Equitable Life of Canada®

ANNUAL REPORT

2021

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ABOUT EQUITABLE LIFE OF CANADA

Canadians have turned to Equitable Life since 1920 to protect what matters most. We work with independent advisors across Canada to offer individual insurance, savings and retirement, and group benefits solutions to meet your needs.

Equitable Life® is not your typical financial services company. We have the knowledge, experience and ability to find solutions that work for you. We're friendly, caring and interested in helping.

Equitable Life is represented by independent advisors serving our policyholders. They are supported by approximately 900 employees across Canada.

OUR COMMITMENT TO MUTUALITY

Equitable Life is proud to be one of Canada's largest mutual life insurance companies. As a mutual we provide financial security differently, by focusing exclusively on our clients. Our mutual structure allows us to manage the Company with a long term view, and by providing a high level of service at all times.

As an organization we're progressive, competitive and dedicated to meeting our commitments to our clients – to provide good value and meet their needs for insurance protection and wealth accumulation – now and in the future.

Equitable Life is a focused, stable and strong company. We are well-positioned to meet our future growth targets, and we continue to grow steadily. Our growth in sales has been driven by our ability to implement our strategic plan, placing a priority on products, service and execution. Our financial success reflects our continued commitment to profitable growth and our ability to navigate a changing regulatory and economic environment.

OUR HISTORY

Sydney Tweed started The Ontario Equitable Life and Accident Insurance Company in a two-room, second floor office in Waterloo, Ontario in November 1920.

Within the first week, the Company had a solid footing with $300,000 of insurance in-force. By the end of the first year, the Company had more than $7 million of insurance in-force, a record for any Canadian life insurance company at that time.

A philosophy of growth and a commitment to our policyholders was instilled from the beginning. During the Great Depression the Company pioneered an inexpensive family income policy offering security to families during insecure times. In 1936 the Company name changed to The Equitable Life Insurance Company of Canada, demonstrating the commitment to provide all Canadians with financial protection.

SOME OF EQUITABLE LIFE'S KEY MILESTONES

1968: $1 billion of life insurance in-force

2009: $50 billion of life insurance in-force

2016: $100 billion of life insurance in-force

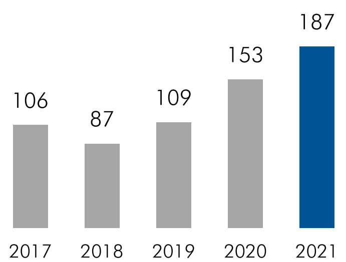
2020: $6 billion of assets under administration

2021: $150 billion of life insurance in-force

FIVE-YEAR REVIEW OF HIGHLIGHTS

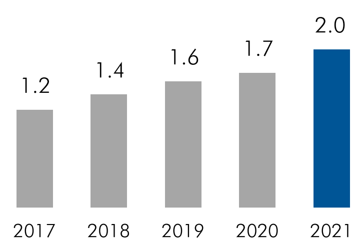
As at December 31	(Dollar amounts in millions except where otherwise indicated)				
	2021	2020	2019	2018	2017
Net income	187	153	109	87	106
Return on policyholders' equity	16.6%	16.0%	13.2%	11.9%	16.8%
LICAT ratio	167%	166%	155%	147%	N/A
Participating policyholders' equity	1,222	1,035	882	773	686
Premiums and deposits					
Individual Insurance	939	806	691	579	496
Savings and Retirement	498	401	405	380	310
Group Benefits	532	497	499	472	428
Total premiums and deposits	1,969	1,704	1,595	1,431	1,234
Sales					
Individual Insurance	134	149	132	119	101
Savings and Retirement	498	401	407	380	311
Group Benefits	49	46	48	53	45
Assets (billions $)					
General fund	4.9	4.4	3.7	3.1	2.9
Segregated funds	1.9	1.6	1.4	1.2	1.2
Total assets under administration	6.8	6.0	5.1	4.3	4.1
Dividends to participating policyholders	79	61	49	37	27
Benefits and payments to policyholders	942	820	821	740	694
Life insurance in-force (billions $)	155	147	135	125	114

NET INCOME



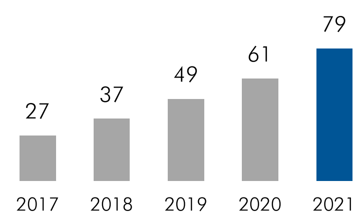
(Dollar amounts in millions)

PREMIUMS AND DEPOSITS



(Dollar amounts in billions)

DIVIDENDS TO PARTICIPATING POLICYHOLDERS



(Dollar amounts in millions)

MESSAGE TO POLICYHOLDERS

This year marked the second year of living and working through the global pandemic. The Equitable Life team continued to rise above new and ongoing challenges to remain focused on our duty to be at our very best, every day, for our clients, partners, and each other. Our best-in-class high touch client service is what sets us apart from many in the crowd.

