The Equitable Life Insurance Company of Canada

Financial Condition Report

2021

Prepared in accordance with the Insurance (Public Disclosure) Rules 2015 for the Bermuda Monetary Authority

The Equitable Life Insurance Company of Canada is a mutual company domiciled in Canada and incorporated under the Insurance Companies Act (Canada). The information presented in this document has been prepared in accordance with the standards accepted by the Canadian regulator, The Office of the Superintendent of Financial Institutions (OSFI). Specifically, the financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and capital calculations are in accordance with the Life Insurance Capital Adequacy Test (LICAT).

All information reported is on a consolidated company basis, unless otherwise indicated. All financial information is presented in Canadian dollars, which is the Company's functional currency.

The Equitable Life Insurance Company of Canada
Financial Condition Report
For the twelve-month period ending December 31, 2021

The Equitable Life Insurance Company of Canada is a mutual company domiciled in Canada and incorporated under the Insurance Companies Act (Canada). Together with its subsidiaries (collectively, "the Company"), it operates in the life and health insurance industry. Operations cover the development, marketing, and servicing of life, health and annuity products to individual and group customers as well as asset management services to individual customers, including segregated funds.

i. BUSINESS AND PERFORMANCE

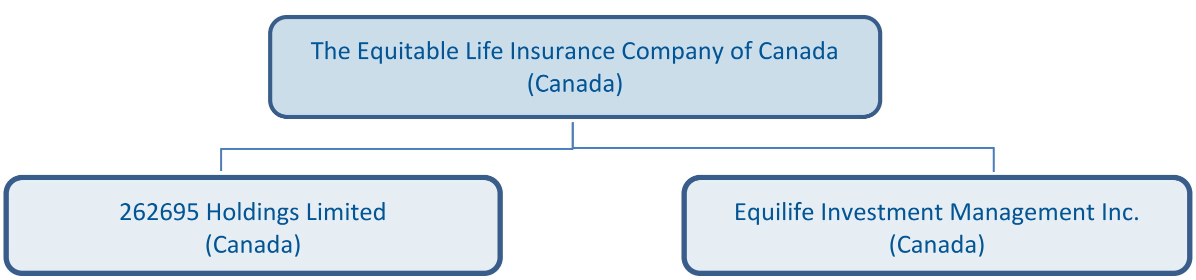
a. **Name of insurer**
The Equitable Life Insurance Company of Canada ("the Company")
One Westmount Road North
Waterloo, ON, N2J 4C7
Canada

b. **Insurance supervisor**
Office of the Superintendent of Financial Institutions ("OSFI")
121 King St W, Suite 1900
Toronto, ON, M5H 3T9
Canada

c. **Approved auditor**
KPMG LLP
115 King Street South, 2nd Floor
Waterloo, ON, N2J 5A3
Canada

d. **Ownership details**
The Company is a mutual company domiciled in Canada.

e. **Group structure**
The following provides details of the Company in the Group Structure, which includes two wholly owned subsidiaries:



f. **<u>Insurance business written by business segment and by geographical region</u>**

The Company offers insurance coverage in Canada and Bermuda. The Company manages the business through the following segments: Individual Insurance, Savings and Retirement, Group Benefits, and Surplus.

Only the Individual insurance segment conducts business in both Canada and Bermuda, the other segments only conduct business in Canada. Effective October 1, 2019 the Company stopped selling new business in Bermuda.

Individual Insurance business written for the reporting period and by geographical region
(CAD $'000)

	2021 Bermuda Business				2021 Total Company Business				Bermuda as a % of Total Company Business			
Inforce	**Policy Count**	**Annualized Premium**	**Net Premium (per BCSR)**	**Gross Actuarial Liabilities**	**Policy Count**	**Annualized Premium**	**Net Premium**	**Gross Actuarial Liabilities**	**Policy Count**	**Annualized Premium**	**Net Premium**	**Gross Actuarial Liabilities**
Whole Life - Par	284	536		12,877	174,842	618,567	665,240	1,148,983	0.2%	0.1%	0.0%	1.1%
Term	73	157		481	118,120	132,820	66,030	240,445	0.1%	0.1%	0.0%	0.2%
Total	357	693	729	13,357	292,962	751,387	731,270	1,389,428	0.1%	0.1%	0.1%	1.0%

"Annualized Premium" respresents annual premium for in-force policies at Dec 31, 2021
"Net Premium" represents actual premiums received in 2021

There were no sales in 2021
Equitable Life does not allocate capital to the Bermuda operations.

g. Performance of investments & material income & expenses for the reporting period

Performance of investments for the reporting period

The Company maintains a diversified investment portfolio, consistent with the Board approved investment and lending policies.

