing exclusively on our clients.

Message to Clients

At Equitable, our commitment to our clients is at the heart of everything we do. It drives the way we work. It drives our behaviours, decisions. and actions. It drives how we deliver on our promises today. And it drives how we position ourselves to deliver on them well into the future.

- Firstly, we successfully transitioned to the new IFRS Accounting Standards (IFRS 17 and IFRS 9). Our income was strong at $147 million with a further $38 million added to our Contractual Service Margin, a measure of future profit. Equitable remains financially strong with total capital at $1.9 billion resulting in a 172% LICAT ratio as of December 31, 2023. We are well capitalized to deliver on our promises to clients today and for all tomorrows to come.
- Secondly, we refreshed our brand to emphasize that clients are at the centre of everything we do. The new brand is a call to action, working together, leading to equitable outcomes for all. We expect a full transition to the new brand by year-end 2024.
- Lastly, Equitable started executing on a five-year strategic plan to prepare itself for tomorrow. We'd like to thank the Executive Team and the Board of Directors for their invaluable insights and contributions to the 18-month strategic review process. The outcome of this is an unwavering commitment to our clients, and to our mutuality.

Protecting Today

We continue to be at our very best every single day for our clients. Due to the loyalty of our existing clients, and a record high in welcoming new clients to Equitable, we now cover more than 1 million people across Canada, a milestone to put in our history books. During 2023, we welcomed more than 70,000 new clients to our Individual Insurance, Savings and Retirement businesses. We also welcomed another 57,000 new members and dependents to our Group Insurance business. We thank all of our clients for their trust in Equitable.

We are committed to offering valued, simple and comprehensive solutions for our clients. This commitment was once again demonstrated in 2023 through our continuous enhancement of products made available to clients. We introduced First Home Savings Account (FHSA) solutions to help Canadians own their first home. We introduced small business owner group insurance solutions through EZBenefits™, ensuring we are here to help small businesses throughout Canada. And we refreshed our participating whole life solutions for new clients and increased the dividend scale applicable to all existing clients with participating whole life contracts.

We believe independent financial advice is in the best interest of our clients. That's why we focus on building strong, enduring and aligned partnerships with financial advisors across Canada. In 2023, we launched feedback programs seeking insights from advisors to make our products and services even better. This was another step towards us becoming the partner of choice to help advisors help clients address their financial needs. To our partners, we are grateful for your engagement and trust.

We are reliable, proactive and compassionate in our client services, especially when paying a claim. During 2023, we augmented our client care centre representatives to ensure clients and advisors continue to have a positive experience when dealing with us. We also initiated a modernization of our client care centre capabilities to better serve clients and advisors going forward. This is a multi-year initiative, part of our overall goal to make it easier and safer to do business with us. It involves new technologies, redesigning workflows, and training and upskilling our workforce. A special appreciation to client care centre representatives for being at your very best every day for our clients, partners and for each other.

We value the communities where we live, work, and do business. This past year we supported more than 40 charities across Canada. Not only do our employees demonstrate tremendous generosity in their support of our corporate giving programs, like our annual United Way Campaign and Autism Speaks Canada walks, they also support countless organizations directly. The employee led Adopt-a-Family program is a prime example of our employees going above and beyond to support those in need. We are very proud of our people.

Preparing Tomorrow

Equitable is built on more than 100 years of serving clients with excellence. We are now embarking on a five year journey, preparing ourselves for the next 100 years. As a mutual, we are accountable only to our clients, and we aim to provide long-term financial security and stability. Equitable, powered by its awesome employees, technology and financial strength, is well positioned for the future.

The Impact Team has been newly formed in 2023 to ensure we always have a lens on the client in everything we do. This team focuses on three fronts:

- **Brand Impact –** The mandate is to articulate, communicate and reinforce 'why Equitable', our purpose. A refreshed brand was launched in late 2023 reinforcing that we exist for you, the client. You are at the centre of all we do. You are Equitable, and as a mutual, we embrace the power of togetherness.

  We expect to fully transition to the new brand during 2024 which means that the old and new brand will coexist during that period. Regardless of the brand, our commitment to our current and future clients remains the same. We are still The Equitable Life Insurance Company of Canada.

- **Data Impact –** The mandate is to gain insights from the information we gather to better serve our clients. This is the sole purpose of this team and there is no intent to monetize or sell the data we have. Our belief is that data helps us to continuously improve our services. Also, data privacy is of utmost importance to all of us and we will therefore continue to make significant investments to safeguard the information you share with us.

- **Client Impact –** The mandate is to ensure our behaviours, decisions and actions lead to equitable outcomes for our clients. This team ensures that everything we do across the organization considers you, the client, as our central focus of attention. The aspiration is for you to feel the equitable effect when dealing with us.

Investing in our People is key to our culture and ongoing success in serving our clients, partners, and each other. We will continue to ensure that our employees remain engaged and enabled to better serve clients today and for all tomorrows to come. We achieved significant progress in 2023 on three fronts:

- We welcomed many employees to Equitable to support our rapid growth as well as strategic initiatives. All new employees attend a one-week orientation program, ensuring full understanding of our purpose and culture. We believe this initial investment in new employees will result in people working with purpose and ultimately benefit all clients going forward.

- We cherish our more than one thousand employees at Equitable. We want to make sure they are well equipped and supported to succeed in their careers with us. In 2023, we continued to offer Together Days, bringing all employees together twice a year for learning and development opportunities.
- Lastly, we renovated our Waterloo-based head office and officially launched our workplace hybrid program. The newly renovated office provides a combination of modern workstations with extensive collaboration and creative space, supporting people as they work individually and together. It also offers new technologies for a more inclusive experience, both on site and remotely.

We aim to be the employer of choice for people seeking a meaningful and purposeful career. We are creating a culture that is uniform and singularly focused on clients, working together to put 'you the client' at the centre of all we do.

Digital Modernization is a key strategic initiative started in 2023 to modernize how we offer our solutions and how we provide our services. We are in the process of redesigning our workflows and dataflows with an aim of creating seamless end-to-end journeys for our clients and partners as they do business with us. We aim for journeys that are intuitive, simple and safe resulting in a positive experience for each and every interaction with Equitable.

Part of this strategic initiative is to upgrade our technology platforms and focus on creating more engaging digital interfaces for clients and advisors. Automation of back-office processes is a priority and will help us in productivity gains and expense savings. We do not, however plan to automate our person-to-person interactions. Our commitment remains to having real people based in Canada servicing our clients and partners.

Profits for Purpose

We are committed to our mutuality and our purpose of offering best-in-class products and services to Canadians coast to coast. We are committed to remain vibrant, growing, and financially strong. We are committed to deliver on our promises today and for all tomorrows to come.

Growth Momentum is important for our success. With growth comes purchasing-power, economies of scale, investment flexibility, and diversification of risks. We are pleased to report solid growth in all three business lines during 2023.

- We collected $2.6 billion in total premiums and deposits, an increase of 19% over the previous year. Clients continue to entrust Equitable with their hard-earned money. In addition, as evidenced by new business sales, more and more Canadians are turning to Equitable to protect their financial security. Welcome to Equitable.
- Total assets increased by 17% during the year ending at $8.1 billion. This growth reflects operational excellence across the organization combined with solid investment decisions from our asset management team.

Payment to Clients reflects our commitment to be there when it matters the most. During 2023, we paid $1.1 billion in claims and benefits, an increase of 16% over the previous year. In addition, we paid $104 million in dividends to clients with participating whole life contracts. This is 32% higher than the previous year, reflecting the solid financial performance achieved by Equitable.

Financial Strength is, for Equitable, measured by the amount of capital resources we hold. A strong capital position provides confidence Equitable will deliver on its promises to current and future clients, irrespective of economic cycles.

Our total balance sheet capital increased by 11% during 2023, from $1.7 to $1.9 billion, in accordance with IFRS 9 and IFRS 17. Our year-end LICAT ratio stood at 172%, one of the strongest capital ratios in the industry. Finally, Morningstar DBRS confirmed our financial strength rating of A (high) with Stable Trends.

Our financial strength allows us to continue to invest in our products and services for the benefit of our clients.

Thank You

We are clients, we are partners, we are employees. Thank you for your trust and for helping us harness the power of togetherness.

Douglas S. Alexander, CPA, CA
Chair of the Board

Fabien Jeudy, FSA, FCIA
President and Chief Executive Officer

We look to our future with a renewed commitment and a promise to be there for the next 100 years, a company made up of Canadians, for Canadians from coast to coast to coast.

Asset Management

Financial results

In 2023, total assets under administration reached $8.1 billion. General fund assets increased to $5.8 billion in the year, and segregated funds increased to $2.3 billion.

Investment income of $188 million was higher than 2022 as a result of income on asset growth and higher interest rates. In 2023, fair value changes of $253 million contributed positively to net investment income while in 2022 fair value changes contributed negatively by $344 million.

The Asset Management division continues to focus on managing risk, taking into consideration industry and regulatory changes, while maintaining strong asset class and issuer diversification.

Bonds and debentures

The bond and debenture portfolio grew to $2.4 billion in 2023. The bonds and debenture portfolio represents 43% of total general fund managed assets. Equitable's bonds and debentures are 99.8% investment grade rated, with more than 82% rated A or higher.

Equities

Equities supporting policyholders' funds in the Company's universal life products (linked equities) accounted for $654 million or 12% of total general fund managed assets.

The preferred share portfolio at the end of 2023 totaled $241 million, compared with $209 million at the end of 2022. The net increase in preferred shares was attributable to an increase in assets.

The direct equities portfolio includes public and private equities which totaled $529 million at the end of 2023 compared with $428 million at the end of 2022. Included within the direct equities portfolio is investment property fund units of $30 million and an interest in an investment property limited partnership of $9 million.

Mortgages

The 2023 mortgage loan portfolio of $350 million increased by $13 million from 2022. Commercial mortgage loans represent 7% of total general fund managed assets, with 14% of the mortgage portfolio insured. The average loan-to-value ratio of the portfolio was 57%.

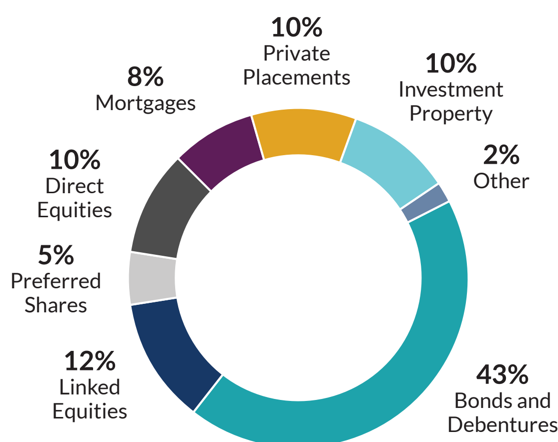
Private placements

Debt private placements at the end of 2023 totaled $504 million, compared with $441 million at the end of 2022. Private placements allow for sourcing of quality assets with higher yields and/or, better terms than are available in the public markets. Over 99.5% of the private placement portfolio is rated investment grade.

Investment property

The investment property portfolio totaled $439 million at the end of 2023 compared with $432 million at the end of 2022. The market value of the portfolio increased by 0.5% in 2023 and the occupancy rate was strong at 95%.

General fund managed assets



Capability to Deliver Results

Equitable maintains a strong financial position and adequate liquidity to ensure that it is well prepared to meet its obligations.

Capital

The Company is regulated by the Office of the Superintendent of Financial Institutions (OSFI), which requires insurance companies to maintain minimum levels of capital calculated in accordance with the Life Insurance Capital Adequacy Test (LICAT).

Equitable's Total LICAT Ratio at December 31, 2023 was 172%, which is well in excess of the minimum level required by OSFI. This ratio indicates a very strong capital position.

To assess capital adequacy and financial strength under adverse conditions, Financial Condition Testing (FCT) is performed on an annual basis. The FCT process analyzes the Company's potential future financial condition over a five-year period by reviewing the impact of a number of adverse economic and insurance scenarios. Testing in 2023 confirmed the Company's financial strength and ability to withstand adverse scenarios in the future.

Source of funds

The primary source of funds for Equitable is cash provided by operating activities, including premiums, net investment income and fee income. These funds are used primarily to pay claims, benefits, and expenses. Net cash flows generated from operating activities are invested to support growth and future payment obligations.

Liquidity

Primary requirements for liquidity are for the payment of claims, benefits and expenses as described above. The Company maintains a conservative liquidity position and actively manages the diversification, duration, and credit quality of investments to ensure that the Company can meet its obligations.

Risk Management

A key corporate objective is to preserve and enhance client value at an acceptable level of risk. To manage the risks in its many business activities, Equitable utilizes a comprehensive enterprise risk management framework that includes:

- identification and assessment of risks;
- measurement, control, and monitoring of risk; and
- regular reporting to Senior Management and to the Board of Directors ("the Board").

The Board has overall responsibility for oversight of Equitable's risk management framework, including approval of the Enterprise Risk Management Policy and overall risk appetite. The Board carries out its risk management mandate directly and through its Committees, as described further in the Corporate Governance section.

Management is responsible for maintaining the risk management framework, and for identifying and managing risks in accordance with Equitable's policies and controls. Management's Senior Risk and Capital Committee and Senior Investment Committee have overall responsibility for monitoring risks. The Chief Risk Officer provides independent oversight of Equitable's risk management framework and completes an annual risk assessment for the Board. Internal Audit independently validates the effectiveness of risk management practices.

Equitable's key risks are discussed in the following sections. Additional information on these risk exposures is included in notes 5 and 10 to the financial statements

Market and credit risks

Equitable acquires and manages portfolios of assets to produce investment returns in support of client obligations and profitability. This exposes Equitable to market and credit risks. Market risk includes equity risk, interest rate risk, currency risk, investment property risk, and preferred share risk.

The Board approves investment and lending policies annually. The policies are designed to limit overall investment risk by defining eligible investments, diversification criteria, and limits with respect to asset exposures, concentration, and quality. Investment risk exposures are monitored by the Senior Investment Committee and reviewed with the Senior Credit and Investment Policy Committee of the Board.

Additional information on the risks associated with invested assets that Equitable manages, monitors and controls are outlined below.

Equity risk

Equity risk is the potential for financial loss arising from declines and volatility in equity market prices. Equitable derives a portion of its revenue from fee income generated by segregated funds and from universal life products where account balances generally move in line with equity market levels. Declines in the market value of such assets results in reductions to fee income, impacting net income and the Contractual Service Margin (CSM). Declining and volatile equity markets may have a negative impact on sales and redemptions (surrenders), resulting in further adverse impacts on net income and Equitable's financial position. In addition, segregated fund guarantee liabilities increase when equity markets decline. Equitable also has direct exposure to equity markets from investments supporting general account liabilities, policyholder equity, and employee pension plans.

Additional information on equity risk is described in note 5 (b) to the financial statements.

Interest rate risk

Interest rate risk is the potential for financial loss arising from changes in the value of assets and liabilities due to changes or volatility in interest rates or credit spreads. These risks are managed in Equitable's asset-liability management program. The risks associated with any mismatch in asset and liability sensitivities, asset prepayment exposure, asset default and pace of asset acquisition are quantified and reviewed regularly.

Derivative products are used primarily to hedge imbalances in asset and liability positions. They may include interest rate and credit swaps, options, futures, and forward contracts. Derivative products are only traded with counterparties approved by the Senior Credit and Investment Policy Committee of the Board or the Board itself.

Additional information on interest rate risk is described in note 5 (b) to the financial statements.

Currency risk

Currency risk is the potential for financial loss arising from changes in foreign exchange rates. Equitable derives a portion of its revenue from fee income generated by segregated funds and from universal life products with account balances that include foreign currency asset exposures. Declines in the market value of such assets due to foreign exchange rate movements would result in corresponding reductions to fee income, impacting net income and the CSM. Equitable also invests in assets denominated in foreign currency to improve diversification and enhance returns. Cross-currency derivative contracts are used when a currency mismatch exists between an investment and a liability.

Additional information on currency risk is described in note 5 (b) to the financial statements.

Investment property risk

Investment property risk is the potential for financial loss arising from declines in real estate values and potential lease defaults. Equitable has direct exposure to real estate from investments supporting general account liabilities and policyholder equity, specifically investment property and investment property fund units held.

Additional information on investment property risk is described in note 5 (b) to the financial statements.

Preferred share risk

Preferred share risk is the potential for financial loss arising from a decline in the value of preferred shares. Equitable has direct exposure to preferred shares from investments supporting general account liabilities and policyholder equity.

Additional information on preferred share risk is described in note 5 (b) to the financial statements.

Credit risk

Credit risk is the risk of financial loss resulting from the failure of debtors to make payments of interest and/or principal when due. Equitable's policy is to acquire primarily investment-grade assets and minimize undue concentration of assets in any single geographic area, industry, or company. Investment guidelines specify minimum and maximum limits for each asset class, industry, and any individual issuer. Portfolio risk is evaluated using industry standard measurement techniques. Credit risk for bonds, private debt, and mortgages is determined by recognized external credit rating agencies and/or internal credit reviews. These portfolios are monitored continuously and reviewed regularly with the Senior Credit and Investment Policy Committee of the Board or the Board itself.

Credit exposure also exists under reinsurance contracts. Products with mortality and morbidity risks have specific risk retention limits approved by the Board. These limits are reviewed and updated from time to time. The financial soundness of companies to which Equitable has ceded risk is monitored regularly.

Additional information on credit risk is described in note 5 (a) to the financial statements

Insurance risk

Insurance risk is the risk of loss due to actual experience differing from the experience assumed when a product was designed and priced with respect to claims, client behaviour, and expenses. The risks vary depending on the product. Products are priced for target levels of return and as experience unfolds, pricing assumptions are validated as profits emerge in each accounting period. Policy liabilities reflect reasonable expectations about future experience, together with a margin. Policy liability valuation requires periodic updating of assumptions to reflect emerging experience. In this way, the Consolidated Statements of Financial Position reflect the current outlook for future client obligations.

Equitable has formal policies with respect to product design and pricing and the use of reinsurance. These policies define approval processes, risk limits and reporting responsibilities. Management is responsible for ensuring compliance with these policies and establishing standards for underwriting and claims processes. The Appointed Actuary is required to value the policy liabilities and report annually on Equitable's financial condition. The Audit Committee and the Board review the work of the Appointed Actuary.

Insurance risks associated with the Equitable's products are outlined below.

Mortality and morbidity risk

Many of Equitable's products provide benefits in the event of death (mortality) or benefits that depend on the client's survival (longevity). Mortality risk is the risk that actual mortality or longevity experience deviates materially from expected in a given year, or that experience is substantially different from expected over the lifetime of a product.

Morbidity benefits are benefits paid due to disabling conditions, medical and dental costs. Morbidity risk is the risk that these benefit payments are materially higher than expected in a given year, or that experience deteriorates over time.

Research and analysis is ongoing to ensure pricing and valuation assumptions for mortality and morbidity properly reflect the markets where Equitable is actively doing business. These risks are actively managed through underwriting, retention limits, reinsurance, and claims management.