We would like to thank every one of our employees across the country for their resilience and commitment to delivering exceptional products and services to our clients.

PROUD TO SUPPORT THE COMMUNITIES IN WHICH WE LIVE AND OPERATE

We value the communities where we live, work, and do business and this past year we supported 40 charities across Canada. Our employees consistently demonstrate tremendous generosity both in our corporate giving programs, like our annual United Way Campaign and Autism Speaks Canada walks, as well as with their own participation with many organizations. To continue to foster a culture of involvement we are proud to recognize and support our employees through employee volunteer and donation programs. One such program is Equitable Life Gives Back, a quarterly donation program that honours members of our team who are recognized by their peers, by offering a corporate donation to a charitable organization of their choosing.

OUR FINANCIAL RESULTS

We are pleased to report 2021 earnings of $187 million and a return on policyholders' equity of 16.6%. This record earnings result was driven by continued growth in new and in-force business, along with outstanding investment performance.

The Company reported premiums and deposits of $2.0 billion in 2021, contributing to $6.8 billion of assets under administration, up from $6.0 billion last year. This growth was supported by strong sales as more Canadians turned to insurance to protect the financial security of their families. Dividends to our participating policyholders were $79 million, an increase of 30% from the prior year.

The Individual Insurance business reported 2021 sales of $134 million, driven by participating whole life sales. Savings and Retirement reported sales of $498 million, driven by sales of segregated funds. Group Benefits delivered sales of $49 million, as we continue to support small Canadian businesses. Another year of solid sales shows that Equitable Life continues to grow in a healthy manner despite a difficult environment.

We closed out 2021 in a position of financial strength, with one of the strongest capital ratios in the industry of 167% as measured by the Life Insurance Capital Adequacy Test (LICAT). This is well above the regulatory target, demonstrating that we are well-positioned to meet our current and future commitments to clients. In addition, DBRS Morningstar confirmed our financial strength rating of A (high) with Stable Trends.

LEADERSHIP TRANSITIONS

2021 was also a season of change for Equitable Life's executive leadership team. These changes were anticipated, planned for, and are rolling out from a position of strength due to our talent pipeline and our ability to attract new talent.

Ron Beettam retired in June after 16 years as President & CEO. At the end of 2021, we also wished a happy retirement to long tenured executives Karen Mason, Senior Vice-President Individual and Paul English, Senior Vice-President Investments. In the first half of 2022, Judy Williams, Vice-President Savings and Retirement is set to retire after almost 35 years with Equitable Life. Dave Bennett, Senior Vice-President Group has announced his plans to leave Equitable Life to pursue other opportunities.

Equitable Life and its Board of Directors thank our departing executives for their leadership in nurturing a strong corporate culture, developing our talent and leaving our organization in a stronger position than when they started.

With change comes opportunity. In July, Fabien Jeudy joined as Equitable Life's new President & CEO. He is a collaborative leader with more than 30 years of experience in the insurance industry, leading actuarial, finance, risk management, distribution, marketing and operational teams in the Life & Health Insurance, Wealth Management and Group Benefits markets in Canada, the US, and Asia.

In addition, we have welcomed talented industry leaders to the executive leadership team. Donna Carbell a 20-year financial services veteran joined Equitable Life in September, as Senior Vice-President Individual. Tara Proper brings valuable investment knowledge to her new role of Senior Vice-President Investments after building her 24-year career at Equitable Life. And Cam Crosbie transitioned from the role of Vice-President Information Technology and Chief Information Officer into the role of Vice-President Savings and Retirement on January 1st, 2022.

THE FUTURE IS OURS

As we look ahead, we do so with a strong and resilient foundation upon which we will develop our new strategic plan and implement a hybrid work model for our employees.

In 2022, focus will also be given to a successful implementation of the new IFRS 17 and IFRS 9 accounting standards which take effect January 1st, 2023. Although this will have a profound impact on our financial reporting systems and financial statement presentation, the transition to the new reporting standards will have no impact on the fundamentals of our business. The financial condition of the Company will remain strong.