Carrying value and fair values of invested assets

(CAD $'000)

	2021		2020	
	Carrying Value Net of Provisions	Fair Value	Carrying Value Net of Provisions	Fair Value
Cash, cash equivalents and short-term investments	$ 86,823	$ 86,823	$ 76,330	$ 76,330
Bonds and debentures – AFS	714,995	714,995	664,118	664,118
Bonds and debentures – FVTPL	1,174,898	1,174,898	1,111,277	1,111,277
Equities – AFS	47,410	47,410	44,362	44,362
Equities – FVTPL	1,167,654	1,167,654	960,527	960,527
Mortgages	313,892	310,396	264,041	287,217
Private placements	391,322	414,321	322,510	357,443
Derivatives	38,429	38,429	50,565	50,565
Loans to policyholders	125,155	125,155	108,531	108,531
Investment property	368,713	368,713	279,734	279,734
	$ 4,429,291	$ 4,448,794	$ 3,881,995	$ 3,940,104

Net investment income

(CAD $'000)

	2021	2020
Cash, cash equivalents and short-term investments	$ 552	$ 684
Bonds and debentures – fair value changes on FVTPL assets	(63,801)	83,596
Bonds and debentures – investment income	46,682	48,497
Bonds and debentures – realized gains (losses) on AFS assets	(179)	6,412
Equities – fair value changes on FVTPL assets	138,863	52,734
Equities – investment income	40,411	23,852
Equities – realized gains (losses) on AFS assets	386	(248)
Mortgages	10,090	8,714
Private placements	16,507	13,466
Derivatives – fair value changes on FVTPL assets	(13,167)	16,246
Derivatives – investment income	2,415	(267)
Loans to policyholders	6,649	6,045
Investment property – rental income	12,930	9,243
Investment property – fair value changes	63,515	4,475
Other investment income	173	85
Foreign exchange gains (losses)	13	(3)
	262,039	273,531
Investment expenses	(8,747)	(8,156)
Net investment income	$ 253,292	$ 265,375

Material income & expenses for the reporting period

The Company's main revenue source is premiums, with other sources of revenue being investment income and fee income. The Company's major expenses are benefit payments, commissions and general expenses as summarized below.

For the years ended December 31	(thousands of dollars)	
	2021	2020
REVENUES		
Gross premiums	$ 1,401,263	$ 1,243,370
Premiums ceded to reinsurers	(167,273)	(160,224)
Net premiums	1,233,990	1,083,146
Investment income	136,629	116,480
Change in fair value through profit or loss	61,895	152,576
Change in fair value of investment property	63,515	4,475
Investment expenses	(8,747)	(8,156)
Net investment income (note 4)	253,292	265,375
Fee income	61,490	48,442
	1,548,772	1,396,963
BENEFITS AND EXPENSES		
Death and disability benefits	228,272	208,945
Health insurance benefits	213,195	185,899
Maturity and surrender benefits	72,420	65,846
Annuity payments	33,159	33,693
Interest on amounts on deposit	402	443
Dividends to participating policyholders	78,856	61,228
Claims ceded to reinsurers	(115,880)	(110,774)
	510,424	445,280
Net transfers from segregated funds	(179)	(74)
Gross change in contract liabilities	367,100	458,082
Change in contract liabilities ceded to reinsurers	22,465	(116,782)
Net change in contract liabilities	389,565	341,300
Commissions	241,793	257,577
General expenses	143,418	129,570
Premium and investment income taxes	31,693	28,307
Reinsurance premium tax recovery	(3,552)	(3,377)
Financing expenses	367	146
	1,313,529	1,198,729
Income before income taxes	235,243	198,234
Income tax expense (note 11)	(48,476)	(45,137)
Net income	$ 186,767	$ 153,097

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

h. <u>Any other material information</u>

No other material information to present.

ii. GOVERNANCE STRUCTURE

a. Board and Senior Management

i. Board and Senior Management, role, responsibilities and segregation of responsibilities

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.

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 basic oversight responsibilities of the Board include:

- overseeing the development and implementation of a comprehensive 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 ("IOSFs") – 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.

Senior Management is responsible for directing the operations of the Company within the authority delegated to them by the Board.

ii. Remuneration policy for the Board, Senior Management and Employees

Compensation paid to the Board is governed by the Company's By-law, which is approved by policyholders.