Lapse risk

Lapse risk is the risk of excess lapse volatility in a given year, or that ongoing experience deviates materially from current assumptions. Products are priced and valued to reflect the future expected lapse rates of contracts. The risk of higher lapses is important for expense recovery in early contract years and for products where the surrender benefits exceed policy liabilities. The risk of lower lapses adversely affects income for products where policy liabilities are higher than surrender benefits. Annual Company specific experience studies and periodic industry research studies support pricing and valuation assumptions for lapse experience.

Additional information on these risks is described in note 10 to the financial statements.

Operational risk

Operational risk arises from problems in the performance of business functions including deficiencies or the breakdown of internal controls or processes, most often due to technology failures, human error or dishonesty, and natural catastrophes.

To manage operational risk, there are policies and guidelines in place to help identify operational risks and ensure they are effectively mitigated. Management is responsible for identifying risks and managing them in accordance with Equitable's policies, processes, and controls. Operational risk exposures are monitored by management and the Senior Risk and Capital Committee. The Chief Risk Officer completes an annual review of operational risk exposures, which is discussed with management and the Board.

Management and the Human Resources department also seek to ensure that effective people are placed in key positions. Ongoing training through internal and external programs prepares staff at all levels for the responsibilities of their positions.

Key operational risks are described below.

Cyber security and privacy risk

Cyber security and privacy risk is the risk of losses due to cyber attacks or privacy breaches. To mitigate this risk, a formal information security program, focused on protection of Equitable systems and detection of and response to security incidents, is in place. An ongoing systems renewal and upgrade program exists to ensure security upgrades are regularly deployed. There is regular staff education to ensure compliance with privacy and security policies, and to promote awareness of cyber threats.

Business continuity risk

Business continuity risk is the risk of an unexpected business disruption or stoppage due to events such as natural disasters, pandemics, telecommunication failures, or a major failure in one or more of our own systems. Equitable has a formal business continuity plan, with regular testing of recovery plans.

Distributor conduct risk

Distributor conduct risk relates to inappropriate sales practices by Equitable's distribution partners. This includes misleading sales practices and fraudulent activities. To mitigate this risk, Equitable has extensive monitoring of advisor activity in place.

Process error risk

Unexpected errors in Equitable's business processes may have a material earnings or reputational impact. This includes risks arising from significant change management initiatives such as business process changes and major system implementations. A formal project management framework is used to mitigate this risk. Business areas are responsible for ensuring effective internal controls are in place.

Regulatory compliance

Equitable's business operations involve a wide variety of activities that are subject to regulation. These activities include product design, sales and marketing practices, underwriting practices, financial reporting, employment practices, and employee conduct.

Equitable's compliance management program is designed to facilitate and monitor compliance functions, providing assurance to management and the Corporate Governance, Compliance and Nominating Committee that all statutory and regulatory obligations are met. The program promotes awareness of legal and regulatory risks that affect the business and the status of compliance with laws and regulations. The program is supported by a reporting process that establishes accountability for compliance throughout the organization.

Strategic/emerging risks

Strategic/emerging risks arise from unexpected changes in key elements of Equitable's business strategy as a result of changes in the external environment. Risks also arise from the inability to successfully implement strategic business initiatives. Equitable has a well-established planning process from which it determines strategic direction and business objectives. Plans and objectives are carefully monitored to ensure their implementation and effectiveness.

Responsibility for Financial Reporting

The accompanying consolidated financial statements have been prepared by management, who is responsible for the integrity, objectivity and reliability of the information presented. The accounting policies utilized are appropriate in the circumstances and fairly reflect the financial position, results of operations, and cash flows of the Company, within reasonable limits of materiality. Management is responsible for ensuring that the annual report information is consistent with these consolidated financial statements, which have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Office of the Superintendent of Financial Institutions (OSFI).

Management establishes and maintains a system of internal controls that provides reasonable assurance that financial records are complete and accurate, assets are safeguarded, and the organizational structure provides for effective segregation of responsibilities. The Company's Internal Audit department and Chief Compliance Officer monitor the systems of internal control for compliance. The control environment is enhanced by the selection and training of competent management, and a code of conduct policy adhered to by all employees.

The Board of Directors oversees management's responsibilities for financial reporting and has ultimate responsibility for reviewing and approving the consolidated financial statements.

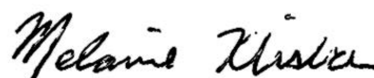
The Board of Directors is assisted in its responsibilities for these consolidated financial statements by its Audit Committee. This Committee consists of independent and unrelated directors not involved in the daily operations of the Company. The function of this Committee is to meet with management and both internal and external auditors to:

- review and recommend the approval of the financial statements and notes to the Board of Directors;
- meet separately in camera with the internal and external auditors, the Appointed Actuary and management;
- recommend the nomination of the external auditors to the Board of Directors and approve their fee arrangements;
- review independence of the external auditor and any audit findings; and
- review other accounting and financial matters as required.

The Appointed Actuary is named by the Board of Directors pursuant to Section 165 of the Insurance Companies Act to carry out an annual valuation of the Company's policy liabilities in accordance with accepted actuarial practice in Canada for the purpose of issuing reports to the policyholders and to the Office of the Superintendent of Financial Institutions. The Appointed Actuary's report appears with these consolidated financial statements. KPMG LLP have been appointed as the external auditors pursuant to Section 337 of the Insurance Companies Act to report to the policyholders and to the Office of the Superintendent of Financial Institutions regarding the fairness of presentation of the Company's consolidated financial position and results of operations as shown in the annual financial statements. Their report appears with these consolidated financial statements.

The Office of the Superintendent of Financial Institutions performs regular examinations of the Company. Statutory reports are filed with insurance regulatory authorities in various jurisdictions to facilitate further review of operating results and enquiry by regulatory authorities.

Fabien Jeudy, FSA, FCIA
President and Chief Executive Officer



Melanie Kliska, FSA, FCIA
Executive Vice-President, Chief Financial Officer

Appointed Actuary’s Report

To the policyholders of The Equitable Life Insurance Company of Canada,

I have valued the policy liabilities of The Equitable Life Insurance Company of Canada for its consolidated financial statements prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2023.

In my opinion, the amount of policy liabilities is appropriate for this purpose. The valuation conforms to accepted actuarial practice in Canada and the consolidated financial statements fairly present the results of the valuation.

Phillip K. Watson, Fellow, Canadian Institute of Actuaries
Senior Vice-President, Chief Actuary
Waterloo, Ontario, February 23, 2024

Independent Auditor’s Report

To the policyholders of The Equitable Life Insurance Company of Canada,

Opinion

We have audited the consolidated financial statements of The Equitable Life Insurance Company of Canada (the “Company”), which comprise:

- the consolidated statement of financial position as at December 31, 2023;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- and notes to the consolidated financial statement, including a summary of material accounting policy information

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of The Equitable Life Insurance Company of Canada as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our auditor’s report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Changes in Accounting Policies and Comparative information

We draw your attention to Note 3 to the financial statements, which explains the adjustment of policyholders' equity as at January 1, 2023 as a result of a full retrospective adoption of a change in accounting policy with cumulative impact with respect to IFRS 9.

We also draw attention to Note 3 to the financial statements, which explains that certain comparative information presented were adjusted as a result of a full retrospective adoption of a change in accounting policy, with respect to IFRS 17:

- for the year ended December 31, 2022 has been adjusted
- as at January 1, 2022 has been derived from the financial statements for the year ended December 31, 2021 which have been adjusted (not presented herein).

Notes 2 and 3 explain the reason for the adjustments.

Our opinion is not modified in respect of these matters.

Other Matter – Changes in Accounting Policies and Comparative information

As part of our audit of the financial statements for the year ended December 31, 2023, we audited the adjustments that were applied to retained earnings as at January 1, 2023.

As part of our audit of the financial statements for the year ended December 31, 2023, we also audited the adjustments that were applied to adjust certain comparative information presented:

- for the year ended December 31, 2022
- as at January 1, 2022

In our opinion, such adjustments are appropriate and have been properly applied.

Other Information

Management is responsible for the other information. Other information comprises information, other than the financial statements and the auditor's report thereon, included in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Information, other than the financial statements and the auditor's report thereon, included in the Annual Report at the date of this auditor's report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Chartered Professional Accountants, Licensed Public Accountants
Kitchener, Canada,
February 23, 2024

Consolidated Statements of Operations

For the years ended December 31		(thousands of dollars)
	2023	2022 (restated)[1]
Insurance revenue	**$ 843,151**	$ 743,543
Insurance service expense	**(692,509)**	(620,236)
Net reinsurance expense	**(55,242)**	(35,565)
Insurance service result	**95,400**	87,742
Investment income	**188,019**	138,355
Change in fair value through profit or loss	**252,119**	(404,697)
Change in fair value on investment property	**1,191**	60,536
Non-attributable investment expenses	**(5,273)**	(4,507)
Net investment income (loss) (note 4)	**436,056**	(210,313)
Changes in underlying items of the segregated funds	**(242,512)**	228,464
Investment income (loss) related to segregated fund net assets	**242,512**	(228,464)
Segregated funds net finance and investment result	**-**	-
Insurance finance income (expense) from insurance contracts	**(327,989)**	520,530
Insurance finance income (expense) from reinsurance contracts held	**26,505**	(51,480)
Movement in investment contract liabilities	**(8,284)**	3,432
Net investment result (note 11)	**126,288**	262,169
Fee income	**9,973**	8,507
Other operating expenses	**(39,814)**	(27,519)
Other finance costs	**(433)**	(353)
Income before income taxes	**191,414**	330,546
Income tax expense (note 13)	**(44,538)**	(72,802)
Net income	**$ 146,876**	$ 257,744

The accompanying notes to these consolidated financial statements are an integral part of these statements.

[1] Where indicated as "restated" in the consolidated financial statements, 2022 comparative amounts have been audited and restated under an IFRS 17 basis. As IFRS 9 was not adopted until January 1, 2023, the 2023 results are not fully comparable to 2022.

Consolidated Statements of Comprehensive Income

For the years ended December 31		(thousands of dollars)
	2023	2022 (restated)
Net income	**$ 146,876**	$ 257,744
Other comprehensive income		
Gains (losses) on the remeasurement of pension and other post-employment benefit plans	**(267)**	17,643
Unrealized losses on available-for-sale assets	**-**	(113,163)
Reclassifications of realized gains to net income for available-for-sale assets	**-**	5,427
Income tax recovery (note 13)	**71**	23,518
Total other comprehensive loss	**(196)**	(66,575)
Total comprehensive income	**$ 146,680**	$ 191,169

The accompanying notes to these consolidated financial statements are an integral part of these statements.

Consolidated Statements of Changes in Policyholders' Equity

(thousands of dollars)

	Participating Policyholders' Equity	Accumulated Other Comprehensive Income (Loss)	Total
Balance as at December 31, 2021 as previously reported	$ 1,221,873	$ 7,882	$ 1,229,755
Adjustment on initial application of IFRS 17, net of tax	(153,737)	-	(153,737)
Restated balance as at January 1, 2022	1,068,136	7,882	1,076,018
Restated net income	257,744	-	257,744
Other comprehensive loss	-	(66,575)	(66,575)
Restated balance as at December 31, 2022	1,325,880	(58,693)	1,267,187
Adjustment on initial application of IFRS 9, net of tax	(113,451)	64,118	(49,333)
Restated balance as at January 1, 2023	**1,212,429**	**5,425**	**1,217,854**
Net income	**146,876**	**-**	**146,876**
Other comprehensive loss	**-**	**(196)**	**(196)**
Balance as at December 31, 2023	**$ 1,359,305**	**$ 5,229**	**$ 1,364,534**

The accompanying notes to these consolidated financial statements are an integral part of these statements.

The balance of accumulated other comprehensive income at end of year 2023 consists of remeasurements related to employee future benefits, net of applicable income tax expense of $1,926. The balance at end of year 2022 consists of remeasurements related to employee future benefits and unrealized losses on available-for-sale assets, net of applicable income tax recovery of $20,407. All accumulated other comprehensive income is attributed to participating policyholders' equity.

Consolidated Statements of Financial Position

(thousands of dollars)

As at	December 31, 2023	December 31, 2022 (restated)	January 1, 2022 (restated)
ASSETS			
Cash, cash equivalents and short-term investments	**$ 85,547**	$ 69,354	$ 86,823
Bonds and debentures	**2,442,596**	1,938,810	1,889,893
Equities	**1,424,160**	1,192,025	1,215,064
Mortgages	**349,685**	337,152	313,892
Private placements	**503,857**	441,230	391,322
Derivatives	**42,697**	27,080	38,429
Investment property	**438,800**	432,300	368,713
Total invested assets (note 4)	**5,287,342**	4,437,951	4,304,136
Accrued investment income	**23,179**	18,373	14,091
Reinsurance contracts held (note 11)	**430,273**	419,849	472,155
Other assets (note 6)	**8,960**	37,882	20,155
Deferred income taxes (note 13)	**18,580**	-	31,789
Property, plant and equipment (note 7)	**31,753**	17,879	22,330
Total general fund assets	**5,800,087**	4,931,934	4,864,656
Segregated funds assets (note 8)	**2,319,955**	1,861,583	1,932,133
Total assets	**$ 8,120,042**	$ 6,793,517	$ 6,796,789
LIABILITIES			
Insurance contract liabilities, excluding segregated fund account balances (note 11)	**$ 4,040,506**	$ 3,349,170	$ 3,465,763
Insurance contract liabilities for account of segregated fund holders (note 11)	**2,319,955**	1,861,583	1,932,133
Investment contract liabilities	**287,602**	219,776	213,647
Derivatives	**10,288**	18,170	7,390
Other liabilities	**45,594**	38,634	66,903
Taxes payable	**40,594**	11,786	21,770
Deferred income taxes (note 13)	**-**	14,514	-
Mortgage loan (note 12)	**10,969**	12,697	13,165
Total liabilities	**6,755,508**	5,526,330	5,720,771
POLICYHOLDERS' EQUITY			
Participating policyholders' equity	**1,359,305**	1,325,880	1,068,136
Accumulated other comprehensive income (loss)	**5,229**	(58,693)	7,882
	1,364,534	1,267,187	1,076,018
Total liabilities and policyholders' equity	**$ 8,120,042**	$ 6,793,517	$ 6,796,789

The accompanying notes to these consolidated financial statements are an integral part of these statements.

Douglas S. Alexander, CPA, CA
Chair of the Board

Fabien Jeudy, FSA, FCIA
President and Chief Executive Officer

Consolidated Statements of Cash Flows

For the years ended December 31	(thousands of dollars)	
	2023	2022
OPERATING CASH INFLOWS		
Premiums received	**$ 1,608,858**	$ 1,346,283
Interest income received	**123,166**	93,905
Dividend income received	**45,748**	30,720
Investment property income received	**9,002**	11,048
Fee income received	**70,604**	62,445
	1,857,378	1,544,401
OPERATING CASH OUTFLOWS		
Benefit and annuity payments	**(579,716)**	(472,332)
Operating expenses	**(520,912)**	(429,426)
Income, premium and other taxes	**(36,231)**	(69,283)
Financing expenses	**(433)**	(353)
	(1,137,292)	(971,394)
Cash provided by operating activities	**720,086**	573,007
INVESTING CASH INFLOWS (OUTFLOWS)		
Purchase of investments	**(1,432,729)**	(1,129,349)
Proceeds from sale of investments	**793,159**	571,773
Other	**(63,643)**	(32,373)
Cash used in investing activities	**(703,213)**	(589,949)
FINANCING CASH OUTFLOWS		
Lease payments	**-**	(59)
Mortgage loans	**(680)**	(468)
Cash used in financing activities	**(680)**	(527)
Increase (decrease) in cash during the year	**16,193**	(17,469)
Cash, cash equivalents and short-term investments - beginning of year	**69,354**	86,823
Cash, cash equivalents and short-term investments - end of year	**$ 85,547**	$ 69,354

The accompanying notes to these consolidated financial statements are an integral part of these statements.

Notes to Consolidated Financial Statements

1. Corporate Information

The Equitable Life Insurance Company of Canada (Equitable) is a mutual company domiciled in Canada and incorporated under the Insurance Companies Act (Canada). As the parent company, together with its subsidiaries (collectively, "the Company"), it operates in the life insurance industry. Operations cover the development, marketing, and servicing of life, health, and annuity products to individual and group clients as well as asset management services to individual clients, including segregated funds. The head office is located at One Westmount Road North, Waterloo, Ontario, Canada.

The publication of these audited financial statements was approved by the Company's Board of Directors ("the Board") on February 23, 2024.

2. Summary of Material Accounting Policies

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand, unless otherwise specified.

The consolidated financial statements have been prepared on the fair value basis except for the following significant items in the Consolidated Statements of Financial Position:

- property, plant, and equipment
- reinsurance contracts held
- insurance contract liabilities
- current and deferred taxes

(a) Critical estimates, assumptions, and judgments

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income, and expenses. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Areas of significant accounting estimates and assumptions include valuation of insurance and investment contract liabilities, reinsurance contracts held, determination of fair value of financial instruments, valuation of investment properties, provisions and liabilities for pension plans and other post-employment benefits, and provision for income taxes.

Management has applied judgment in the classification and measurement of insurance and investment contracts (including at transition to IFRS 17 and IFRS 9), financial instruments and the componentizations of property, plant, and equipment within the financial statements.

Details on estimates and judgement are described in the applicable notes that follow. Actual results could vary from management's estimates. Estimates and assumptions are reviewed periodically according to changing facts and circumstances.

(b) Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary companies for the reporting periods presented. Subsidiaries are entities controlled by the Company.

(c) Invested assets

The Company measures all financial assets as fair value through profit or loss (FVTPL). Invested assets were evaluated according to the business model in which they are managed and their contractual cash flow characteristics, specifically assessing whether cash flows represent solely payments of principal and interest (SPPI). Those that do not meet the SPPI test are required to be measured at FVTPL. Upon transition to IFRS 9, certain financial assets were reclassified to FVTPL because they did not pass the SPPI test; financial assets that passed the SPPI test were also classified as FVTPL as doing so eliminated or significantly reduced the accounting mismatch arising from measurement inconsistency between total Company assets and liabilities.

As IFRS 9 was adopted on January 1, 2023, the 2022 comparative invested asset amounts presented in the financial statements are on an IAS 39 basis. Note 3 presents a comparison of the classification under each standard. Invested assets are accounted for on the following basis for the 2023 reporting year:

Cash, cash equivalents and short-term investments

Cash equivalents consist of investments with a term to maturity of less than three months. Short-term investments consist of investments with a term to maturity exceeding three months, but less than one year.

Bonds and debentures

Bonds are designated as FVTPL. Purchases and sales of bonds are recognized or derecognized in the Consolidated Statements of Financial Position on their settlement dates.