Once again, we would like to thank our employees and our Board of Directors for their commitment in doing what is right for our clients and partners.

2021 FINANCIAL HIGHLIGHTS

- Net income of $187 million, for a return on policyholders' equity of 16.6%
- Dividends to participating policyholders increased by 30% to $79 million
- Capital strength, as measured by the LICAT ratio, ended the year at 167%
- Participating policyholders' equity surpassed $1.2 billion
- Premiums and deposits increased by 16% to $2.0 billion
- Sales of $134 million in Individual Insurance, $498 million in Savings and Retirement, and $49 million in Group Benefits
- Benefits and payments to policyholders of $942 million
- Assets under administration grew to $6.8 billion from $6.0 billion

RON BEETTAM RETIREMENT

Ron Beettam joined Equitable Life in 2005 with the mandate from the Board of Directors to move the Company forward and grow within the Canadian marketplace. During Ron's tenure the Company expanded distribution, enhanced products, rolled out technology to improve services, and invested in developing Equitable Life's talent. In June 2021, after 16 years as President & CEO, Ron retired.

Under Ron's leadership Equitable Life went from an annual net income of $13.5 million to a record $153 million in 2020. During this time, the organization achieved the following:

- Assets under administration increased from $1 billion to over $6 billion
- Premiums and deposits grew from $400 million to over $1.7 billion
- Number of employees grew from 450 to over 800

Ron steered the Company through turbulent times: the financial crisis in 2008, business-impacting regulatory changes, ongoing market fluctuations, and the beginning of the global pandemic. His legacy is in having nurtured a culture of inclusiveness, teamwork, and strong financial and risk discipline. Ron maintained a focus on and actively promoted our mutuality.

DS Alexander

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

Fabien Jeudy, FSA, FCIA
President and Chief Executive Officer

INVESTMENT OPERATIONS

FINANCIAL RESULTS

In 2021, total assets under administration reached $6.8 billion. General fund assets increased by $557 million to $4.9 billion in the year, and segregated funds increased to $1.9 billion.

Regular investment income of $137 million was higher than 2020 primarily resulting from income on asset growth. In 2021, positive fair value changes of $125 million contributed to net investment income of $253 million while in 2020 fair value changes contributed positively by $157 million.

There were no impaired assets in any of the portfolios, and investment operations continue to contribute positively to net income.

The Investment 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 bonds and debentures portfolio increased to $1.9 billion in 2021 compared to $1.8 billion in 2020. The majority of the change was due to growth in assets under administration. The bonds and debenture portfolio represents 44% of total general fund managed assets. Equitable Life's bonds and debentures are predominantly rated investment grade.

EQUITIES

Equities supporting policyholders' funds in the Company's universal life products (linked equities) accounted for $612 million or 14% of total general fund managed assets.

The preferred share portfolio at the end of 2021 totaled $237 million, compared with $255 million at the end of 2020. The net decrease in preferred shares was attributable to a decrease in assets partially offset by an increase in the market value of the portfolio.

The direct equities portfolio includes public and private equities which totaled $366 million at the end of 2021 compared with $227 million at the end of 2020. Included within the direct equities portfolio is investment property fund units of $27 million.

MORTGAGES

The 2021 mortgage loan portfolio of $314 million increased by $50 million from 2020. Commercial mortgage loans represent 7% of total general fund managed assets, with 18% of the portfolio CMHC insured.