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

Employee compensation may include base salary, short term incentive plan, long term incentive plan, post-employment benefits and other benefits.

iii. Pension or early retirement schemes for the Board and Senior Management

Post-employment benefits, including pension and health and dental benefits, are available to Senior Management.

Equitable Life provides defined benefit pension and retirement plans 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 Company has also established defined contribution pension and retirement plans for eligible employees. Generally, employer contributions are a set percentage of employees' annual income and matched against employee contributions.

iv. Transactions with related parties

The Company has related party transactions with the following parties:

- The Group Pension Fund for the Employees of The Equitable Life Insurance Company of Canada, a defined benefit pension plan for eligible employees. The Company provides fund management and administration services to the defined benefit pension plan.
- Key personnel, which includes Senior Management and the Board of Directors. All compensation arrangements with Senior Management are approved by the Human Resources and Compensation Committee of the Board, and all Board compensation is within the limit set out in the Company's By-law 46. All Directors are participating policyholders of the Company. All such participating policies were paid for by the individual using their own resources and receive dividends at levels consistent with all other participating policyholders.

b. <u>Fitness and proprietary requirements</u>

i. Fit and proper process in assessing the Board and Senior Management

The Company appoints members of the Board based on the individual's expertise and work experience as well as professional judgment. Before being appointed to the Board, all candidates must undergo rigorous background screening.

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.

The Chief Executive Officer is responsible for appointment of Senior Management. The Human Resources department arranges background screening for all Senior Management appointments.

ii. **Board and Senior Management professional qualifications, skills and expertise**

Board of Directors

Douglas S. Alexander, CPA, CA Chairman, Equitable Life of Canada	Fabien Jeudy, FSA, FCIA President and Chief Executive Officer, Equitable Life of Canada
Andrea Bolger, MBA, ICD.D Corporate Director	Les Dakens, CHRE Corporate Director
Laura I. Formusa, LL.B, ICD.D Corporate Director	Dikran Ohannessian Corporate Director
Neil Parkinson, FCPA, FCA, ICD.D Corporate Director	A. David Pelletier, FSA, FCIA, Hon FIA Corporate Director
Craig Richardson Corporate Director	

Senior Management

Fabien Jeudy, FSA, FCIA President and Chief Executive Officer	Christopher Brown, BA Vice-President, Human Resources
Dave Bennett, FIA Senior Vice-President, Group	Campbell Crosbie, MBA, FICB Vice-President, Information Technology and Chief Information Officer
Tara Proper, CFA Senior Vice-President, Investments	Colin Simpson, LLB, MBA Vice-President, Legal and Corporate Secretary
Sheila Hart, FSA, FCIA Senior Vice-President and Chief Financial Officer	Phillip K. Watson, FSA, FCIA, CQF Vice-President and Appointed Actuary
Donna Carbell, MBA Senior Vice-President, Individual	Judy Williams, ASA Vice-President, Savings and Retirement

Further details regarding the above individuals can be found at:
www.equitable.ca/en/who-we-are/our-leadership

c. Risk management and solvency self-assessment

i. **Risk management process & procedures to identify, measure, manage and report on risk exposures**

To manage the risks in its many business activities, the Company 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).

ii. **Risk management and solvency self-assessment systems implementation**

The Board has overall responsibility for oversight of the Company'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 five committees, as described further in the Governance Structure section.

Management is responsible for maintaining the risk management framework, and for identifying and managing risks in accordance with Company 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 the Company's risk management framework and completes an annual risk assessment for the Board. Internal Audit independently validates the effectiveness of risk management practices.

The annual Own Risk and Solvency Assessment (ORSA) represents the Company's solvency self assessment process.

iii. **Relationship between solvency self-assessment, solvency needs & capital, and risk management**

The ORSA process identifies and assesses all material risks that may affect the Company. Based on that assessment, the capital needs of the Company are determined, and Internal Targets set for Total and Core Capital. The ORSA process supports the governance of risk and capital management and is consistent with OSFI guidelines. The process evolves over time in response to changes in the Company's risk profile and identified areas of improvement.