FVTPL bonds are recorded in the Consolidated Statements of Financial Position at fair value, with changes in fair value recorded to the change in fair value through profit or loss in the Consolidated Statements of Operations. Interest income earned on FVTPL bonds is recorded as investment income. Transaction costs related to the purchase of these bonds are recognized immediately in net income.

Equities
Equities are classified as FVTPL. Equity investment transactions are recognized or derecognized in the Consolidated Statements of Financial Position on their settlement dates.

Certain universal life insurance products permit a policyholder to deposit amounts in one or more linked accounts which are credited or debited at least equal to the performance of the relevant fund or index. To support this liability, the Company normally simulates these investment returns by the use of derivative financial instruments or by investing in the same or similar equity investments. These shares, mutual funds and derivative financial instruments are accounted for at market value in order to match the market value of the liability.

FVTPL equities are recorded in the Consolidated Statements of Financial Position at fair value, with changes in fair value recorded to the change in fair value through profit or loss in the Consolidated Statements of Operations. Dividends received are recorded as investment income. Transaction costs related to the purchase of these equities are recognized immediately in net income.

Mortgages
Mortgages are designated as FVTPL. Mortgage transactions are recognized or derecognized in the Consolidated Statements of Financial Position on their settlement dates.

FVTPL mortgages are recorded in the Consolidated Statements of Financial Position at fair value, with changes in fair value recorded to the change in fair value through profit or loss in the Consolidated Statements of Operations. Interest income earned on FVTPL mortgages are recorded as investment income. Transaction costs related to the purchase of mortgages are recognized immediately in net income.

Private placements
Private placements are designated as FVTPL. Private placement transactions are recognized or derecognized in the Consolidated Statements of Financial Position on their settlement dates.

FVTPL private placements are recorded in the Consolidated Statements of Financial Position at fair value, with changes in fair value recorded to the change in fair value through profit or loss in the Consolidated Statements of Operations. Interest income earned on FVTPL private placements are recorded as investment income. Transaction costs related to the purchase of private placements are recognized immediately in net income.

Derivatives
Derivative investments are recorded in the Consolidated Statements of Financial Position at fair value with changes in fair value recorded to change in fair value through profit or loss in the Consolidated Statements of Operations. Income earned on these derivatives, such as interest income, is recorded to investment income. Derivatives with a positive fair value are recorded as derivative assets while derivatives with a negative fair value are recorded as derivative liabilities.

Investment property
Investment properties are real estate held to earn rental income and are not owner-occupied. Investment properties are initially recognized at transaction price including transaction costs. These properties are subsequently measured at fair value in the Consolidated Statements of Financial Position with changes in fair values recorded to the change in fair value on investment property in the Consolidated Statements of Operations. Fair value is supported by market evidence, as assessed by qualified appraisers. All assets are appraised by an external appraiser once every three years, at a minimum, and reviewed quarterly for material changes. Rental income from investment properties is recorded to investment income on a linear basis over the term of the lease.

Securities lending
The Company engages in securities lending to generate additional income. The Company's securities custodian is used as the lending agent. Loaned securities are not derecognized, and continue to be reported within invested assets, as the Company retains substantial risks and rewards and economic benefits related to the loaned securities.

(d) Property, plant, and equipment
Owner-occupied property and all other items classified as property, plant, and equipment are carried at historical cost less accumulated depreciation and impairment. Depreciation of property and equipment, excluding land which is not depreciated, is calculated using a straight-line method and amortized over their estimated useful lives as follows:

Owner-occupied properties	15 – 40 years
Furniture and fixtures	5 – 10 years
Equipment	3 – 5 years

(e) Contract classification
The Company's products are classified at contract inception, for accounting purposes, as insurance, service or investment contracts. When significant insurance risk exists, the contract is accounted for as an insurance contract. Significant insurance risk exists when the Company agrees to compensate policyholders or beneficiaries of the contract for specified uncertain future events that adversely affect the policyholder, where the amount and timing is unknown. In the absence of significant insurance risk, the contract is classified as an investment contract or a service contract. Investment contracts are financial liabilities that transfer financial risk from the policyholder to the Company. Service contracts do not transfer significant insurance risk and do not transfer financial risk from the policyholder to the Company.

The Company enters into reinsurance contracts held to transfer insurance risk to reinsurers.

(f) Insurance contracts and reinsurance contracts held

Separating components from insurance contracts and from reinsurance contracts held

Insurance contracts and reinsurance contracts held are assessed at inception to determine if they contain distinct components that would be within the scope of another standard if they were separate contracts; IFRS 9 applies for distinct investment components and IFRS 15 for distinct service components. Components are distinct if they are not highly interrelated with the insurance components, and could be measured separately, sold separately and the policyholder can benefit from one without the presence of the other. After separating distinct components, remaining components of the insurance contract are measured under IFRS 17.

Aggregation

The Company aggregates its insurance contracts into portfolios that align with its product lines since they present similar risks and are managed together through the Company's different lines of business. Every portfolio is divided into groups that can fall into one of three categories: onerous contracts, non-onerous contracts with no significant possibility of becoming onerous, and other non-onerous contracts. Portfolios are divided into cohorts, where contracts are not in the same cohort if they are issued more than one year apart.

Reinsurance contracts held are grouped at the treaty level. Each group contains reinsurance contracts held recognized during one quarter.

Portfolios determine the level at which contracts are grouped for presentation in the Consolidated Statements of Financial Position, which include the Liabilities for Remaining Coverage (LRC) and the Liabilities for Incurred Claims (LIC). Insurance contract portfolios that are assets are presented separately from those that are liabilities. The same split in the presentation is applicable to reinsurance contracts held portfolios.

The group determines the level at which recognition and measurement are carried out. Groups of contracts are established at initial recognition and their composition is not reassessed subsequently.

Recognition

A group of insurance contracts issued are recognized from the earliest of:

- the beginning of the coverage period of the group of contracts; or
- the date when the first payment from a policyholder in the group becomes due; or
- when a group of onerous contracts becomes onerous.

The Company recognizes a group of reinsurance contracts held from the earlier of the beginning of their coverage period and the date an onerous group of underlying insurance contracts is recognized.

Contract boundary

All future cash flows within the boundary of each contract in a group are included in the measurement of a group of contracts. The Company reassess the contract boundary at each reporting date.

Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay premiums, or in which the Company has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when the Company has the practical ability to reassess the risks and as a result can modify pricing.

For reinsurance contracts held, substantive rights and obligations between the Company and reinsurer determine the cash flows that are within the contract boundary.

Measurement

The Company applies three measurement models: the General Measurement Approach (GMA) for contracts without direct participating features, the Variable Fee Approach (VFA) for contracts with direct participating features, and the Premium Allocation Approach (PAA) for certain short-duration contracts.

The VFA is applied to the Company's segregated fund business and participating whole life policies, where policyholders benefit from the return on Traditional Participating Account assets. VFA underlying items are disclosed in notes 8 and 17.

Insurance contract liabilities for each group of insurance contracts represent the sum of the LIC and LRC. Each measurement model provides an approach for measuring the LRC, which is an entity's obligation to pay claims for insured events that have not yet occurred. The LIC is generally measured consistently across the models and represents the Company's obligation to pay claims for insured events that have already occurred, including events that have occurred but for which claims have not yet been reported, and other incurred insurance expenses.

GMA and VFA

Initial recognition

At initial recognition, these approaches measure groups of insurance contracts based on the Company's estimates of Fulfilment Cash Flows (FCF) and the Contractual Service Margin (CSM).

FCF are the present value of expected future cash flows with an explicit risk adjustment for non-financial risk. The estimates of future cash flows include all cash flows that are within the contract boundary, including but not limited to premiums, claims and other insurance service expenses, surrender value options, policy loans and an allocation of insurance acquisition cash flows. Insurance acquisition cash flows where an asset is recognized before the related group of insurance contracts are not material. The estimates of future cash flows are discounted to reflect the time value of money and financial risk related to those cash flows, unless the Company expects claims to be paid in one year or less from the date it was incurred. The Company determines discount rates based on a risk-free rate plus an illiquidity premium reflective of the cash flow characteristics of the respective insurance contract. An explicit risk adjustment for non-financial risk represents the compensation the Company requires for bearing the uncertainty that arises from non-financial risk only (e.g., mortality,

lapse, expense, etc.). The risk adjustment includes the benefit of diversification. The Company applies a confidence interval approach to determine its risk adjustment for non-financial risk, using an 80-85% confidence level.

The CSM represents unearned profit and is recognized into income, over the coverage period, as services are provided. On initial recognition of a group of insurance contracts, if the total of the fulfilment cash flows and any cash flows arising at that date is a net inflow, the group is non-onerous and no income or expenses arise on initial recognition. If the total is a net outflow, the group is onerous. In this case, no CSM is established for the group and a loss is immediately recognized as insurance service expense in the Consolidated Statements of Operations and a loss component is created in the LRC.

A portion of the CSM is recognized in the Consolidated Statements of Operations as insurance revenue to reflect the services provided, based upon identification and projection of the coverage units for a particular group of insurance contracts. The number of coverage units in a group of insurance contracts considers the quantity of benefits, expected coverage period, and if applicable investment returns provided. Coverage units are discounted to determine the CSM amortization amount. For most insurance contracts the benefit amount represents the coverage unit. Coverage units for payout annuity products are the expected annualized payment amounts and for segregated funds it is the maximum of guaranteed value and account value.

For reinsurance contracts held the coverage units are the amount reinsured.

Total coverage units of each group of contracts are reassessed at the end of each reporting period to adjust for the reduction of remaining coverage for claims paid, expectations of lapses and cancellation of contracts in the periods.

Subsequent measurement

FCF are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates to the risk adjustment for non-financial risk. Changes in FCF relating to future services, when the group is non-onerous, are offset by an equivalent amount in the CSM. When the group is onerous the changes are recognized in insurance service result in the Consolidated Statements of Operations. Changes in FCF relating to current or past services are recognized in insurance service result. Changes in the time value of money and financial risk are recognized as net investment result in the Consolidated Statements of Operations for contracts measured under GMA. For contracts measured under VFA, those changes are instead offset by an equivalent amount in the CSM, if any. For contracts measured under the VFA, the Company has not applied the risk mitigation option, resulting in any changes in the time value of money and financial risk being offset by an equivalent adjustment in the CSM.

For contracts measured under the GMA, the Company has made the accounting policy choice to disaggregate the changes in the risk adjustment for non-financial risk, resulting in the impacts of the time value of money and financial risk being recognized in net investment result in the Consolidated Statements of Operations.

The CSM at the beginning of the period is adjusted for new contracts, interest accretion, changes in FCFs relating to future service, and amounts recognized as insurance revenue for services provided. For contracts measured under GMA, interest accretion is measured using discount rates locked in at initial recognition, whereas for contracts measured under VFA there is no fixed accretion rate, and all experience variances are reflected in the CSM.

The changes in FCF relating to future service that adjust the CSM include experience adjustments arising from premiums received in the period that relate to future service, changes in estimates of the present value of future cash flows in the LRC at discount rates at initial recognition and not related to the time value of money nor financial risk, differences between investment components expected to be payable in the period versus the actual investment components that become payable in the period, and changes in risk adjustment for non-financial risk that relate to future services.

If a group of contracts is assessed as onerous at subsequent measurement, the LRC includes a loss component, and a loss is recognized in Consolidated Statements of Operations under insurance service expense. The loss component is released based on a systematic allocation of the subsequent changes in the FCF between the loss component of the LRC and the LRC excluding the loss component. If the loss component is reduced to zero, then any excess over the amount allocated to the loss component creates a new CSM for the group of contracts.

PAA

Initial recognition

This approach is applied to measure short duration insurance products. Insurance contracts with a coverage period of 12 months or less automatically qualify for PAA. For other insurance contracts, the Company has established a methodology for assessing whether the measurement of the LRC differs significantly from the measurement under the GMA to determine whether they qualify for the PAA.

At initial recognition, the LRC is measured as premiums received less any insurance acquisition commission cash flows that are annualized and paid in advance. The Company has chosen to expense as incurred all other insurance acquisition costs related to insurance contracts measured under PAA. There is no significant financing component related to the LRC and there is no adjustment for time value of money and financial risk.

Subsequent measurement

The LRC at the beginning of the period is adjusted for premiums received, acquisition cash flows paid, the amount recognized as insurance revenue for services provided and amortization of insurance acquisition cash flows.

If a group of PAA contracts is onerous, a loss component is established as the difference between the FCF and the LRC of the group. A loss is recognized in the Consolidated Statements of Operations.

If at any time during the coverage period the facts and circumstances indicate that a group of insurance contracts is onerous, the Company recognizes a loss in the Consolidated Statements of Operations and increases the LRC to the extent the fulfilment cash flows that relate to the remaining coverage of the group exceed the carrying amount of the LRC. By the end of the coverage period for the group of contracts the loss component will reach zero.

Reinsurance Contracts Held
The measurement of reinsurance contracts held follows the same accounting policies used to measure insurance contracts issued, except for the following:

- The Company determines the risk adjustment for non-financial risk representing the amount of risk being transferred to the reinsurer.
- On initial recognition, the Company recognizes profits and losses in the Consolidated Statements of Financial Position as a reinsurance CSM which is released into income as the reinsurer provides services.
- For reinsurance contracts held covering onerous underlying contracts, a loss recovery component is established and partially offsets the direct insurance contract losses.
- On subsequent measurement, changes in the FCF adjust the reinsurance CSM unless the underlying contract is onerous, in which case changes in the FCF are recognized in profit or loss.

Reinsurer non-performance risk is not material to the Company.

Contract derecognition and modification
An insurance contract is derecognized when the rights and obligations relating to the contract are extinguished, discharged, cancelled or expired. Modification of a contract may lead to derecognition if changes result in the contract being included in a different group or a different measurement model being applicable.

Presentation
Insurance service result
Insurance service result includes insurance revenue and insurance service expenses arising from the groups of insurance contracts issued. Insurance revenue is recognized as insurance services are provided for each group of contracts, representing the amount earned in the period through expected future cash outflows, recognition of the CSM, release of the risk adjustment for non-financial risk, and expected premium received from groups of contracts measured under the PAA. In addition, a portion of revenue related to the recovery of insurance acquisition cash flows is recognized in a systematic way based on the passage of time. The amount of CSM released into insurance revenue is determined by allocating the CSM at the end of the period to each coverage unit provided in the current period and expected to be provided in the future.

Insurance service expenses include incurred claims, amortization of insurance acquisition cash flows, losses and reversal of losses on onerous contracts, and other insurance service expenses.

Insurance service revenues and expenses exclude non-distinct investment components. These represent the amounts that the Company is required to repay to the policyholder in all circumstances, regardless of whether an insured event occurs and are highly interrelated with the insurance contract. Some insurance contracts issued by the Company include a surrender option under which the surrender value is paid to the policyholder on maturity or earlier lapse of the contract. These surrender options have been assessed by the Company to meet the definition of a non-distinct investment component under the requirements of IFRS 17. For some insurance contracts the non-distinct investment component includes the Cash Surrender Value (CSV), for participating contracts this includes dividends on deposit and the premium deposit fund. The policyholder account value is the non-distinct component for segregated fund contracts. Investment components which are highly interrelated with the insurance contract of which they form a part are considered non-distinct and are not separately accounted for. However, receipts and payments of the investment components are recorded outside of profit or loss, with differences between expected and actual amounts impacting the CSM.

Net expenses from reinsurance contracts held comprise an allocation of reinsurance premiums paid, and amounts recovered from reinsurers. The allocation of reinsurance premiums paid is recognized as the Company receives services under groups of reinsurance contracts held. The amounts recovered from reinsurers reflect the cash flows from claims or benefit experience of the underlying contracts. The CSM amortization reflects the expected pattern of services provided.

Insurance finance income or expense from insurance contracts and reinsurance contracts held
For contracts measured under GMA, insurance finance income or expense represents the change in the carrying value of the group of insurance contracts arising from the effect of time value of money and changes in the time value of money, financial risk and changes in financial risk.

For contracts measured under VFA, insurance finance income or expense represents the changes in the fair value of underlying items, excluding deposits and withdrawals, and changes which cannot be offset by the CSM.

The Company includes all insurance finance income or expense from insurance contracts and reinsurance contracts held in the Consolidated Statements of Operations and does not disaggregate between the Consolidated Statements of Operations and the Consolidated Statements of Comprehensive Income or OCI.

(g) Investment contract liabilities
Investment contract liabilities are financial liabilities that transfer financial risk from the contractholder to the Company. These amounts are carried at fair value. Changes in the fair value of investment contract liabilities are recorded as movement in investment contract liabilities. Deposits collected from and payments made to contractholders are recorded as an increase and decrease in the investment contract liabilities.

(h) Income taxes

The Company provides for income taxes using the liability method of tax accounting.

Current income tax expense represents the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if there is any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred income tax expense represents the tax effect of the movement during the year in the cumulative temporary differences between the carrying value of the Company's assets and liabilities in the Consolidated Statements of Financial Position and their values for tax purposes. Deferred tax assets are recognized for unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if there is any.

(i) Employee future benefits

Equitable provides a defined benefit pension plan to eligible employees upon retirement. These benefits reflect compensation history and length of service. Pension plan assets, carried at market value, are held in a separate segregated fund of the Company for the benefit of all members. The excess of pension assets over pension obligations is included in other assets; the excess of pension obligations over pension assets is included in other liabilities. Plan assets and the accrued benefit obligation are measured as of December 31.

The Company has also established a defined contribution pension plan for eligible employees. Generally, employer contributions are a set percentage of the employee's annual income and matched against employee contributions.

In addition to the Company's pension plans, health and dental benefits are provided to qualifying employees upon retirement. The liability for these benefits is included in other liabilities and is supported by the general fund assets of the Company.

An independent actuary performs regular valuations of the Company's accrued benefit obligation for employee future benefits. This method involves the use of estimates concerning such factors as expected plan investment performance, future salary increases, employee turnover rates, retirement ages of plan members and expected health care costs.

The Company's net benefit plan expense includes:

- service cost: the cost of benefits accrued in the current period and benefit changes including past service costs, curtailment effects and gains/losses from non-routine settlements
- finance cost: interest on the accrued benefit obligation less interest on plan assets, is recorded as a component of financing and is valued using the same discount rate

Remeasurements include gains and losses arising from experience adjustments and changes to actuarial assumptions, the difference between the actual return achieved on the assets and the return implied by the net interest income, and the effect of changes to asset ceilings. Remeasurements are recorded in OCI.

The calculation of employee future benefits requires management to make assumptions that are long-term in nature, consistent with the nature of these benefits. Actual results could differ from these estimates.

(j) Fair value disclosures

The fair values of investments are determined as disclosed in note 4. The mortgage loan fair value is determined as disclosed in note 12. The fair values of other financial instruments, including accrued investment income, other accounts receivable included in other assets, and other liabilities, are considered to equal their carrying values due to the nature of these instruments. To the extent that invested assets are well matched to policy liabilities, changes in the fair values of the assets due to interest rate changes will have a similar effect on the policy liabilities and will not materially affect future earnings.