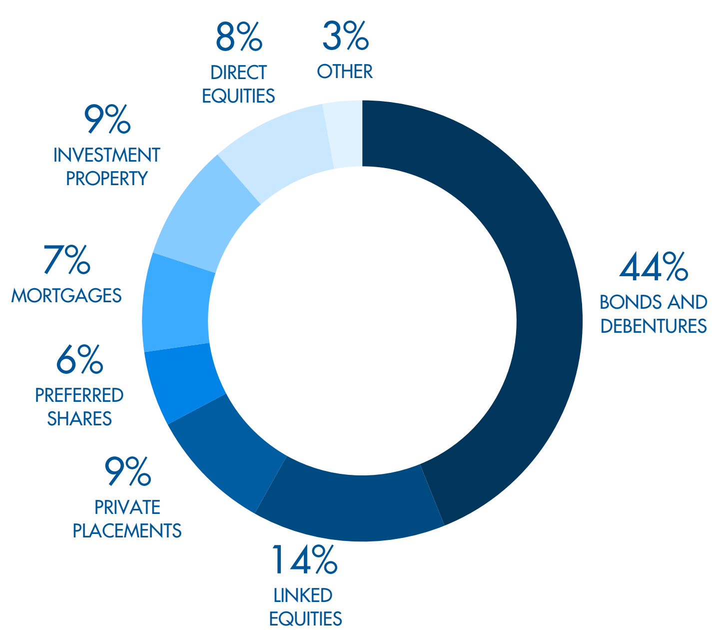
PRIVATE PLACEMENTS

Debt private placements at the end of 2021 totaled $391 million, compared with $323 million at the end of 2020. Private placements allow for sourcing of quality assets with higher yields and/or, better terms than are available in the public markets. Equitable Life's private placement portfolio is predominantly rated investment grade.

INVESTMENT PROPERTY

The investment property portfolio totaled $369 million at the end of 2021 compared with $280 million at the end of 2020. Although one new property was added to the portfolio in 2021, much of the increase is attributable to favourable market conditions. Equitable Life has a well diversified portfolio and experienced solid appreciation and earnings over the year.

GENERAL FUND MANAGED ASSETS



SOURCE OF EARNINGS ANALYSIS

(Dollar amounts in thousands)

2021	Individual Insurance	Savings and Retirement	Group Benefits	Surplus	Total
Expected profit on in-force business	$ 33,724	$ 20,165	$ 9,078	$ -	$ 62,967
Impact of new business	73,493	(7,979)	-	-	65,514
Experience gains	44,613	9,675	14,836	-	69,124
Management actions and changes in assumptions	(23,698)	790	-	-	(22,908)
Earnings on operations	128,132	22,651	23,914	-	174,697
Earnings on surplus	-	-	-	60,546	60,546
Income before income taxes	128,132	22,651	23,914	60,546	235,243
Income tax expense	(26,284)	(3,495)	(6,055)	(12,642)	(48,476)
Net income	$ 101,848	$ 19,156	$ 17,859	$ 47,904	$ 186,767

2020	Individual Insurance	Savings and Retirement	Group Benefits	Surplus	Total
Expected profit on in-force business	$ 31,885	$ 12,034	$ 14,249	$ -	$ 58,168
Impact of new business	60,896	(9,985)	-	-	50,911
Experience gains	5,418	9,583	9,809	-	24,810
Management actions and changes in assumptions	51,351	(3,915)	(6,670)	-	40,766
Earnings on operations	149,550	7,717	17,388	-	174,655
Earnings on surplus	-	-	-	23,579	23,579
Income before income taxes	149,550	7,717	17,388	23,579	198,234
Income tax expense	(34,907)	(402)	(4,395)	(5,433)	(45,137)
Net income	$ 114,643	$ 7,315	$ 12,993	$ 18,146	$ 153,097

Expected profit on in-force business

The expected profit on in-force business represents the profit anticipated from business in-force if actual experience is in line with expected assumptions as to mortality, morbidity, lapse, investment returns and expenses.

Impact of new business

Profit (or loss) arises at issue for new insurance contracts. It represents the excess (or deficiency) of profit margins incorporated in the product pricing over the conservative margins for adverse deviation incorporated in the reserves. New business profits in Individual Insurance were strong due to a continued favourable pricing environment. The impact of new business for Savings and Retirement is negative. This is due to initial losses on segregated funds where not all acquisition costs can be deferred. The profit for new sales for the Group Benefits business is not recognized at issue but over time and hence included with the expected profit on in-force business.

Experience gains (losses)

Experience gains or losses emerge when actual experience differs from the assumptions underlying the expected profit. Experience gains in Individual Insurance were due primarily to favourable equity market and real estate performance. Mortality experience was unfavourable and this was partially offset by favourable lapse experience. Savings and Retirement experience gains were from favourable investment experience. Experience gains occurred in Group Benefits due to favourable claims experience.

Management actions and changes in assumptions

In 2021, there were a limited number of reserve assumption changes. For Individual Insurance, universal life level cost of insurance lapse assumptions were updated resulting in a large reserve strengthening. Future reinvestment assumptions were updated resulting in a small reserve release. Management actions resulted in a significant reserve release in Individual Insurance due to the renegotiation of fund management fees. Savings and Retirement saw smaller management action gains due to this as the impact is not present valued and does not impact the reserves. Overall, assumption changes increased reserves by $40.1 million and management actions were $17.2 million. See also note 9 (d) to the financial statements.

Earnings on Surplus

Earnings on Surplus reflect the investment returns on assets supporting the Company's surplus.