At a minimum, the ORSA process is completed on an annual basis. It will be completed more frequently should there be a material change in the Company's expected risk profile.

iv. **Solvency self-assessment approval process**

The Company's ORSA Report is prepared by the Chief Risk Officer and reviewed with Senior Management and the Senior Risk and Capital Committee for completeness. After review, the ORSA Report is provided to the Board for review, discussion, and acceptance. The ORSA process and report are subject to periodic review by Internal Audit for integrity, accuracy, and reasonableness.

d. Internal controls

i. **Internal control system**

Management has established 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 that must be adhered to by all employees.

ii. **Compliance function**

The Company'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.

e. <u>Internal audit</u>

The Company has an Internal Audit Department that has unrestricted access to all areas and property of the organization, including personnel records, records held by third-party service providers, and also has direct access to the Board through the Board's Audit Subcommittee. To ensure Internal Audit remains independent, a formal Mandate of the Internal Audit Function is in place which is approved by the Board Audit Subcommittee. The Mandate indicates that internal auditors are to have no direct responsibility or any authority over the activities or operations that they review. Where required, the Internal Audit department also uses external consultants to supplement audit resources.

f. <u>Actuarial function</u>

The Company's Appointed Actuary is responsible for ensuring that the assumptions and methods used in the determination of policy liabilities are appropriate to the circumstances and that such actuarial liabilities will be adequate to meet the Company's future obligations under insurance contracts at each valuation date. Assumptions are regularly reviewed and updated where appropriate.

An independent peer review actuary also assesses the work of the Appointed Actuary pursuant to the Office of the Superintendent of Financial Institutions (OSFI) Guideline E-15.

The Appointed Actuary is appointed by the Company's Board of Directors.

g. <u>Outsourcing</u>

i. **Outsourcing policy and key functions that have been outsourced**

The Company has an outsourcing policy and a contracting and purchasing policy that outline management's delegation regarding various spending thresholds that can be authorised by staff at various levels and includes those which require Board authorization. The policies also outline the tendering and vetting process, and the procedures to be taken to monitor the work of outsourced partners and ensure that arrangements do not negatively affect the Company's reputation. The Company has not outsourced any control functions (being actuarial, risk management, compliance or internal audit).

ii. **Material intra-group outsourcing**

No material intra-group outsourcing exists.

h. <u>Other material information</u>

No other material information to report.

iii. RISK PROFILE

a. Material risks the insurer is exposed to during the reporting period

The Company's main risk categories are:

- Market risk - the risk of loss arising from adverse changes in market rates and prices, which includes equity risk, real estate risk, interest rate risk, currency risk and preferred share risk.
- Credit risk - the risk of financial loss resulting from the failure of debtors to make payments of interest and/or principal when due.
- Insurance risk – the risk of loss due to actual experience differing from the experience assumed when a product was designed and priced with respect to claims, policyholder behaviour and expenses.
- 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.
- Strategic risk - arises from unexpected changes in key elements of the Company's business strategy as a result of changes in the external environment.

The Company uses various proprietary models to evaluate and quantify these risks, whenever quantifiable. There has been no material change in the Company's risk exposures in the past year.

b. Risk mitigation in the organization

The Company controls risk through a wide range of policies and guidelines. Risk exposures and compliance with policies and guidelines is monitored by management, the Senior Risk and Capital Committee, and Senior Investment Committee; and reported to the Board either directly or via its various committees. The Chief Risk Officer completes an annual review of the Company's risk exposures, which is discussed with management and the Board.

c. Material risk concentrations

The Company's policy is to minimize undue concentration of assets in any single geographic area, industry or company. Investment guidelines specify minimum and maximum limits for each asset class and any individual issuer. These portfolios are monitored continuously and reviewed regularly with the Senior Credit and Investment Policy Committee of the Board or the Board itself.

d. Investment in assets in accordance with the prudent person principles of the code of conduct

The Board annually approves investment and lending policies, as well as procedures and guidelines. 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. Compliance with these policies, procedures and guidelines is monitored by the Senior Investment Committee and regularly reviewed with the Senior Credit and Investment Policy Committee of the Board.

e. Stress testing and sensitivity analysis to assess material risks

The Company performs stress tests on a quarterly basis to determine the adequacy of capital to absorb the impact of adverse events. The tests performed pertain to market risk, credit risk, and insurance risk.