(k) Segregated funds

Certain contractholders have the option to invest in segregated funds managed by the Company. Substantially all risks and rewards of ownership accrue to the contractholder; consequently, assets held in segregated fund accounts are not consolidated with the assets of Equitable but are presented as a single line item in the Consolidated Statements of Financial Position. Segregated fund assets are carried at year-end market values. The obligation to pay the value of the net assets held under these contracts is considered a financial liability and is measured based on the value of the net segregated fund assets. Market value movements in the underlying segregated fund net assets along with any investment income earned and expenses incurred are directly attributed to the contractholder.

The Company provides minimum death benefit guarantees and minimum maturity value guarantees. The liability associated with these minimum guarantees is recorded in insurance contract liabilities in the general fund, which represents the cost of guarantee less expected fee income net of expenses.

Separate audited financial statements are available for each segregated fund.

3. Changes in Accounting Policies

(thousands of dollars)

(a) Impact of the Transition to IFRS 17, Insurance Contracts

IFRS 17, Insurance Contracts, replaced the Company's existing accounting as prescribed or permitted under IFRS 4, Insurance Contracts. The standard took effect for annual periods beginning on or after January 1, 2023, with a transition date of January 1, 2022. Changes were to be applied retrospectively unless impracticable, in which case the Company could elect to use a modified retrospective or fair value method.

IFRS 17 changed the fundamental principles used by the Company for recognizing and measuring insurance contracts, as well as presentation and related note disclosures in the Company's financial statements. Significant differences impacting net income include:

- New business profits are deferred and included in a CSM liability, which are recognized in future income as insurance services are delivered over the life of the contract.
- Impacts of loss-making or "onerous contracts" are recognized immediately.
- The determination of risk margins included in policy liabilities differs under IFRS 17, and in particular will not include an investment margin, resulting in lower releases of risk margins into income.
- Increased volatility is expected from the impact of changes in discount rates on insurance contract liabilities.

The Company determined that a full retrospective application of IFRS 17 was impracticable for contracts measured under the GMA and VFA. The primary drivers of impracticability are related to data and the use of hindsight, consistent with the principles of IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors. The fair value approach was applied upon transition to IFRS 17 for contracts not measured under the PAA.

The Company applied IFRS 13, Fair Value Measurement in determining the fair value of insurance contracts and reinsurance contracts held at transition. Fair value in this context was determined using the appraisal value approach which establishes what the Company would be required to pay to a market participant to take on the liability of these contracts, which is represented by the CSM and FCF. The CSM liability, or loss component, at the date of transition was calculated as the difference between the fair value of a group of insurance contracts and the fulfilment cash flows measured at January 1, 2022. CSM liability or loss component amounts were calculated separately for participating whole life, participating universal life, non-participating life, critical illness, segregated funds, payout annuities, group annuities and reinsurance groups. The calculation included assumptions that a market participant would use to value the insurance contracts in measuring the FCF as well as compensation for taking on risks associated with assuming the liabilities. These assumptions were those assumed to be used by a mid to large direct writer of insurance contracts, operating in the Canadian market and selling products similar to the Company's current portfolio. Management exercised judgement and used estimates based upon reasonable and supportable information available at the transition date to determine the fair value.

The Company recognized the impacts of adoption through a reduction to policyholders' equity of $153,737, equating to a 13% reduction of equity, on January 1, 2022, primarily driven by the establishment of the CSM liability.

IFRS 17 has led to some reclassifications between insurance contract liabilities, investment contract liabilities, reinsurance contracts held, other assets and other liabilities which had no impact on policyholders' equity.

As IFRS 17 adoption resulted in significant changes to the accounting of insurance contracts and reinsurance contracts held, certain comparative figures have been restated and the Company has prepared its opening Consolidated Statements of Financial Position as at January 1, 2022. As determined in the IFRS 17 transition provisions, the Company has not presented the effects of the initial application of IFRS 17 on each financial statement line item affected in these financial statements.

(b) Impact of the Transition to IFRS 9, Financial Instruments

On January 1, 2023, the Company adopted IFRS 9, replacing IAS 39, Financial Instruments. The standard includes requirements on classification and measurement of financial assets and liabilities, impairment of financial assets, and general hedge accounting.

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 includes three principal measurement categories for financial assets – measured at amortized cost, fair value through other comprehensive income (FVOCI) and FVTPL. It eliminates the previous IAS 39 categories of held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

The Company has elected to measure all invested assets at FVTPL, as this significantly reduces the accounting mismatch arising from any measurement inconsistency between total Company assets and liabilities. This resulted in the reclassification of assets previously carried at amortized cost or designated as available-for-sale, where changes in fair value are recorded to unrealized gains and losses in OCI. For financial assets previously designated as FVTPL, there was no impact from the transition.

For financial liabilities, IFRS 9 largely retains the IAS 39 classification for classification for financial liabilities which can be measured at either amortized cost or FVTPL. Under IFRS 9, applicable financial liabilities will be measured at FVTPL, as this election significantly reduces accounting mismatch that would otherwise arise.

In accordance with the transitional provisions provided by the Standard, the Company did not restate prior periods and did not elect to apply the overlay approach. Instead, certain financial assets and liabilities held as at January 1, 2023 were remeasured and reclassified retrospectively through adjustments to the Consolidated Statements of Financial Position, based on the new classification requirements and the characteristics of each financial instrument as at the transition date.

The table below presents the classifications and carrying amount of financial assets and liabilities previously under IAS 39 and following transition to IFRS 9. The Company recognized the impacts of adoption through a reduction to policyholders' equity of $49,333, equating to a 4% reduction, on January 1, 2023.

	January 1, 2023			
	Carrying Value IAS 39	Carrying Value IFRS 9	Classification IAS 39	Classification IFRS 9
Financial Assets				
Cash, cash equivalents and short-term investments	$ 69,354	$ 69,354	Held for trading	FVTPL
Bonds and debentures	1,938,810	1,938,810	FVTPL or AFS	FVTPL
Equities	1,192,025	1,192,025	Held for trading or AFS	FVTPL
Mortgages	337,152	315,944	Loans and receivables	FVTPL
Private placements	441,230	391,449	Loans and receivables	FVTPL
Derivatives	27,080	27,080	Held for trading	FVTPL
	$ 4,005,651	$ 3,934,662		
Financial Liabilities				
Mortgage loan	$ 12,697	$ 11,233	Amortized cost	FVTPL

The introduction of the IFRS 9 expected credit loss (ECL) model, which replaced the IAS 39 incurred loss model, and the new general hedge accounting standard had no impact upon transition to the Company.

4. Investments

(thousands of dollars)

(a) Carrying and fair values of invested assets

	2023	2022	
	Fair Value	Carrying Value Net of Provisions*	Fair Value
Cash, cash equivalents and short-term investments	**$ 85,547**	$ 69,354	$ 69,354
Bonds and debentures	**2,442,596**	1,938,810	1,938,810
Equities	**1,424,160**	1,192,025	1,192,025
Mortgages	**349,685**	337,152	315,944
Private placements	**503,857**	441,230	391,449
Derivatives	**42,697**	27,080	27,080
Investment property	**438,800**	432,300	432,300
	$ 5,287,342	$ 4,437,951	$ 4,366,962

**2022 comparative figures are as reported in the prior year on IAS 39 basis. Effective 2023 all invested assets are measured at fair value.*

Valuation techniques used to measure and disclose the fair value of the assets and liabilities are:

Short-term investments are comprised of securities due to mature within one year of the date of purchase. The carrying value of these instruments approximates fair value due to their short-term maturities.

Bonds and debentures are valued by independent pricing vendors using proprietary pricing models, incorporating current market inputs for similar instruments with comparable terms and credit quality (matrix pricing). The significant inputs include, but are not limited to, yield curves, credit risks and spreads, measures of volatility and prepayment rates.

The equity portfolio is comprised of preferred shares; public and private equities; and investment property fund units. Public equities and preferred shares are valued based on quoted market prices. Private equities and investment property fund units have fair values provided by external fund managers.

Mortgages are valued based on a discounted cash flow model using market inputs, including contractual maturities and current market discount rates based on term and property type.

Private placements are valued based on techniques and assumptions which reflect changes in interest rates and creditworthiness of the individual borrower. The valuation also includes an unobservable liquidity adjustment and any applicable provision for credit losses.

Derivatives valuations can be affected by changes in interest rates, currency exchange rates, financial indices, credit spreads, default risk (including the counterparties to the contract) and market volatility. Fair values are based on market standard valuation methodologies consistent with what a market participant would use when pricing the instruments.

Investment property is supported by market evidence, as assessed by qualified appraisers. All assets are appraised by an external appraiser once every three years, at a minimum, and reviewed quarterly for material changes.

(b) Significant terms and conditions, exposures to interest rate and credit risks on investments

Bonds and debentures	Term to Maturity	2023 Carrying Value	2022 Carrying Value
Government of Canada	Less than 1 year	$ 7,826	$ 19,131
	1 to 5 years	211,163	51,497
	Over 5 years	209,679	136,503
Provincial governments	Less than 1 year	-	6,173
	1 to 5 years	55,141	58,567
	Over 5 years	627,335	558,462
Municipal governments	Less than 1 year	-	-
	1 to 5 years	1,965	1,950
	Over 5 years	16,453	15,514
Corporate	Less than 1 year	72,547	45,416
	1 to 5 years	395,900	318,984
	Over 5 years	835,822	718,249
Foreign governments	Less than 1 year	-	-
	1 to 5 years	8,765	8,364
	Over 5 years	-	-
		$ 2,442,596	$ 1,938,810
Mortgages	Less than 1 year	$ 24,689	$ 19,849
	1 to 5 years	267,462	230,981
	Over 5 years	57,534	86,322
		$ 349,685	$ 337,152
Private placements	Less than 1 year	$ 5,745	$ 6,312
	1 to 5 years	83,983	72,443
	Over 5 years	414,129	362,475
		$ 503,857	$ 441,230

(c) Analysis of net investment income

	2023	2022
Cash, cash equivalents and short-term investments	$ 3,824	$ 1,746
Bonds and debentures – fair value changes	89,316	(256,691)
Bonds and debentures – investment income	85,925	61,291
Equities – fair value changes	122,468	(147,420)
Equities – investment income	47,798	33,610
Mortgages	23,594	11,394
Private placements	39,091	17,547
Private placements – loan impairment	-	(3,400)
Derivatives – fair value changes	15,292	(6,013)
Derivatives – investment loss	(612)	(20)
Investment property – rental income	14,390	14,277
Investment property – fair value changes	1,191	60,536
Other investment income	1,177	(393)
Foreign exchange gains (losses)	(2,125)	7,730
	441,329	(205,806)
Investment expenses	(5,273)	(4,507)
Net investment income (loss)	$ 436,056	$ (210,313)

(d) Derivative financial instruments

Derivatives are financial contracts, the value of which is derived from underlying interest rates, foreign exchange rates, other financial instruments, commodities prices or indices. The Company may use derivatives including swaps, futures agreements, and options to manage current and anticipated exposures to changes in interest rates, foreign exchange rates, and equity market prices.

Swaps are over-the-counter contractual agreements between the Company and a third party to exchange a series of cash flows based on rates applied to a notional amount. Interest rate swaps are contractual agreements in which two counterparties exchange a fixed or a floating interest rate payment based on the notional amount for a specified period, according to a frequency and denominated in the same currency. Currency swaps are transactions in which two counterparties exchange cash flows of the same nature and denominated in two different currencies.

Futures are contractual obligations to buy or sell a financial instrument, foreign currency or other underlying commodity on a predetermined future date at a specified price. Futures are contracts with standard amounts and settlement dates that are traded on regulated exchanges.

Options are contractual agreements traded on regulated exchanges whereby the holder has the right, but not the obligation, to buy or to sell a financial asset at a predetermined price within a specified time.

The counterparties for the Company's derivative contracts are major Canadian financial institutions highly rated by independent rating agencies. A credit support agreement is in place with a counterparty for collateral held/pledged against the mark to market exposure of the net derivatives. In 2023 the gross collateral held was $17,674 (2022 - $7,105).

The notional amount represents an amount to which a rate or price is applied in order to calculate the exchange of cash flows. Positive replacement value represents the amount of loss that the Company would suffer if every counterparty to which the Company is exposed defaulted immediately. Credit equivalent amount represents the positive replacement value plus an amount for possible future credit exposure based on a formula prescribed by OSFI. Capital requirement represents the regulatory capital required to support the Company's derivative activities. This amount is calculated using the credit equivalent amount weighted according to the creditworthiness of the counterparty as prescribed by OSFI. The fair market value represents the estimated amount that the Company should pay or receive on the Consolidated Statements of Financial Position date to reverse its position.

Certain bonds are pledged as collateral against derivative contract liabilities. As at December 31, 2023, no gross collateral was pledged to a counterparty (2022 - $3,975).

2023

	Term to Maturity (Notional Amounts)				**Fair Value**					
	Less Than 1 Year	**1 to 5 Years**	**Over 5 Years**	**Total**	**Asset**	**Liability**	**Total**	**Positive Replacement Value**	**Credit Equivalent Amount**	**Capital Requirement**
Interest rate contracts										
Swaps	$ 2,000	$ 29,100	$ 83,100	$ 114,200	$ 16,456	$ (7,684)	$ 8,772	$ 16,614	$ 18,006	$ 307
Foreign exchange contracts										
Swaps	$ 56,319	$ 26,178	$ 262,097	$ 344,594	$ 26,241	$ (2,604)	$ 23,637	$ 26,241	$ 47,771	$ 781
Total	$ 58,319	$ 55,278	$ 345,197	$ 458,794	$ 42,697	$ (10,288)	$ 32,409	$ 42,855	$ 65,777	$ 1,088

2022

	Term to Maturity (Notional Amounts)				Fair Value					
	Less Than 1 Year	1 to 5 Years	Over 5 Years	Total	Asset	Liability	Total	Positive Replacement Value	Credit Equivalent Amount	Capital Requirement
Interest rate contracts										
Swaps	$ 22,000	$ 56,200	$ 80,600	$ 158,800	$ 16,420	$ (10,182)	$ 6,238	$ 16,870	$ 18,360	$ 287
Foreign exchange contracts										
Swaps	$ 44,155	$ 7,279	$ 191,892	$ 243,326	$ 10,660	$ (7,988)	$ 2,672	$ 10,738	$ 25,936	$ 440
Total	$ 66,155	$ 63,479	$ 272,492	$ 402,126	$ 27,080	$ (18,170)	$ 8,910	$ 27,608	$ 44,296	$ 727

(e) Determination of fair values and fair value hierarchy

The table below sets out fair value measurements using the fair value hierarchy.

			2023					
		Level 1		**Level 2**		**Level 3**		**Total**
Cash, cash equivalents and short-term investments	$	**85,547**	$	**-**	$	**-**	$	**85,547**
Bonds and debentures		**-**		**2,442,596**		**-**		**2,442,596**
Equities		**1,300,311**		**-**		**123,849**		**1,424,160**
Mortgages		**-**		**-**		**349,685**		**349,685**
Private placements		**-**		**503,857**		**-**		**503,857**
Derivatives		**-**		**42,697**		**-**		**42,697**
Investment property		**-**		**-**		**438,800**		**438,800**
Segregated funds assets		**2,099,201**		**199,356**		**19,966**		**2,318,523**
Assets at fair value	**$**	**3,485,059**	**$**	**3,188,506**	**$**	**932,300**	**$**	**7,605,865**
Derivatives	**$**	**-**	**$**	**10,288**	**$**	**-**	**$**	**10,288**
Mortgage loan		**-**		**10,969**		**-**		**10,969**
Segregated fund liabilities		**-**		**114**		**-**		**114**
Liabilities at fair value	**$**	**-**	**$**	**21,371**	**$**	**-**	**$**	**21,371**

			2022					
		Level 1		Level 2		Level 3		Total
Cash, cash equivalents and short-term investments	$	69,354	$	-	$	-	$	69,354
Bonds and debentures		-		1,938,810		-		1,938,810
Equities		1,085,467		-		106,558		1,192,025
Mortgages		-		-		315,944		315,944
Private placements		-		391,449		-		391,449
Derivatives		-		27,080		-		27,080
Investment property		-		-		432,300		432,300
Segregated funds assets		1,672,848		167,306		21,063		1,861,217
Assets at fair value	$	2,827,669	$	2,524,645	$	875,865	$	6,228,179
Derivatives	$	-	$	18,170	$	-	$	18,170
Mortgage loan		-		11,233		-		11,233
Segregated fund liabilities		-		843		-		843
Liabilities at fair value	$	-	$	30,246	$	-	$	30,246

Categorization within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant assets as follows:

Level 1 – valued using quoted prices in active markets for identical assets
Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1
Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data

(f) Investment property

		2023		2022
Balance, beginning of year	**$**	**432,300**	$	368,713
Acquisitions		**-**		-
Improvements		**5,309**		3,051
Fair value changes		**1,191**		60,536
Balance, end of year	**$**	**438,800**	$	432,300

Certain investment properties are encumbered by mortgage loans as discussed in note 12.

5. Financial Risk Management

(thousands of dollars)

The primary goals of the Company's financial risk management framework are to ensure that the outcomes of activities involving elements of risk are consistent with the Company's objectives and risk tolerance, and to maintain an appropriate risk/reward balance while protecting the Company's financial position from events with the potential to materially impair its financial strength. Balancing risk and reward is achieved through aligning risk appetite with business strategy, diversifying risk, pricing appropriately for risk, mitigating risk through preventive controls and transferring risk to third parties.

The Company has policies relating to the identification, measurement, monitoring, mitigation, and control of risks associated with financial instruments. The key risks related to financial instruments are credit risk, market risk (equity, interest rate, currency, investment property, and preferred shares), and liquidity risk. Enterprise-wide investment portfolio level targets and limits are established to ensure that portfolios are widely diversified across asset classes and individual investment risks. The following sections describe how the Company manages each of these risks.

(a) Credit risk

Credit risk is the risk of financial loss resulting from the failure of debtors to make payments of interest and/or principal when due. Equitable's policy is to acquire primarily investment-grade assets and minimize undue concentration of assets in any single geographic area, industry or company. Investment guidelines specify minimum and/or maximum limits for each asset class, industry and any individual issuer. Portfolio risk is evaluated using industry standard measurement techniques. Credit risk for bonds, mortgages and private placements is determined by recognized external credit rating agencies and/or internal credit reviews. These portfolios are monitored continuously and reviewed regularly with the Senior Credit and Investment Policy Committee of the Board of Directors or the Board itself.

The Company engages in securities lending to generate additional income. The Company's securities custodian is used as the lending agent. Collateral, which exceeds the fair value of the loaned securities, is deposited by the borrower with the lending agent and maintained by the lending agent until the underlying security has been returned. The fair value of the loaned securities is monitored on a daily basis by the lending agent who obtains or refunds additional collateral as the fair value of the loaned securities fluctuates. In addition, the securities lending agent indemnifies the Company against borrower risk, meaning that the lending agent agrees contractually to replace securities not returned due to a borrower default. As at December 31, 2023, the Company had loaned securities, which are included in invested assets, with a fair value of $1,089,574 (2022 - $870,276), and collateral of $1,169,714 (2022 - $896,689).

The Company is exposed to credit risk relating to premiums due from policyholders during the grace period specified by the insurance policy or until the policy is paid up or terminated. Commissions paid to agents and brokers are netted against amounts receivable, if any. Reinsurance is placed with counterparties that have a credit quality rating of A or above and concentration of credit risk is managed by following policy guidelines set each year by the Board. The maximum credit risk on the reinsurance contract assets held are the balances reported on the financial statements. Management continuously monitors and performs an annual assessment of the creditworthiness of reinsurers.

(i) Maximum exposure to credit risk

The Company's maximum credit exposure related to financial instruments is summarized in the following table. Maximum credit exposure is the fair value of the asset. Government issued bonds held by the Company are assumed to have no credit exposure. The credit exposure related to universal life linked accounts is passed through to policyholders and therefore not included in the total credit exposure. The credit risk exposure on derivatives is net of collateral from a counterparty. Loans to policyholders do not have credit exposure as the loans are supported by the cash value of the policy.

		2023		2022
Bonds and debentures	**$**	**1,304,269**	$	1,082,649
Equities		**241,272**		209,101
Mortgages		**349,685**		337,152
Private placements		**503,857**		441,230
Derivatives		**24,032**		19,957
Other		**87,153**		93,068
Total Consolidated Statements of Financial Position maximum credit exposure	**$**	**2,510,268**	$	2,183,157

(ii) Concentration of credit risk

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

		2023			2022	
Bonds issued or guaranteed by:						
Canadian federal government	**$**	**428,668**	**17.5%**	$	207,131	10.7%
Canadian provincial governments		**682,476**	**28.0%**		623,202	32.1%
Canadian municipal governments		**18,418**	**0.8%**		17,464	0.9%
Foreign governments		**8,765**	**0.4%**		8,364	0.4%
Total government bonds (assumed no credit risk)	**$**	**1,138,327**	**46.7%**	$	856,161	44.1%
Corporate bonds by industry sector:						
Financials	**$**	**575,347**	**23.5%**	$	487,863	25.2%
Utilities and energy		**276,528**	**11.3%**		230,108	11.9%
Industrials		**131,853**	**5.4%**		98,977	5.1%
Telecom		**76,308**	**3.1%**		62,569	3.2%
Other		**244,233**	**10.0%**		203,132	10.5%
Total corporate bonds	**$**	**1,304,269**	**53.3%**	$	1,082,649	55.9%
Total bonds and debentures	**$**	**2,442,596**	**100.0%**	$	1,938,810	100.0%

(iii) Asset quality

	2023	2022
Bonds and debentures portfolio quality:		
AAA	$ **462,860**	$ 235,276
AA	**805,009**	724,805
A	**738,881**	660,365
BBB	**431,291**	312,287
BB	**4,555**	6,077
Total bonds and debentures	$ **2,442,596**	$ 1,938,810

The Company carries all invested assets at fair value under IFRS 9. Any impairment is reflected in the fair value. As at December 31, 2022, an allowance for impairment of $3,400 was required under IAS 39.

(b) Market risk

Market risk is the risk of loss arising from adverse changes in market rates and prices. Market risk includes equity risk, interest rate risk, currency risk, investment property risk, and preferred share risk.

(i) Equity risk

Equity risk is the potential for financial loss arising from declines in equity market prices.

The majority of equity investments are held to back participating or universal life products where investment returns are passed through to policyholders through routine changes in the amount of dividends declared or to the rate of interest credited; in these cases equity market movements are largely offset by changes in policy liabilities. At the same time, the Company derives a portion of its revenue from fee income generated by segregated funds and from universal life products where account balances generally move in line with equity market levels. Declines in the market value of such assets results in reductions to fee income, impacting net income and the CSM. The Company has direct exposure to equity markets from investments backing other general account liabilities, policyholder equity and employee pension plans. In addition, segregated fund guarantee liabilities are directly affected by movements in equity markets.

The estimated immediate impact of a change in equity markets is as follows:

	2023			
	10% decrease	**35% decrease**	**10% increase**	**35% increase**
Net income	$ **(28,200)**	$ **(98,800)**	$ **28,200**	$ **98,800**
Equity	**(28,200)**	**(98,800)**	**28,200**	**98,800**
Contractual service margin	**(16,400)**	**(68,300)**	**14,500**	**45,800**

	2022			
	10% decrease	35% decrease	10% increase	35% increase
Net income	$ (22,300)	$ (78,000)	$ 22,300	$ 78,000
Equity	(22,300)	(78,000)	22,300	78,000
Contractual service margin	(14,600)	(60,100)	13,200	41,200

(ii) Interest rate risk

Interest rate risk is the potential for financial loss arising from changes in the value of assets and liabilities due to changes or volatility in interest rates or credit spreads. These risks are managed in the Company's asset-liability management program.

The risks associated with any mismatch in asset and liability sensitivities, asset prepayment exposure, asset default and the pace of asset acquisition are quantified and reviewed regularly. Testing under several interest rate scenarios (including increasing and decreasing rates and spreads) is done to assess reinvestment risk. The estimated immediate impact of a change in interest rates or credit spreads is presented below.

Interest rates:

	2023		2022	
	50 basis point decrease	**50 basis point increase**	50 basis point decrease	50 basis point increase
Net income	$ **(4,000)**	$ **200**	$ (3,500)	$ 200
Equity	**(4,000)**	**200**	(3,500)	200
Contractual service margin	**(55,500)**	**21,900**	(11,200)	4,300

Credit Spreads:

	2023		2022	
	50 basis point decrease	**50 basis point increase**	50 basis point decrease	50 basis point increase
Net income	$ **1,600**	$ **3,200**	$ (300)	$ 3,300
Equity	**1,600**	**3,200**	(300)	3,300
Contractual service margin	**-**	**-**	-	-

(iii) Currency risk
Currency risk is the potential for financial loss arising from changes in foreign exchange rates. The Company derives a portion of its revenue from fee income generated by segregated funds and from certain insurance contracts with account balances that include foreign currency asset exposures. Declines in the market value of such assets due to foreign exchange rate movements would result in corresponding reductions to fee income, impacting net income and the CSM. The Company also invests in assets denominated in foreign currency to improve diversification and enhance returns. Cross-currency derivative contracts are used when a currency mismatch exists between an investment and a liability. The estimated immediate impact of a change in the Canadian dollar would be as follows:

	2023		2022	
	10% decrease	**10% increase**	10% decrease	10% increase
Net income	**$ (7,100)**	**$ 7,100**	$ (7,800)	$ 7,800
Equity	**(7,100)**	**7,100**	(7,800)	7,800
Contractual service margin	**(14,400)**	**14,400**	(15,700)	15,700

(iv) Investment property risk
Investment property risk is the potential for financial loss arising from declines in real estate values and potential lease defaults. The estimated immediate impact of a change in investment property values is as follows:

	2023		2022	
	10% decrease	**10% increase**	10% decrease	10% increase
Net income	**$ (18,800)**	**$ 18,800**	$ (20,200)	$ 20,200
Equity	**(18,800)**	**18,800**	(20,200)	20,200
Contractual service margin	**-**	**-**	-	-

(v) Preferred share risk
Preferred share risk is the potential for financial loss arising from declines in the value of preferred shares. The immediate impact of a change in preferred share values is as follows:

	2023		2022	
	10% decrease	**10% increase**	10% decrease	10% increase
Net income	**$ (13,300)**	**$ 13,300**	$ (11,100)	$ 11,100
Equity	**(13,300)**	**13,300**	(11,100)	11,100
Contractual service margin	**-**	**-**	-	-

(c) Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet all cash outflow obligations as they come due. A conservative liquidity position is maintained that exceeds all the liabilities payable on demand. The Company's asset/liability management strategy allows it to maintain its financial position by ensuring that sufficient liquid assets are available to cover its potential funding requirements. The Company invests in various types of assets with a view to matching them with its liabilities of various durations. To strengthen its liquidity further, the Company actively manages and monitors its capital and asset levels, the diversification and credit quality of its investments, forecasts cash and maintains liquidity above established targets. In the event of a liquidity crisis, contingency plans are in place.

(i) Maturity analysis
The following table provides a maturity analysis of the Company's insurance contracts and reinsurance contracts held based on estimates of future cash flows reflecting dates on which the cash flows are expected to occur. Liabilities for remaining coverage measured under PAA have been excluded.

			2023			
	1 year	**2 years**	**3 years**	**4 years**	**5 years**	**6+ years**
Insurance contracts	**$ 578,805**	**$ 542,350**	**$ 487,607**	**$ 451,718**	**$ 405,477**	**$ (77,541,583)**
Reinsurance contracts held	**(24,684)**	**(26,410)**	**(25,835)**	**(23,975)**	**(22,898)**	**438,448**
Total	**$ 554,121**	**$ 515,940**	**$ 461,772**	**$ 427,743**	**$ 382,579**	**$ (77,103,135)**

			2022			
	1 year	2 years	3 years	4 years	5 years	6+ years
Insurance contracts	$ 511,645	$ 482,183	$ 431,374	$ 390,558	$ 357,464	$ (57,112,923)
Reinsurance contracts held	(17,396)	(19,883)	(21,185)	(20,484)	(18,614)	328,203
Total	$ 494,249	$ 462,300	$ 410,189	$ 370,074	$ 338,850	$ (56,784,720)

Contractual maturities of the remaining financial liabilities are as follows:

	2023					
	1 year	**2 years**	**3 years**	**4 years**	**5 years**	**6+ years**
Investment contract liabilities	**$ (89,648)**	**$ (82,684)**	**$ (38,307)**	**$ (19,687)**	**$ (22,507)**	**$ (65,671)**
Taxes payable	**-**	**-**	**-**	**-**	**-**	**-**
Mortgage loan	**-**	**-**	**-**	**-**	**-**	**-**
Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**
Total	**$ (89,648)**	**$ (82,684)**	**$ (38,307)**	**$ (19,687)**	**$ (22,507)**	**$ (65,671)**

	2022					
	1 year	2 years	3 years	4 years	5 years	6+ years
Investment contract liabilities	N/A	N/A	N/A	N/A	N/A	N/A
Taxes payable	$ -	$ -	$ -	$ -	$ -	$ -
Mortgage loan	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$ -	$ -

The Company's liquidity position is presented in the following table, represented as the excess of liquid assets over amounts payable on demand, ensuring cash demands can be met.

	2023	2022
Cash, cash equivalents and short term investments	**$ 85,547**	$ 69,354
Bonds and debentures	**2,442,596**	1,938,810
Equities	**1,300,311**	1,085,467
Other demand assets	**16,456**	16,420
Total liquid assets	**$ 3,844,910**	$ 3,110,051
Insurance contracts	**$ 2,766,891**	$ 2,375,293
Investment contracts	**192,433**	-
Other demand liabilities	**14,268**	16,338
Total liquidity needs	**$ 2,973,592**	$ 2,391,631
Liquidity position	**$ 871,318**	$ 718,420

6. Other Assets

(thousands of dollars)

	2023	2022
Other receivables	**$ 5,896**	$ 6,105
Intangible assets	**2,401**	3,709
Investment in associates	**663**	-
Taxes receivable	**-**	28,068
	$ 8,960	$ 37,882

7. Property, Plant and Equipment

(thousands of dollars)

	2023	2022
Cost		
Balance, beginning of year	**$ 34,002**	$ 38,890
Additions	**16,463**	140
Dispositions	**(870)**	(5,028)
Balance, end of year	**$ 49,595**	$ 34,002
Accumulated depreciation		
Balance, beginning of year	**$ 16,123**	$ 16,560
Depreciation for the year	**2,589**	3,859
Dispositions	**(870)**	(4,296)
Balance, end of year	**$ 17,842**	$ 16,123
Net book value	**$ 31,753**	$ 17,879

8. Segregated Funds

(thousands of dollars)

The following table presents segregated fund assets by category of asset:

		2023		2022
Assets				
Mutual/pooled units	$	**2,102,059**	$	1,687,297
Cash and short-term investments		**51,353**		55,968
Bonds and debentures		**161,639**		112,449
Private placements		**2,444**		3,436
Investment property fund		**19,966**		21,063
Other assets		**2,747**		622
Total segregated funds net assets	$	**2,340,208**	$	1,880,835
Composition of segregated funds net assets				
Held by contractholders	$	**2,319,955**	$	1,861,583
Held by the Company		**20,253**		19,252
Total segregated funds net assets	$	**2,340,208**	$	1,880,835

The following table presents the changes in segregated fund assets:

		2023		2022
Net assets - beginning of year	$	**1,880,835**	$	1,943,883
Additions to (deductions from) assets:				
Amounts received from contractholders		**571,860**		450,432
Net transfers to general fund		**(274)**		(1,083)
Amounts withdrawn by contractholders		**(301,070)**		(241,514)
Net contributions by contractholders		**270,516**		207,835
Interest and dividends		**47,862**		39,464
Net realized gains		**29,057**		27,224
Unrealized investment gains (losses)		**167,549**		(288,715)
Net investment income (loss)		**244,468**		(222,027)
Management fees and other operating costs		**(55,611)**		(48,856)
Net assets - end of year	$	**2,340,208**	$	1,880,835

The above are underlying contracts to segregated funds and constitute the underlying items for purposes of the VFA where policyholders share in the return of the underlying items.

9. Employee Future Benefits

(thousands of dollars)

Equitable maintains a defined contribution plan, providing pension benefits to eligible employees. The assets of the plan are held separately from those of the Company in funds under the control of trustees. The total cost recognized for the defined contribution plan is $4,754 (2022 - $4,083). The assets and the cost recognized for the defined contribution plan are not included in the pension benefits information below.

The Company also provides defined benefit pension and other post-employment benefits to eligible employees. The defined benefit plan assets for the staff plan are held in a fund that is legally separated from the Company. The Company has adopted a funding policy to make the minimum required contributions as required by law or such greater amount as may be deemed appropriate. Total cash payments for employee future benefits for 2023, consisting of cash contributed by the Company to its funded pension plan and cash payments directly to beneficiaries for other benefits, were $2,066 (2022 - $2,287).

(a) Information about the Company's defined benefit pension, supplementary executive retirement plans, and other post-employment benefits

	Pension Benefits		Other Benefits	
	2023	2022	**2023**	2022
Accrued benefit obligation				
Balance, beginning of year	**$ 96,076**	$ 126,807	**$ 7,494**	$ 8,670
Current service cost - employer	**1,528**	2,294	**-**	-
Current service cost - employee	**592**	601	**-**	-
Past service cost	**-**	871	**-**	-
Interest cost	**4,798**	3,802	**364**	253
Benefits paid	**(4,012)**	(4,289)	**(552)**	(506)
Actuarial (gain) loss from changes in plan experience	**(15)**	(269)	**-**	554
Actuarial (gain) loss from changes in financial assumptions	**5,422**	(33,741)	**308**	(1,477)
Balance, end of year	**$ 104,389**	$ 96,076	**$ 7,614**	$ 7,494
Fair value of assets				
Balance, beginning of year	**$ 92,915**	$ 109,156	**$ -**	$ -
Actual return on assets	**9,897**	(14,334)	**-**	-
Employer contributions	**1,514**	1,781	**552**	506
Employee contributions	**592**	601	**-**	-
Benefits paid	**(4,012)**	(4,289)	**(552)**	(506)
Balance, end of year	**$ 100,906**	$ 92,915	**$ -**	$ -
Fair value of assets	**$ 100,906**	$ 92,915	**$ -**	$ -
Accrued benefit obligation	**104,389**	96,076	**7,614**	7,494
Net accrued benefit obligation	**$ (3,483)**	$ (3,161)	**$ (7,614)**	$ (7,494)

Composition of fair value of pension benefits assets

	2023	2022
Bonds	**$ 26,571**	$ 21,216
Capital Group Global Equity Fund (Canada)	**21,286**	20,058
CC&L Q Global Equity Strategy	**16,116**	14,921
CC&L Q Canadian Equity Growth Strategy	**10,706**	9,547
BentallGreenOak Prime Canadian Property Fund Ltd	**10,584**	11,063
UBS Canada Global Real Estate Fund	**9,382**	10,000
Private placements	**2,444**	3,436
Amounts on deposit with the Receiver General of Canada	**1,888**	2,098
Derivative (interest rate)	**1,202**	(606)
MFS Balanced Fund	**355**	607
Cash	**309**	369
Accrued investment income	**63**	206
Total plan assets	**$ 100,906**	$ 92,915

The fair value of plan assets is determined on the same basis as disclosed in note 4 (a). The bond portfolio is invested in both corporate and government bonds with ratings that range from BBB to AAA. At each reporting date, the investment mix of the plan assets are reviewed and compared to the target mix. The target mix has been established to balance interest rate risk, equity risk, and longevity risk.

(i) Investment mandate
The defined benefit plan has investment mandates for each asset type. Assets are invested based on the following parameters:

Asset categories	Minimum	Benchmark	Maximum
Cash	0%	1%	10%
Fixed income	20%	29%	40%
Investment property	10%	20%	30%
Equities	40%	50%	60%

Equities are invested within the following guidelines:

Asset categories	Minimum	Benchmark	Maximum
Canadian equities	12%	22%	32%
Global equities	68%	78%	88%

(b) Net accrued benefit obligation included in the Consolidated Statements of Financial Position

	Pension Benefits		Other Benefits	
	2023	2022	**2023**	2022
Other liabilities	**$ 3,483**	$ 3,161	**$ 7,614**	$ 7,494

(c) Net benefit plan expense

	Pension Benefits		Other Benefits	
	2023	2022	**2023**	2022
Current service cost - employer	**$ 1,528**	$ 2,294	**$ -**	$ -
Current service cost - administration costs	**195**	291	**-**	-
Past service cost	**-**	871	**-**	-
Interest cost	**154**	556	**364**	253
	$ 1,877	$ 4,012	**$ 364**	$ 253

(d) Significant actuarial assumptions adopted in measuring the Company's accrued benefit obligation

	2023	2022
Discount rate used to determine accrued benefit obligation	**4.65%**	5.05%
Discount rate used to determine net benefit cost	**5.05%**	3.00%
Rate of compensation increase	**3.00%**	3.00%

The assumed health care trend rate used in measuring the accrued benefit obligation was 5.60% until 2027, decreasing annually to a rate of 3.57% in 2043. The assumed dental care trend rate used in measuring the accrued benefit obligation was 5.00% until 2027, decreasing annually to a rate of 3.57% in 2043.