Based on the latest results, management of the Company believes that it has sufficient capital to meet the contractual obligations of the organization and regulatory capital requirements upon experiencing losses within its risk tolerance.

f. Other material information

There is no other material information to present.

iv. SOLVENCY VALUATION

a. Valuation bases, assumptions and methods to derive the value of each asset class

The Company prepares consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). Invested assets are measured on the following basis:

- 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 either fair value through profit or loss (FVTPL) or available-for-sale (AFS). FVTPL bonds are recorded 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. AFS bonds are recorded at fair value with changes in the fair value of these bonds recorded to unrealized gains and losses in other comprehensive income ("OCI").
- Equities - designated as either FVTPL or AFS.
- Mortgages - classified as loans and receivables and carried at their amortized cost.
- Private Placements - classified as loans and receivables and carried at amortized cost.
- Derivatives – measured at fair value.
- Loans to policyholders - classified as loans and receivables and are carried at their unpaid balances, fully secured by the cash surrender value of policies on which the respective loans are made.
- Investment property - initially recognized at transaction price including transaction costs and subsequently measured at fair value.

The fair value principles used for the assets are as follows:

- 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.
- Loans to policyholders are considered to have fair values equal to their carrying value.
- 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. Valuation bases, assumptions and methods to derive the value of technical provisions

The valuation bases methodology for insurance contract liabilities and assumption setting process is consistent with Actuarial Standards Boards - Canadian Institute of Actuaries - Standards of Practice.

As at December 31st, 2021, the Company's total net policy liabilities amounted to $3.2 billion Canadian.

c. Description of recoverables from reinsurance contracts

Recoverables are valued according to Section 2120 Method outlined above in section b.

d. Valuation bases, assumptions and methods to derive the value of other liabilities

Other Liabilities not covered under b are derived based on International Financial Reporting Requirements.

e. Any other material information

There is no additional material information to present.

v. CAPITAL MANAGEMENT

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). This is the only framework referenced for Capital reporting.

a. Eligible capital

i. **Capital management policy and process for capital needs, how capital is managed and material changes during the reporting process**

The primary capital management objectives of the Company are to maintain a strong capital base to support the viability and development of its business, exceeding minimum regulatory capital requirements at all times and meeting the expectations of the market (advisors, policyholders, rating agencies). The Company's capital and risk management strategy are unchanged over the prior year.

To maintain a strong capital base, the Company identifies, assesses, manages and monitors the various risk sources it faces in the course of business both currently and as anticipated over a five-year planning horizon. This process culminates in an assessment of the capital necessary to maintain solvency at the threshold targeted by Senior Management given the firm's risk profile. The Company's risk profile includes an assessment of the current and anticipated future material risks faced by the Company, the strength of the organization's enterprise risk management, qualitative risks and stress testing.

ii. **Eligible capital categorized by tiers in accordance to the eligible capital rules used to meet ECR and MSM requirements of the Insurance Act**

Not applicable, capital is calculated in accordance with the LICAT framework as prescribed by OSFI.

iii. **Confirmation of eligible capital that is subject to transitional arrangements**

Not applicable, capital is calculated in accordance with the LICAT framework as prescribed by OSFI.

iv. **Identification of any factors affecting encumbrances on the availability and transferability of capital to meet the ECR**

Not applicable, capital is calculated in accordance with the LICAT framework as prescribed by OSFI.

v. **Identification of ancillary capital instruments approved by the authority**

Not applicable, capital is calculated in accordance with the LICAT framework as prescribed by OSFI.

vi. **Identification of differences in Shareholder's Equity as stated in the financial statements versus the Available Capital and Surplus**

Not applicable, no shareholder's equity is reported as a mutual company.

b. Regulatory capital requirements

Equitable Life is subject to regulation by the Office of the Superintendent of Financial Institutions (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, 2021, the Company's Total LICAT Ratio was 167%, which is well in excess of the OSFI target of 100%. This ratio indicates a strong capital position.

	2021	2020
Tier 1 capital	$ 1,007,890	$ 703,855
Tier 2 capital	223,958	350,339
Available capital	$ 1,231,848	$ 1,054,194
Surplus allowance and eligible deposits	$ 799,119	$ 760,493
Base solvency buffer	$ 1,213,977	$ 1,095,461
Total Ratio	167%	166%
Core Ratio	129%	113%

i. **ECR and MSM requirements at the end of the reporting period**

Not applicable, capital is calculated in accordance with the LICAT framework as prescribed by OSFI.

ii. **Identification of any non-compliance with the MSM and ECR**

Not applicable, capital is calculated in accordance with the LICAT framework as prescribed by OSFI.

iii. **A description of the amount and circumstances surrounding the non-compliance, the remedial measures and their effectiveness**

Not applicable.

iv. **Where the Non-Compliance is not Resolved, a Description of the Amount of the Non-Compliance**

Not applicable.

c. Approved internal capital model

Not applicable, no internal capital model is used.

vi. SUBSEQUENT EVENTS

There are no subsequent events to report.