(e) Sensitivity analysis
Sensitivity to changes in actuarial assumptions would have the following effect on the accrued benefit obligation as at December 31, 2023:

	Pension Benefits	Other Benefits
4.40% discount rate (instead of 4.65%)	$ 3,652	$ 204
2.75% salary increase rate (instead of 3.00%)	(923)	Included below*
1.00% increase in health and dental care trend rates	N/A	883

10. Management of Insurance Risk

(thousands of dollars)

(a) Policy assumptions
The nature and method of determining the significant assumptions made by the Company in the computation of policy liabilities are described in the following paragraphs. Operationally, the assumptions are supplemented by the addition of margins that in aggregate represent the risk adjustment for non-financial risk (see note 2). The methods and processes for estimating inputs used to measure contracts are consistent with prior periods.

Mortality
Mortality represents the occurrence of death in a given population. Best estimate assumptions are based on a combination of Company experience and recent industry experience derived from Canadian Institute of Actuaries tables. Mortality projections are further adjusted for expected future improvements. Assumptions are differentiated by policyholder age, sex, underwriting class and contract type. In general, an increase in expected mortality rates for life insurance business without participating experience dividends will increase the expected claim cost which will reduce future expected profits of the Company.

Longevity
Assumptions are based on a combination of Company experience and recent industry experience derived from Canadian Institute of Actuaries tables. An appropriate allowance is made for expected future mortality improvements. An increase in expected longevity (decrease in mortality rates) will lead to an increase in the expected cost of immediate annuity payments which will reduce future expected profits of the Company.

Morbidity
Morbidity represents the occurrence of accident or illness among insured risks. Assumptions are based on a combination of Company experience and recent industry experience. Multiple factors go into rate derivation including age, contract type, sex, policy size and type of employment. An increase in expected incidence rates (rate of accident and sickness) or a decrease in termination rates (rate of recovery) will increase the expected claim costs which will reduce future expected profits of the Company.

Policy lapse rates
Policyholders may allow their policies to lapse by choosing not to continue to pay premiums or requesting a surrender. The Company bases its estimate of future lapse rates on previous experience for a block of policies and industry experience where available. A block of policies is considered to be lapse-supported if an increase in ultimate lapse rates significantly increases profitability.

Policy maintenance expenses
Amounts are included in policy liabilities to provide for the costs of administering policies in-force and include the costs of premium collection, adjudication and processing of claims, periodic actuarial valuations, certain policyholder related taxes, preparation and mailing of policy statements, related indirect expenses and overhead. The process of forecasting expenses requires estimates to be made of such factors as salary rate increases, productivity changes, inflation, business volumes and indirect tax rates. Estimates of future policy maintenance expenses are based on the Company's experience. Only cash flows that are directly attributable to the fulfilment of the policy obligations using activity-based costing techniques are included in the policy liabilities. These expenses are allocated to groups of contracts using methods that are systematic and rational and are consistently applied to all costs that have similar characteristics. Generally attributable expenses represent 82% of total expenses.

Policyholder dividends
Policy liabilities include estimated future policyholder dividends under the assumption that future dividends will be adjusted to take into account future experience attributable to participating policies. Actual future dividends will be higher or lower than those used in determining the policy liabilities depending on future experience.

Discount rates
IFRS 17 differentiates the requirements for discount rates for cash flows that do not vary based on the returns of any underlying items from cash flows that do vary based on the returns of any underlying items. For those that do not vary, in the observable period (first 30 years), the discount rate is composed of risk-free rates, plus an illiquidity premium. The illiquidity premium is derived based on the illiquidity premium on a basket of reference assets, plus an additional premium to reflect illiquidity differences between these reference assets and the liability cash flows. At year 70, the discount rate is determined using guidance outlined in the Canadian Institute of Actuaries (CIA) standards of practice and consists of an ultimate risk-free rate plus an ultimate liquidity premium. Between year 30 and year 70, discount rates are determined by linear interpolation.

Discount Rates	Risk Free Rates	Most Illiquid Liquidity Premium	Least Illiquid Liquidity Premium
Year 1 (%)	4.55%	1.09%	0.74%
Year 2 (%)	3.77%	1.33%	0.83%
Year 3 (%)	3.38%	1.47%	0.91%
Year 4 (%)	3.24%	1.54%	0.95%
Year 5 (%)	3.12%	1.60%	1.00%
Year 6 (%)	3.08%	1.63%	1.03%
Year 7 (%)	3.08%	1.66%	1.07%
Year 8 (%)	3.10%	1.68%	1.09%
Year 9 (%)	3.11%	1.70%	1.11%
Year 10 (%)	3.11%	1.72%	1.13%
Year 15 (%)	3.11%	1.70%	1.08%
Year 20 (%)	3.08%	1.72%	1.19%
Year 25 (%)	3.05%	1.71%	1.24%
Year 30 (%)	3.02%	1.66%	1.20%
Year 40 (%)	3.18%	1.62%	1.27%
Year 50 (%)	3.34%	1.58%	1.35%
Year 60 (%)	3.49%	1.54%	1.43%
Year 70 (%)	3.65%	1.50%	1.50%
Year 80 (%)	3.65%	1.50%	1.50%
Year 90 (%)	3.65%	1.50%	1.50%
Year 100 (%)	3.65%	1.50%	1.50%

(b) Sensitivity to assumptions

The significant assumptions used in the valuation of insurance contracts are mortality, morbidity and lapse. The following sensitivity analysis shows the immediate impact on net income, equity, and the contractual service margin of a reasonable possible permanent change in these assumptions with all other assumptions unchanged. The impacts are shown separately gross and net of the impacts of reinsurance contracts held.

The impact on CSM is attributable to insurance contracts measured using the GMA and VFA. For insurance contracts measured using the GMA, the impact flows through the CSM at locked-in discount rates. For insurance contracts measured using the VFA, the impact flows through the CSM at current rates.

The impact on net income is attributable to any portion of the sensitivities for insurance contracts measured under GMA and VFA that cannot be absorbed by CSM, the full impact for insurance contracts measured under the PAA, and the difference in impact between locked-in and current discount rates for insurance contracts measured using the GMA. If current discount rates are higher than locked-in rates, this generally results in a favourable impact to net income from contracts measured using the GMA.

The table below presents the sensitivity to an adverse change in mortality rates. Adverse mortality is an increase in mortality for life insurance products and a decrease in mortality for annuity products.

	2023				2022			
	2% decrease		**2% increase**		2% decrease		2% increase	
	Gross	**Net**	**Gross**	**Net**	Gross	Net	Gross	Net
Net income	**$ (1,373)**	**$ (1,373)**	**$ 2,137**	**$ 165**	$ (1,257)	$ (1,257)	$ 3,455	$ 357
Equity	**(1,373)**	**(1,373)**	**2,137**	**165**	(1,257)	(1,257)	3,455	357
Contractual service margin	**(5)**	**(5)**	**(35,642)**	**(9,217)**	(7)	(7)	(37,010)	(9,496)

The table below presents the sensitivity to an adverse change in morbidity rates. Adverse morbidity is an increase in incidence for active lives and a decrease in recoveries for disabled lives.

	2023				2022			
	5% decrease		**5% increase**		5% decrease		5% increase	
	Gross	**Net**	**Gross**	**Net**	Gross	Net	Gross	Net
Net income	**$ (4,263)**	**$ (2,279)**	**$ (8,889)**	**$ (8,842)**	$ (4,116)	$ (2,205)	$ (7,727)	$ (7,826)
Equity	**(4,263)**	**(2,279)**	**(8,889)**	**(8,842)**	(4,116)	(2,205)	(7,727)	(7,826)
Contractual service margin	**-**	**-**	**(5,741)**	**(1,403)**	-	-	(5,416)	(1,237)

The table below presents the sensitivity to an adverse change in lapse rates. Adverse lapse is a decrease in lapse rates for lapse-supported products and an increase in lapse rates for other products.

	2023				2022			
	10% decrease		**10% increase**		10% decrease		10% increase	
	Gross	**Net**	**Gross**	**Net**	Gross	Net	Gross	Net
Net income	**$ 3,451**	**$ 3,267**	**$ 1,441**	**$ 3,374**	$ 5,029	$ 4,743	$ (17,351)	$ (15,483)
Equity	**3,451**	**3,267**	**1,441**	**3,374**	5,029	4,743	(17,351)	(15,483)
Contractual service margin	**(19,833)**	**(19,171)**	**(85,123)**	**(102,717)**	(20,627)	(19,833)	(63,836)	(74,979)

11. Insurance Contracts and Reinsurance Contracts Held

(thousands of dollars)

(a) Changes in insurance contract and reinsurance contracts held balances

The following reconciliations show how the net carrying amounts of insurance and reinsurance contracts held changed during the year as a result of cash flows and amounts recognized in the Consolidated Statements of Operations.

These liabilities do not have a contractual maturity, and the holders can withdraw their funds at any time. The fair value of these liabilities is the amount payable on demand, and changes in the credit risk of these liabilities have not had any impact on their fair value.

(i) Roll-forward of net insurance contract liabilities (assets) by remaining coverage and incurred claims

	Liability for Remaining Coverage		Liability for Incurred Claims			
	Excluding	Loss		Contracts under PAA		
2023	Loss Component	Component	Non-PAA	PV of FCF	Risk Adjustment	Total
Opening assets	$ -	$ -	$ -	$ -	$ -	$ -
Opening liabilities	4,726,643	13,948	91,296	351,657	27,209	5,210,753
Net opening balance	4,726,643	13,948	91,296	351,657	27,209	5,210,753
Changes in the statement of operations						
Insurance revenue						
Contracts under the fair value approach	(289,788)	-	-	-	-	(289,788)
Other contracts	(553,363)	-	-	-	-	(553,363)
Total insurance revenue	(843,151)	-	-	-	-	(843,151)
Insurance service expenses						
Incurred claims and other insurance service expenses	-	-	160,723	449,149	-	609,872
Amortization of insurance acquisition cash flows	86,037	-	-	-	-	86,037
Losses and reversal of losses on onerous contracts	-	(575)	-	-	-	(575)
Adjustments to liabilities for incurred claims	-	-	456	(3,854)	573	(2,825)
Total insurance service expense	86,037	(575)	161,179	445,295	573	692,509
Investment components excluded from above	(506,864)	-	506,864	-	-	-
Total insurance service result	(1,263,978)	(575)	668,043	445,295	573	(150,642)
Net insurance finance expense	516,479	585	29,805	22,725	907	570,501
Total changes in the statement of operations	(747,499)	10	697,848	468,020	1,480	419,859
Cash flows						
Premiums received	2,253,434	-	-	-	-	2,253,434
Incurred claims and other insurance service expenses	-	-	(689,987)	(449,293)	-	(1,139,280)
Insurance acquisition cash flows	(384,305)	-	-	-	-	(384,305)
Total cash flows	1,869,129	-	(689,987)	(449,293)	-	729,849
Net closing balance	5,848,273	13,958	99,157	370,384	28,689	6,360,461
Closing assets	-	-	-	-	-	-
Closing liabilities	5,848,273	13,958	99,157	370,384	28,689	6,360,461
Net closing balance	$ 5,848,273	$ 13,958	$ 99,157	$ 370,384	$ 28,689	$6,360,461

2022	Liability for Remaining Coverage: Excluding Loss Component	Liability for Remaining Coverage: Loss Component	Liability for Incurred Claims: Non-PAA	Liability for Incurred Claims: Contracts under PAA: PV of FCF	Liability for Incurred Claims: Contracts under PAA: Risk Adjustment	Total
Opening assets	$ -	$ -	$ -	$ -	$ -	$ -
Opening liabilities	4,933,711	6,727	63,450	364,107	29,901	5,397,896
Net opening balance	4,933,711	6,727	63,450	364,107	29,901	5,397,896
Changes in the statement of operations						
Insurance revenue						
Contracts under the fair value approach	(288,252)	-	-	-	-	(288,252)
Other contracts	(455,291)	-	-	-	-	(455,291)
Total insurance revenue	(743,543)	-	-	-	-	(743,543)
Insurance service expenses						
Incurred claims and other insurance service expenses	-	-	155,904	385,885	-	541,789
Amortization of insurance acquisition cash flows	53,518	-	-	-	-	53,518
Losses and reversal of losses on onerous contracts	-	6,991	-	-	-	6,991
Adjustments to liabilities for incurred claims	-	-	1,099	15,490	1,349	17,938
Total insurance service expense	53,518	6,991	157,003	401,375	1,349	620,236
Investment components excluded from above	(408,103)	-	408,103	-	-	-
Total insurance service result	(1,098,128)	6,991	565,106	401,375	1,349	(123,307)
Net insurance finance expense	(748,239)	230	30,735	(27,679)	(4,041)	(748,994)
Total changes in the statement of operations	(1,846,367)	7,221	595,841	373,696	(2,692)	(872,301)
Cash flows						
Premiums received	1,959,535	-	-	-	-	1,959,535
Incurred claims and other insurance service expenses	-	-	(567,995)	(386,146)	-	(954,141)
Insurance acquisition cash flows	(320,236)	-	-	-	-	(320,236)
Total cash flows	1,639,299	-	(567,995)	(386,146)	-	685,158
Net closing balance	4,726,643	13,948	91,296	351,657	27,209	5,210,753
Closing assets	-	-	-	-	-	-
Closing liabilities	4,726,643	13,948	91,296	351,657	27,209	5,210,753
Net closing balance	$ 4,726,643	$ 13,948	$ 91,296	$ 351,657	$ 27,209	$ 5,210,753

(ii) Roll-forward of net insurance contract liabilities (assets) by measurement component for contracts not measured under the PAA

2023	Expected PV of Future Cash Flows	Risk Adjustment	Contractual Service Margin: Modified Retro	Contractual Service Margin: Fair Value	Contractual Service Margin: Other	Total
Opening assets	$ -	$ -	$ -	$ -	$ -	$ -
Opening liabilities	3,420,830	874,007	-	456,734	84,491	4,836,062
Net opening balance	3,420,830	874,007	-	456,734	84,491	4,836,062
Changes in the statement of operations						
Contractual service margin recognized for service provided	-	-	-	(46,276)	(11,540)	(57,816)
Change in risk adjustment for non-financial risk expired	-	(55,631)	-	-	-	(55,631)
Experience adjustments	(1,031)	-	-	-	-	(1,031)
Current service provided in the period	(1,031)	(55,631)	-	(46,276)	(11,540)	(114,478)
Contracts initially recognized in the period	(149,247)	79,646	-	379	77,145	7,923
Changes in estimates that:						
Adjust the CSM	21,968	(95,489)	-	55,258	23,502	5,239
Result in losses and reversal of losses on onerous contracts	(12,465)	(2,348)	-	-	-	(14,813)
Future service yet to be provided	(139,744)	(18,191)	-	55,637	100,647	(1,651)
Adjustments to liabilities for incurred claims	519	(63)	-	-	-	456
Past service provided in the prior periods	519	(63)	-	-	-	456
Total insurance service result	(140,256)	(73,885)	-	9,361	89,107	(115,673)
Net insurance finance expense	485,576	93,300	-	(24,839)	(7,166)	546,871
Total changes in the statement of operations	345,320	19,415	-	(15,478)	81,941	431,198
Cash flows						
Premiums received	1,818,414	-	-	-	-	1,818,414
Incurred claims and other insurance service expenses	(734,224)	-	-	-	-	(734,224)
Insurance acquisition cash flows	(384,477)	-	-	-	-	(384,477)
Total cash flows	699,713	-	-	-	-	699,713
Net closing balance	4,465,863	893,422	-	441,256	166,432	5,966,973
Closing assets	-	-	-	-	-	-
Closing liabilities	4,465,863	893,422	-	441,256	166,432	5,966,973
Net closing balance	$ 4,465,863	$ 893,422	$ -	$ 441,256	$ 166,432	$5,966,973

	Expected PV		Contractual Service Margin			
	of Future	Risk	Modified			
2022	Cash Flows	Adjustment	Retro	Fair Value	Other	Total
Opening assets	$ -	$ -	$ -	$ -	$ -	$ -
Opening liabilities	3,600,926	1,007,176	-	404,324	-	5,012,426
Net opening balance	3,600,926	1,007,176	-	404,324	-	5,012,426
Changes in the statement of operations						
Contractual service margin recognized for service provided	-	-	-	(44,524)	(3,535)	(48,059)
Change in risk adjustment for non-financial risk expired	-	(52,585)	-	-	-	(52,585)
Experience adjustments	33	-	-	-	-	33
Current service provided in the period	33	(52,585)	-	(44,524)	(3,535)	(100,611)
Contracts initially recognized in the period	(135,512)	59,875	-	322	83,255	7,940
Changes in estimates that:						
Adjust the CSM	168	4,365	-	(7,896)	4,516	1,153
Result in losses and reversal of losses on onerous contracts	(2,681)	605	-	-	-	(2,076)
Future service yet to be provided	(138,025)	64,845	-	(7,574)	87,771	7,017
Adjustments to liabilities for incurred claims	1,181	(82)	-	-	-	1,099
Past service provided in the prior periods	1,181	(82)	-	-	-	1,099
Total insurance service result	(136,811)	12,178	-	(52,098)	84,236	(92,495)
Net insurance finance expense	(676,692)	(145,347)	-	104,508	255	(717,276)
Total changes in the statement of operations	(813,503)	(133,169)	-	52,410	84,491	(809,771)
Cash flows						
Premiums received	1,561,355	-	-	-	-	1,561,355
Incurred claims and other insurance service expenses	(607,402)	-	-	-	-	(607,402)
Insurance acquisition cash flows	(320,546)	-	-	-	-	(320,546)
Total cash flows	633,407	-	-	-	-	633,407
Net closing balance	3,420,830	874,007	-	456,734	84,491	4,836,062
Closing assets	-	-	-	-	-	-
Closing liabilities	3,420,830	874,007	-	456,734	84,491	4,836,062
Net closing balance	$ 3,420,830	$ 874,007	$ -	$ 456,734	$ 84,491	$ 4,836,062

(iii) Roll-forward of net reinsurance contract assets (liabilities) held by remaining coverage and incurred claims

2023	Assets for Remaining Coverage		Assets for Incurred Claims			
				Contracts under PAA		
	Excluding Loss Recovery Component	Loss Recovery Component	Non-PAA	Expected PV of FCF	Risk Adjustment	Total
Opening assets	$ 216,235	$ 3,201	$ 30,026	$ 159,018	$ 11,369	$ 419,849
Opening liabilities	-	-	-	-	-	-
Net opening balance	216,235	3,201	30,026	159,018	11,369	419,849
Changes in the statement of operations						
Allocation of reinsurance premiums paid						
Contracts under the fair value approach	(114,643)	-	-	-	-	(114,643)
Other contracts	(58,734)	-	-	-	-	(58,734)
Total allocation of reinsurance premiums paid	(173,377)	-	-	-	-	(173,377)
Amounts recoverable from reinsurers						
Incurred claims recovered and other reinsurance service expenses	-	-	78,212	44,118	-	122,330
Amortization of reinsurance acquisition cash flows	-	-	-	-	-	-
Recovery of losses and reversal on recovery of losses	-	(955)	-	-	-	(955)
Adjustments to assets for incurred claims	-	-	733	(4,157)	184	(3,240)
Total amounts recoverable from reinsurers	-	(955)	78,945	39,961	184	118,135
Investment components excluded from above	-	-	-	-	-	-
Net expenses from reinsurance contracts held	(173,377)	(955)	78,945	39,961	184	(55,242)
Net insurance finance expense	15,284	127	-	10,688	406	26,505
Total changes in the statement of operations	(158,093)	(828)	78,945	50,649	590	(28,737)
Cash flows						
Premiums paid	163,531	-	-	-	-	163,531
Amounts received	-	-	(80,072)	(44,298)	-	(124,370)
Reinsurance acquisition cash flows	-	-	-	-	-	-
Total cash flows	163,531	-	(80,072)	(44,298)	-	39,161
Net closing balance	221,673	2,373	28,899	165,369	11,959	430,273
Closing assets	221,673	2,373	28,899	165,369	11,959	430,273
Closing liabilities	-	-	-	-	-	-
Net closing balance	$ 221,673	$ 2,373	$ 28,899	$ 165,369	$ 11,959	$ 430,273

2022	Asset for Remaining Coverage: Excluding Loss Recovery Component	Asset for Remaining Coverage: Loss Recovery Component	Assets for Incurred Claims: Non-PAA	Assets for Incurred Claims: Contracts under PAA: Expected PV of FCF	Assets for Incurred Claims: Contracts under PAA: Risk Adjustment	Total
Opening assets	$ 263,774	$ 912	$ 27,966	$ 166,857	$ 12,646	$ 472,155
Opening liabilities	-	-	-	-	-	-
Net opening balance	263,774	912	27,966	166,857	12,646	472,155
Changes in the statement of operations						
Allocation of reinsurance premiums paid						
Contracts under the fair value approach	(112,401)	-	-	-	-	(112,401)
Other contracts	(54,169)	-	-	-	-	(54,169)
Total allocation of reinsurance premiums paid	(166,570)	-	-	-	-	(166,570)
Amounts recoverable from reinsurers						
Incurred claims recovered and other reinsurance service expenses	-	-	79,925	42,001	-	121,926
Amortization of reinsurance acquisition cash flows	-	-	-	-	-	-
Recovery of losses and reversal on recovery of losses	-	2,538	-	-	-	2,538
Adjustments to assets for incurred claims	-	-	908	5,148	485	6,541
Total amounts recoverable from reinsurers	-	2,538	80,833	47,149	485	131,005
Investment components excluded from above	-	-	-	-	-	-
Net expenses from reinsurance contracts held	(166,570)	2,538	80,833	47,149	485	(35,565)
Net insurance finance expense	(36,304)	(249)	-	(13,165)	(1,762)	(51,480)
Total changes in the statement of operations	(202,874)	2,289	80,833	33,984	(1,277)	(87,045)
Cash flows						
Premiums paid	155,335	-	-	-	-	155,335
Amounts received	-	-	(78,773)	(41,823)	-	(120,596)
Reinsurance acquisition cash flows	-	-	-	-	-	-
Total cash flows	155,335	-	(78,773)	(41,823)	-	34,739
Net closing balance	216,235	3,201	30,026	159,018	11,369	419,849
Closing assets	216,235	3,201	30,026	159,018	11,369	419,849
Closing liabilities	-	-	-	-	-	-
Net closing balance	$ 216,235	$ 3,201	$ 30,026	$ 159,018	$ 11,369	$ 419,849

(iv) Roll-forward of net reinsurance contract assets (liabilities) held by measurement component for contracts not measured under the PAA

	Expected PV		Contractual Service Margin			
	of Future	Risk	Modified			
2023	**Cash Flows**	**Adjustment**	**Retro**	**Fair Value**	**Other**	**Total**
Opening assets	$ (78,252)	$ 264,280	$ -	$ 80,790	$ (17,106)	$ 249,712
Opening liabilities	-	-	-	-	-	-
Net opening balance	(78,252)	264,280	-	80,790	(17,106)	249,712
Changes in the statement of operations						
Contractual service margin recognized for service provided	-	-	-	(11,601)	2,693	(8,908)
Change in risk adjustment for non-financial risk expired	-	(19,887)	-	-	-	(19,887)
Experience adjustments	(9,855)	-	-	-	-	(9,855)
Current service provided in the period	(9,855)	(19,887)	-	(11,601)	2,693	(38,650)
Contracts initially recognized in the period	(941)	19,869	-	(26)	(16,996)	1,906
Changes in estimates that:						
Adjust the CSM	(26,008)	(27,570)	-	50,870	2,604	(104)
Result in losses and reversal of losses on onerous contracts	(2,250)	(608)	-	-	-	(2,858)
Future service yet to be provided	(29,199)	(8,309)	-	50,844	(14,392)	(1,056)
Adjustments to assets for incurred claims	732	1	-	-	-	733
Past service provided in the prior periods	732	1	-	-	-	733
Total insurance service result	(38,322)	(28,195)	-	39,243	(11,699)	(38,973)
Net insurance finance expense	(14,137)	28,899	-	1,853	(1,203)	15,412
Total changes in the statement of operations	(52,459)	704	-	41,096	(12,902)	(23,561)
Cash flows						
Premiums paid	106,320	-	-	-	-	106,320
Amounts received	(80,071)	-	-	-	-	(80,071)
Reinsurance acquisition cash flows	-	-	-	-	-	-
Total cash flows	26,249	-	-	-	-	26,249
Net closing balance	(104,462)	264,984	-	121,886	(30,008)	252,400
Closing assets	(104,462)	264,984	-	121,886	(30,008)	252,400
Closing liabilities	-	-	-	-	-	-
Net closing balance	$ (104,462)	$ 264,984	$ -	$ 121,886	$ (30,008)	$ 252,400

2022	Expected PV of Future Cash Flows	Risk Adjustment	Contractual Service Margin: Modified Retro	Contractual Service Margin: Fair Value	Contractual Service Margin: Other	Total
Opening assets	$ (115,218)	$ 317,202	$ -	$ 90,601	$ -	$ 292,585
Opening liabilities	-	-	-	-	-	-
Net opening balance	(115,218)	317,202	-	90,601	-	292,585
Changes in the statement of operations						
Contractual service margin recognized for service provided	-	-	-	(9,719)	846	(8,873)
Change in risk adjustment for non-financial risk expired	-	(19,576)	-	-	-	(19,576)
Experience adjustments	(4,646)	-	-	-	-	(4,646)
Current service provided in the period	(4,646)	(19,576)	-	(9,719)	846	(33,095)
Contracts initially recognized in the period	4,286	15,322	-	(28)	(16,929)	2,651
Changes in estimates that:						
Adjust the CSM	908	1,201	-	(1,277)	(749)	83
Result in losses and reversal of losses on onerous contracts	(297)	300	-	-	-	3
Future service yet to be provided	4,897	16,823	-	(1,305)	(17,678)	2,737
Adjustments to assets for incurred claims	923	(14)	-	-	-	909
Past service provided in the prior periods	923	(14)	-	-	-	909
Total insurance service result	1,174	(2,767)	-	(11,024)	(16,832)	(29,449)
Net insurance finance expense	12,663	(50,155)	-	1,213	(274)	(36,553)
Total changes in the statement of operations	13,837	(52,922)	-	(9,811)	(17,106)	(66,002)
Cash flows						
Premiums paid	101,882	-	-	-	-	101,882
Amounts received	(78,753)	-	-	-	-	(78,753)
Reinsurance acquisition cash flows	-	-	-	-	-	-
Total cash flows	23,129	-	-	-	-	23,129
Net closing balance	(78,252)	264,280	-	80,790	(17,106)	249,712
Closing assets	(78,252)	264,280	-	80,790	(17,106)	249,712
Closing liabilities	-	-	-	-	-	-
Net closing balance	$ (78,252)	$ 264,280	$ -	$ 80,790	$ (17,106)	$ 249,712

(b) Effect of contracts initially recognized

The following tables present the effect on the measurement components arising from the initial recognition of insurance contracts and reinsurance contracts held not measured under the PAA. All contracts initially recognized in the year were written and none were acquired.

(i) Insurance contracts

2023	**Contracts Issued: Non-Onerous**	**Contracts Issued: Onerous**
Estimates of present value of future cash outflows	**$ 1,349,595**	**$ 360,926**
Claims and other insurance service expenses payable	**1,003,422**	**312,014**
Insurance acquisition cash flows	**346,173**	**48,912**
Estimates of present value of future cash inflows	**(1,490,045)**	**(369,723)**
Risk adjustment for non-financial risk	**62,926**	**16,720**
Contractual service margin	**77,524**	**-**
Insurance contract liabilities on initial recognition	**$ -**	**$ 7,923**

2022	Contracts Issued: Non-Onerous	Contracts Issued: Onerous
Estimates of present value of future cash outflows	$ 1,119,899	$ 222,728
Claims and other insurance service expenses payable	842,310	189,008
Insurance acquisition cash flows	277,589	33,720
Estimates of present value of future cash inflows	(1,246,775)	(231,364)
Risk adjustment for non-financial risk	43,299	16,576
Contractual service margin	83,577	-
Insurance contract liabilities on initial recognition	$ -	$ 7,940

(ii) Reinsurance contracts held

2023	Contracts Initiated Non-Onerous	Onerous
Estimates of present value of future cash inflows	$ 61,564	$ 16,383
Estimates of present value of future cash outflows	(62,110)	(14,896)
Risk adjustment for non-financial risk	(13,300)	(6,569)
Contractual service margin	13,846	3,176
Reinsurance contract assets held on initial recognition	$ -	$ (1,906)

2022	Contracts Initiated Non-Onerous	Onerous
Estimates of present value of future cash inflows	$ 50,967	$ 18,289
Estimates of present value of future cash outflows	(56,521)	(17,021)
Risk adjustment for non-financial risk	(8,820)	(6,502)
Contractual service margin	14,374	2,583
Reinsurance contract assets held on initial recognition	$ -	$ (2,651)

(c) Contractual service margin

The following table set out when the Company expects to recognize the remaining CSM in profit or loss after the reporting date for contracts not measured under the PAA.

2023	1 year or less	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Total
Insurance contracts	$ 56,590	$ 176,064	$ 137,653	$ 237,381	$ 607,688
Reinsurance contracts held	(9,756)	(30,818)	(23,656)	(27,648)	(91,878)
Total	$ 46,834	$ 145,246	$ 113,997	$ 209,733	$ 515,810

2022	1 year or less	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Total
Insurance contracts	$ 49,835	$ 154,758	$ 120,801	$ 215,831	$ 541,225
Reinsurance contracts held	(6,398)	(20,489)	(16,098)	(20,699)	(63,684)
Total	$ 43,437	$ 134,269	$ 104,703	$ 195,132	$ 477,541

(d) Net investment result

The following table presents sources of finance income and expenses for the general fund recognized in net income.

	2023	2022
Net investment income recognized in net income		
Interest and other investment income (loss)	$ 425,258	$ (94,616)
Change in fair value of investments	253,310	(344,161)
Finance income (expenses) from insurance contracts recognized in net income		
Changes in fair value of underlying items in insurance contracts with direct participation features	(369,234)	302,780
Interest accreted	(65,398)	(39,474)
Effect of changes in interest rates and other financial assumptions	(135,869)	485,688
Finance income (expenses) from reinsurance contracts held recognized in net income		
Interest accreted	15,197	10,944
Effect of changes in interest rates and other financial assumptions	11,308	(62,424)
Effect of changes in non-performance risk of reinsurers	-	-
(Increase) decrease in investment contract liabilities recognized in net income	(8,284)	3,432
Net investment result recognized in net income	$ 126,288	$ 262,169

12. Mortgage Loan

(thousands of dollars)

The mortgage loan is carried at fair value of $10,969 (2022 - $11,233) and has an outstanding principal of $12,215, bearing interest at 2.7% with maturity in 2029. This mortgage loan is secured by investment property with a carrying value of $54,000, as of December 31, 2023.

		2023		2022
Balance, beginning of year	$	**12,697**	$	13,165
Cash flows		**(482)**		(468)
Balance, end of year	$	**12,215**	$	12,697

The repayment of the mortgage loan over the next five years will be:

2024	2025	2026	2027	2028
$496	$511	$526	$542	$558

The interest expense on the mortgage loan was $433 (2022 - $353). The fair value is estimated based on the present value of future cash flows discounted at current market rates of interest for loans of similar term and quality.

13. Income Taxes

(thousands of dollars)

(a) Income tax expense

Components of income tax expense included in the Consolidated Statements of Operations and Comprehensive Income are:

		2023		2022
Current taxes on income for the reporting period	$	**59,807**	$	31,071
Current taxes referring to previous periods		**-**		-
Current income taxes		**59,807**		31,071
Origination and reversal of temporary differences		**(15,500)**		5,667
Impact of change in tax rates		**231**		31
Prior year reversal of temporary differences		**-**		33
Remeasurement of temporary differences on transition to IFRS 17		**-**		36,000
Deferred income taxes		**(15,269)**		41,731
Total income tax expense reported in net income		**44,538**		72,802
Income tax recognized on unrealized losses on AFS assets		**-**		(29,536)
Income tax recognized on reclassification from OCI to net income on AFS assets		**-**		1,413
Income tax recognized on remeasurement of pension and other post-employment plans		**(71)**		4,605
Total income tax recovery reported in OCI	$	**(71)**	$	(23,518)

(b) Reconciliation of income tax expense and income tax rates

		2023			2022	
Provision for income taxes at statutory rates	$	**51,567**	**26.94%**	$	86,273	26.10%
Increase (decrease) in tax due to:						
Tax exempt investment income		**(7,498)**	**(3.92)%**		(13,779)	(7.14)%
Other		**469**	**0.25%**		308	0.09%
Income tax expense and effective income tax rate	$	**44,538**	**23.27%**	$	72,802	19.05%

(c) Deferred income taxes

(i) The Company's deferred income tax (assets) liabilities arise from temporary differences on the following items:

		2023		2022
Investment property	$	**40,322**	$	37,152
Insurance and investment contract liabilities		**(56,179)**		(17,637)
Employee future benefits		**91**		134
Other comprehensive loss related to employee future benefits		**(3,081)**		(2,915)
Other		**267**		(2,220)
	$	**(18,580)**	$	14,514

(ii) Reconciliation of deferred income tax (asset) liability:

		2023		2022
Balance, beginning of year	$	**14,514**	$	(31,789)
Tax (income) expense during the period recognized in net income		**(15,270)**		5,698
Tax (income) expense during the period recognized in OCI		**(71)**		4,605
Tax expense recognized during the period on transition to IFRS 17		**-**		36,000
Tax (income) recognized during the period on transition to IFRS 9		**(17,785)**		-
Other		**32**		-
Balance, end of year	$	**(18,580)**	$	14,514

14. Contingent Liabilities

From time to time in connection with its operations, the Company and its subsidiaries are named as defendants in actions for damages and costs allegedly sustained by the plaintiffs. While it is not possible to estimate the outcome of the various proceedings at this time, such actions have generally been resolved with minimal damages or expense in excess of amounts accrued. The Company does not believe that it will incur any significant additional loss or expense in connection with such actions.

15. Capital Adequacy

(thousands of dollars)

Equitable is subject to regulation by OSFI, which prescribes guidelines requiring the Company to maintain levels of capital which are dependent on the type and amount of policies and contracts in-force and the nature of the Company's assets. The minimum levels of capital are calculated in accordance with the Life Insurance Capital Adequacy Test (LICAT) issued by OSFI.

At December 31, 2023, the Company's Total LICAT Ratio was 172%, which is well in excess of the minimum level required by OSFI.

	2023	2022*
Tier 1 capital	**$ 1,639,650**	$ 1,182,493
Tier 2 capital	**138,668**	138,993
Available capital	**$ 1,778,318**	$ 1,321,486
Surplus allowance and eligible deposits	**$ 629,082**	$ 728,427
Base solvency buffer	**$ 1,401,700**	$ 1,362,401
Total Ratio	**172%**	150%
Core Ratio	**148%**	124%

**2022 comparative figures presented are as reported in the prior year and not restated for IFRS 17 & 9 impacts*

16. Related Parties

(thousands of dollars)

(a) The Company has related party transactions with The Group Pension Fund for the Employees of The Equitable Life Insurance Company of Canada, a defined benefit and defined contribution pension plan for eligible employees. The Company provides fund management and administration services to the defined benefit pension plan. During the year the Company paid $54 on behalf of the pension plan (2022 – the Company recovered $113). Included in the segregated funds of the Company are $98,636 (2022 - $90,126) invested in a separate segregated fund on behalf of The Group Pension Fund for the Employees of The Equitable Life Insurance Company of Canada.

(b) Key management personnel, which includes Senior Management and the Board, are considered related parties. Transactions with these related parties are outlined below.

(i) Senior Management
The Human Resources and Compensation Committee (HRCC) of the Board annually reviews and recommends the compensation program for Senior Management to the Board. All members of the HRCC are independent.

As part of the review, an independent third-party consultant is engaged to provide market data and analysis on comparable positions within the Insurance industry. This information is taken into consideration in determining the annual base salary and incentive compensation programs.

Total Senior Management compensation for 2023 was $14,994 (2022 - $15,179). The compensation program consists of five components: base salary, short term incentive plan, long term incentive plan, post-employment benefits, and other benefits. The 2023 compensation includes $1,415 (2022 - $1,382) related to transition and retirement costs. Each component of total Senior Management compensation is addressed below.

Short term compensation in 2023 of $9,341 (2022 - $8,999) is comprised of:

- Base salary which is paid bi-weekly. It is reviewed annually through an analysis of third-party market data, performance of the incumbent and the overall projected salary administration program for the organization. All items related to Senior Management base salary including changes are reviewed by the HRCC and subject to approval by the Board.
- The short term incentive plan which is an annual bonus program which compensates employees a percentage of their base salary based on the achievement of full year results as compared to pre-approved targets and goals. Pre-approved targets relating to earnings, sales, growth and expenses are incorporated into the business plan, which is set and approved by the Board annually. Individual performance is also considered. Upon approval of the financial results by the Board the HRCC reviews and recommends the payment of the annual incentive plan. This recommendation is subject to approval by the Board.
- Other benefits which include automobile allowances and government remittances (CPP, EI and EHT). All other benefits are reviewed and recommended by the HRCC, and subject to approval by the Board.

Long term compensation in 2023 of $4,639 (2022 - $5,161) is comprised of:

- The long term incentive plan which is awarded annually based on the Company's performance as it relates to profitability and net growth. The historical three-year averages of return on equity and net growth are compared to the averages projected at the commencement of the period. Upon approval of the financial results by the Board, the HRCC reviews and recommends the payment of the annual incentive plan. This recommendation is subject to approval by the Board.

Post-employment benefits in 2023 of $1,014 (2022 - $1,019) is comprised of pension and heath and dental benefits.

(ii) Board of Directors
Total Board of Directors compensation for 2023 was $1,223 (2022 - $942).

Compensation paid to the Board is governed by the Company's By-laws which are approved by policyholders. By-law 46 limits the aggregate amount to be paid to all directors who are not full-time employees to $1,500. The Company targets Board compensation to be at the 50th percentile when benchmarked against comparable insurers. The By-law was last approved by policyholders at the Annual and Special Meeting in May 2022.

All Directors are participating policyholders of the Company. All policies were paid for by the individual using their own resources and receive dividends at levels consistent with all other participating policyholders.

17. Participating Policy Disclosure

(thousands of dollars)

Traditional participating life policies and participating adjustable premium life policies are backed by the Traditional Participating Account and are eligible to receive annual experience dividends. Experience dividends are determined based on the distributable earnings of the Traditional Participating Account. Earnings include all participating policyholder related sources of gains or losses relative to experience factors such as investment returns, mortality, expenses, policy surrenders, policy loan rate utilization, taxes, and other policyholder experience. Investment returns from the participating surplus account are not included in the determination of dividends. Approximately 31% of dividends are based on investment experience and the remaining percentage are based on the other factors noted. The percentage of investment experience in the dividend at a policy level varies significantly by the duration and type of policy. Newer policies tend to have a lower investment component percentage due to minimal asset build up. Equitable's Traditional Participating block has grown rapidly in the recent past due to very strong sales.

Current year and historical annual averages for the dividend scale interest rate, the participating account investment rate of return and the participating surplus investment rate of return are presented in the table below. Note that the Dividend scale interest rate is a smoothed rate gross of expenses and reflects some tax benefits whereas the other rates are market yields net of expenses and do not reflect tax benefits.

		Historical average annual rate		
	2023	5 years	10 years	15 years
Dividend scale interest rate	**6.25%**	6.15%	6.37%	6.59%
Participating account investment rate of return	**8.13%**	5.90%	5.95%	6.32%
Participating surplus investment rate of return	**7.46%**	5.07%	4.44%	4.55%

For participating policies, the policyholders benefit from the return on the Traditional Participating Account assets, which are considered the underlying items. The table below presents the fair value of these assets:

	2023	2022
Cash, cash equivalents and short-term investments	**$ 64,290**	$ (9,509)
Bonds	**615,642**	563,309
Equities	**354,585**	313,340
Mortgages	**136,027**	135,610
Private placements	**190,845**	145,773
Derivatives	**11,430**	4,702
Investment property	**201,146**	172,488
Total participating account assets	**$ 1,573,965**	$ 1,325,713

The equities portfolio includes equities, investment property fund units and an interest in an investment property limited partnership.

The table below presents the current year actual and target asset mix for participating account:

	Actual	Target
Cash, cash equivalents and short-term investments	**4.1%**	0.0%
Bonds	**39.2%**	32.0%
Equities	**22.5%**	25.0%
Mortgages	**8.6%**	13.0%
Private placements	**12.1%**	12.0%
Derivatives	**0.7%**	0.0%
Investment property	**12.8%**	18.0%
Total participating account assets	**100.0%**	100.0%

The actual asset mix is based on classification under IFRS 9 and the target asset mix considers the underlying asset properties and may group assets differently.

18. Comparative Figures

Certain comparative figures have been restated to reflect the new accounting policies as described in notes 2 and 3, resulting from the adoption of IFRS 17 and IFRS 9. In addition to these changes, certain comparative figures have been reclassified to comply with the current period's presentation.

Participating Account Management Policy

This Policy is for all types of Individual participating policies issued by the Company:

- Traditional Participating policies
  - Life Insurance with fixed premiums
  - Life Insurance with adjustable premiums
  - Any new types of Traditional Participating policies introduced by the Company in the future.

- Non-Traditional Participating policies
  - Participating Universal Life

Non-Traditional Participating policies do not receive experience dividends.

Participating Accounts
The Company maintains a Traditional Participating Account for Traditional Participating policies that is separate from other accounts maintained by the Company. The Company also maintains a Participating Universal Life Account which is separate from other accounts maintained by the Company.

The Traditional Participating Account and Participating Universal Life Account accept new business. But there are some dividend classes in the Traditional Participating Account that do not accept new business.

Components of the Participating Account
The Traditional Participating Account has these components:

- Fulfillment cashflows
- Contractual service margin
- Participating surplus.

The Non-Traditional Participating Account has similar components but the experience on this account is not shared with policyholders. As a result, only Traditional Participating Account components are described below.

Traditional Participating Account fulfillment cashflows
Fulfillment cashflows represent all the cashflows required to fulfill the contract, including margins for risk. This portion of the account is used in determining experience dividends. Assets, liabilities, transactions, and earnings are recorded in the account. Investment income earned on the assets, less investment expenses, determines the investment return.

To help us spread income evenly, we review the performance of investments over time. We use the portfolio average approach. This approach shares returns with all Traditional Participating policyholders. With the portfolio average approach, we try to spread out investment income fairly among classes in the Traditional Participating Account. We do not use the investment generation approach, which groups participating contracts into generations that are tracked separately.

Traditional Participating Account contractual service margin and participating surplus
The contractual service margin and participating surplus are not used in determining experience dividends on Traditional Participating policies. They are measures of current and future profit that we track for accounting purposes. They are both forms of surplus.

Some of the money in the Participating Account goes into the contractual service margin and participating surplus as a **permanent contribution to surplus**. This account is used to:

- Grow and develop the Company
- Provide financial strength and stability to help the Company meet its obligations now and in the future.

We consider this when we determine the dividend scale. For more details, see the Dividend Policy.

Management of investments
The Company follows a set of rules and goals for investing assets in the Participating Accounts. The Board of Directors establishes these rules and goals.

The main goal is simple: To have enough money to meet our contractual obligations to clients. For the Traditional Participating Account, we also want to cover any risks and earn enough money over time to support dividend payments.

We invest the money in the Participating Accounts into diverse types of asset classes. Asset classes are split between fixed income and non-fixed income assets. Fixed income assets are cash and cash equivalents, bonds, private placements, and commercial mortgages. Non-fixed income assets are real estate, and public and private equities. We may use derivatives in certain situations. They can help us replicate assets and serve as a tool for managing risk.

Each type of asset class has its own risk and level of return. We think about which of these asset classes we want to invest in, and how much. By investing in different asset classes, or allocating our assets, we help to diversify, or spread out, our level of risk. These types of decisions add the most value to our investment process.

In addition to managing the investments to earn a return, we also manage investments so the portfolio meets the credit quality and liquidity quality as determined by the rules established by the Board of Directors. A high credit quality helps to minimize defaults and liquidity quality allows us to pay benefits to policyholders when they need it.

Expenses
Any direct expenses of a Participating Account are paid for using money only from that account.

Indirect expenses are divided among accounts based on studies and estimates from management. How much each account should pay is based on the type of business or on standard allocation methodologies that apply.

Taxes are allocated as follows:

- Premium taxes are paid using money only from that Participating Account
- Taxes on investment income are divided among Participating Accounts based on rules set by the Canada Revenue Agency
- Taxes on income are divided based on the taxable income earned in the Participating Accounts.

About this Policy
This Policy is approved by the Board of Directors and is subject to review at least triennially. The investment expense and tax allocation methodologies were approved by the Board of Directors. From time to time, the Board of Directors may change the Policy and allocation methodologies at their sole discretion. The Board of Directors may review or edit this Policy and allocation methodologies for various reasons, including:

- Corporate changes
- Accounting or actuarial standards changes
- Regulatory or legislative changes
- Material unexpected events
- Clarifications.

Dividend Policy

This Policy is for all types of Individual participating policies issued by the Company:

- Traditional Participating policies
  - Life insurance with fixed premiums
  - Life insurance with adjustable premiums
  - Any new types of Traditional Participating policies introduced by the Company in the future.

- Non-Traditional Participating policies
  - Participating Universal Life

Participating policies
The Company issues both participating policies and non-participating policies. Participating policies are policies that have the potential to share in the profits of the Company. The contract says whether or not a policy is participating.

Dividends
Dividends are money paid by the Company on participating policies. There are two types of dividends:

- Experience dividends
- Extraordinary dividends

After reviewing the dividend recommendation and Appointed Actuary opinions, dividends are declared at the sole discretion of the Board of Directors.

Experience dividends
Traditional Participating policies can receive experience dividends. The name experience dividends is used because dividends are paid based on the experience of the Traditional Participating policies. We describe experience factors in more detail below.

Non-Traditional Participating policies do not receive experience dividends.

Experience dividends reviews
We review Traditional Participating policies at least once a year. Based on our findings, our Board of Directors may then declare dividends.

Traditional Participating Account earnings
Earnings include all the gains and losses that come from Traditional Participating policies. This is based on premiums paid less benefits, expenses and contributions to the Company's surplus and any investment returns on those net cashflows.

Experience dividends are based on the earnings that can be shared from the Traditional Participating Account. These earnings are known as distributable earnings. They include earnings from insurance policies and riders. We adjust these earnings to make sure the amount given out is fair over different periods of time.

Investment returns earned have the largest effect on the Traditional Participating Account. However, the account is also affected by policy loans, mortality or death claims, terminated policies, taxes, expenses and other policyholder behaviour. These are called experience factors.

For the most part, the types of experience factors do not change after the policy is issued unless:

- Legal, regulatory or tax issues come up, or
- Fairness between different classes of participating policies requires changes.

To determine earnings, we review the difference between the conservative assumptions used to set the policy guarantees and the actual experience of the account. That difference can have a positive or negative impact on earnings. We do not include earnings from the Traditional Participating Account surplus or the Contractual Service Margin when determining dividends. (See Participating Account Management Policy for further description.)

Calculation of experience dividends
We want to make sure we pay out dividends fairly for all clients with Traditional Participating policies. In order to do this, the Company uses the Contribution Principle. This helps us find the individual policy dividends for classes of participating policies. Most insurance companies in Canada use the Contribution Principle (also known as the Source of Earnings Method) to determine dividends. It states that over the long term, dividends should be shared in the same proportion as policies are considered to have contributed to the earnings in the Traditional Participating Account. Practical considerations and constraints are also factored in.

To find out the contribution, we group policies into classes that have similar experience factors. Classes are set for policies when they are issued. We don't normally expect them to change.

When a client takes out a loan from the Company using a participating insurance policy, they must pay interest. These types of loans are called policy loans. The policy loan interest affects the dividends of the class.

To make things fair and more stable, the actual dividends received may reflect adjustments or smoothing based on the Company's Internal Guideline. This means that we factor in any big changes to the experience of the Traditional Participating Account and spread it out over time. This helps avoid sudden increases or decreases in dividends paid.

A terminal dividend is a type of dividend that is paid when an insurance policy terminates. We do not pay terminal dividends on policies.

Dividends need to be consistent with policy contracts, this Policy, and the applicable law. This Policy will be applied consistently over time.

The law requires that we have a designated person, the Appointed Actuary, whose job it is to make sure that participating policyholder fairness is respected. The Appointed Actuary's fairness opinions and the related dividend recommendations are prepared in compliance with any relevant standards of practice of the Canadian Institute of Actuaries. If the actual distribution were to differ materially from the dividend recommendations, this would be disclosed and explained.

Experience dividends are not guaranteed
Experience dividends are not guaranteed. Since they are based on the experience of the Participating Account, we don't know how they will perform in the future. They could change based on how well investments do, how many claims are made, and other factors. As time goes on, the experience may get worse. As a result, the amount of money paid as dividends could be lower.

The Company's surplus
The extra money that is used to help run the Company is called surplus. The Company needs surplus to support its guaranteed policy values to clients. It is also used to build financial strength and support new business growth.

Earnings that are not paid as dividends go to the Company's surplus or the Company's Contractual Service Margin. This is called permanent contribution to surplus. This is described more fully in the Participating Account Management Policy.

Earnings from all lines of business help support the Company's capital and surplus position. When we set the dividend scale, we review the Company's capital and surplus both now and what we think they may look like in the future.

Extraordinary dividends
All participating policies can receive extraordinary dividends. These are types of dividends that are rarely declared. The Board of Directors may choose to give out an extraordinary dividend when the Company is expected to have strong earnings and capital both now and in the future. Extraordinary dividends can be paid in any way the Company decides makes sense.

About this Policy
This Policy is approved by the Board of Directors and is subject to review at least triennially. From time to time, the Board of Directors may change this Policy at their sole discretion. The Board of Directors may review or edit this Policy for various reasons, including:

- Corporate structure changes
- Accounting or actuarial standards changes
- Regulatory or legislative changes
- Material unexpected events
- Clarifications.

Senior Management

Fabien Jeudy, FSA, FCIA
President and Chief Executive Officer

Christopher Brown, BA
Executive Vice-President, Chief Human Resources and Communications Officer

Campbell Crosbie, MBA, FICB
Executive Vice-President, Savings and Retirement Division

Tara Proper, CFA
Executive Vice-President, Chief Investments Officer

Colin Simpson, LLB, MBA
Executive Vice-President, Chief Legal Officer and Corporate Secretary

Marc Avaria, MBA
Executive Vice-President, Group Insurance Division

Donna Carbell, MBA
Executive Vice-President, Individual Insurance Division and Brand Impact

Melanie Kliska, FSA, FCIA
Executive Vice-President, Chief Financial Officer

Ritesh Sarda, BE
Executive Vice-President, Chief Information Officer

Phillip K. Watson, FSA, FCIA, CQF
Senior Vice-President and Appointed Actuary

Subsidiaries

		Book Value
Equilife Investment Management Inc. One Westmount Road North Waterloo, Ontario N2J 4C7	85,000 common shares	$ 85,000
262695 Holdings Limited One Westmount Road North Waterloo, Ontario N2J 4C7	1,000 common shares	$ 1,000
1000605596 Ontario Inc. One Westmount Road North Waterloo, Ontario N2J 4C7	100 common shares	$ 100
272nd Street Holdings Ltd. 1600 - 925 West Georgia Street Vancouver, British Columbia V6C 3L2	200 common shares	$ 1
1687 Cliveden Avenue Holdings Ltd. 1600 - 925 West Georgia Street Vancouver, British Columbia V6C 3L2	1 common share	$ 1

Corporate Governance

The Board of Directors ("the Board"), either directly or through its Committees, is ultimately responsible for the supervision and oversight of the management of the Company's business and affairs. The Company's corporate governance processes, structures and information are designed to strengthen the ability of the Board to oversee management and to enhance long-term policyholder value.

Board independence
Demonstrating evidence of independence is at the heart of effective governance. Independence is normally a matter of the Board demonstrating its ability to act independently of management when appropriate.

Board composition
Annually, the Board reviews its composition to determine whether or not the Board is optimally structured to provide stewardship. Critical to the review is an assessment of the expertise, skills, experience, and perspectives present on the Board.

Board responsibilities
The basic oversight responsibilities of the Board include:

- overseeing the development and implementation of an encompassing and effective corporate governance program;
- establishing, overseeing, and receiving regular updates on the strategic direction, business objectives, policies, programs, plans and priorities of the Company and monitoring the implementation and effectiveness of those plans;
- ensuring that policies and practices exist to orient new directors and regularly assess the effectiveness of the Board, the Board Committees, the Board and Board Committee Chairs and individual Directors in the discharge of its/their responsibilities;
- ensuring that the independent oversight functions – internal audit, risk management, compliance, actuarial and finance functions have adequate authority, independence, and resources to discharge their mandates;
- approving the offices of the Company and supervising the succession planning process of the Company, including the selection, appointment, professional development, performance management and compensation of the Chief Executive Officer and Senior Management;
- monitoring and assessing the procedures implemented for identifying the principal risks of the Company's businesses and receiving regular updates on the status of risk management activities and initiatives; and
- ensuring policies and processes are in place to ensure the integrity of the Company's internal controls, financial reporting, audit functions and management information systems.

The Board is assisted in fulfilling these responsibilities through the following standing Committees (all of the standing Committees are comprised only of directors who are not affiliated with, and are not officers or employees of, the Company and its subsidiaries):

- *Audit Committee* – Oversees the financial reporting systems, integrity of financial statements and the audit function.
- *Conduct Review Committee* – Reviews the "related party" policies and practices of the Company in accordance with statutory requirements.
- *Corporate Governance, Compliance and Nominating Committee* – Evaluates the effectiveness of governance structures, processes and information used for directing and overseeing the management of the Company, the Board, and the compliance function. Develops the criteria for identifying and recommending prospective Board candidates.
- *Human Resources and Compensation Committee* – Reviews and approves policies and procedures for recommendation to the Board relating to various human resource functions, including compensation, benefits, employee pension plan, performance, and succession planning.
- *Senior Credit and Investment Policy Committee* – Recommends investment and lending policies and objectives for Board approval, and reviews investment portfolio performance and compliance.

The corporate governance processes and mandate are derived, in part, from the Insurance Companies Act of Canada, the OSFI Corporate Governance Guideline and regulatory "best practices".

Board of Directors

Board Standing Committees

1. Audit
2. Conduct Review
3. Corporate Governance, Compliance and Nominating
4. Human Resources and Compensation
5. Senior Credit and Investment Policy

The numbers following the Director's place of residence indicate current Board Committee memberships. The numbers in parentheses indicate the total number of Board and Committee meetings which the Director actually attended in the year, and the number eligible to attend.

Douglas S. Alexander, CPA, CA, C.Dir.
Chair, Equitable
Corporate Director
London, Ontario
(27/28)

Andrea E. Bolger, MBA, ICD.D
Corporate Director
Toronto, Ontario
3, 4, 5 (20/22)

Laura I. Formusa, LL.B, ICD.D
Corporate Director
Toronto, Ontario
1, 2, 3 (18/18)

Barry McInerney, FSA, FCIA, CFA
Corporate Director
Marana, Arizona USA
1, 2, 3, 5 (18/18)

Neil Parkinson, FCPA, FCA, ICD.D
Corporate Director
Cambridge, Ontario
1, 2, 3 (18/18)

Robert Ritchie
Corporate Director
London, Ontario
4, 5 (14/14)

Fabien Jeudy, FSA, FCIA
President and Chief Executive Officer
Equitable
Waterloo, Ontario
(28/28)

Les Dakens, CHRE
Corporate Director
Dwight, Ontario
4, 5 (18/18)

Sheila Hart, FSA, FCIA
Corporate Director
Carlisle, Ontario
3, 5 (12/12)

Dikran Ohannessian
Corporate Director
Toronto, Ontario
1, 2, 4 (20/20)

Craig Richardson
Corporate Director
London, Ontario
1, 2, 4 (20/20)

The Equitable Life Insurance Company of Canada is a member of Assuris. Assuris is the not-for-profit organization that protects Canadian policyholders if their life insurance company fails. Details about Assuris' protection are available at www.assuris.ca or by calling the Assuris Information Centre at 1-866-878-1225.

When we come together great things follow.

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