CAPABILITY TO DELIVER RESULTS

Equitable Life 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 Life's Total LICAT Ratio at December 31, 2021 was 167%, 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 2021 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 Life is cash provided by operating activities, including premiums, net investment income and fee income. These funds are used primarily to pay policyholder 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 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 policyholder value at an acceptable level of risk. 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).

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 Corporate Governance 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.

Discussion of the Company's key risks is in the following sections. Further disclosure on risk management, including quantifications, is included in note 5 to the financial statements.

MARKET AND CREDIT RISKS

Equitable Life acquires and manages portfolios of assets to produce investment returns in support of policyholder obligations and profitability. This exposes the Company to market and credit risks. Market risk includes equity risk, real estate risk, interest rate risk, currency risk, and preferred share risk.

The Board approves investment and lending policies, as well as procedures and guidelines, 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. 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.

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

Equity risk

Equity risk is the potential for financial loss arising from declines in equity market prices. The Company derives a portion of its revenue from fee income generated by the segregated fund asset management business and from certain insurance contracts where fee income is levied on account balances that generally move in line with equity market levels. Accordingly, declines in the market value of such assets would result in corresponding reductions to fee income and net income. Declining and volatile equity markets may have a negative impact on sales and redemptions (surrenders), resulting in further adverse impacts on net income and the Company's financial position. In addition, segregated fund guarantee liabilities increase when equity markets decline. The Company also has direct exposure to equity markets from investments supporting general account liabilities and employee pension plans.

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

Real estate risk

Real estate risk is the potential for financial loss arising from declines in real estate values and potential lease defaults. The Company has direct exposure to real estate from investments supporting general account liabilities.

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

Interest rate risk

Interest rate risk exists if asset and liability cash flows are not closely matched and interest rates change, causing a difference in value between the assets and liabilities. For asset/liability management purposes, the general fund is divided into segments based on the characteristics of the liabilities the segment supports. The risks associated with any mismatch in portfolio duration and cash flow, 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 notes 5 (b) and 9 (b) to the financial statements.

Currency risk

Currency risk is the potential for financial loss arising from changes in foreign exchange rates. The Company minimizes currency risk as liabilities are generally matched with assets of the same currency. 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.

Preferred share risk

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

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 Life'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 and any individual issuer. Portfolio risk is evaluated using industry standard measurement techniques. Credit risk for bonds, equities, 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 the Company 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, policyholder 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 and profits emerge in each accounting period. Policy liabilities reflect reasonable expectations about future experience, together with a margin. Although pricing on some products is guaranteed throughout the life of the contract, 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 policyholder obligations.

The Company 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 the financial condition of the Company. The Audit Committee and the Board review the work of the Appointed Actuary.

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

Mortality and morbidity risk

Many of the Company's products provide benefits in the event of death (mortality) or benefits that depend on the policyholder'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 the Company is actively doing business. These risks are actively managed through underwriting, retention limits, reinsurance, and claims management.

Lapse (policy termination) 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 actuarial reserves. The risk of lower lapses adversely affects income for products where reserves 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 notes 9 (a) and (b) 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 Company 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.

Data security and privacy risk

Data security and privacy risk is the risk of theft or loss of company or client data through an external or internal breach. To mitigate this risk, a formal information security program, focused on protection of Company systems and detection of and response to security incidents, is in place. An ongoing systems renewal and upgrade program is in place 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.

Distributor conduct risk

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

Process error risk

Unexpected errors in the Company'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.

Business continuity risk

Business continuity risk is the risk of an unexpected interruption of the business due to inaccessibility to key systems, loss of key staff, or inaccessibility to the head office building. The Company has a formal business continuity plan, with regular testing of recovery plans.

Regulatory compliance

Equitable Life'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.

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.

STRATEGIC RISK

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 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 International Financial Reporting Standards (IFRS) and the accounting 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

Sheila Hart, FSA, FCIA
Senior Vice-President and Chief Financial Officer

Waterloo, Ontario, February 15, 2022

APPOINTED ACTUARY'S REPORT

To the policyholders of The Equitable Life Insurance Company of Canada

I have valued the policy liabilities and reinsurance assets of The Equitable Life Insurance Company of Canada for its Consolidated Statements of Financial Position at December 31, 2021, and their changes in the Consolidated Statements of Operations for the year then ended in accordance with accepted actuarial practice in Canada, including selection of appropriate assumptions and methods.

In my opinion, the amount of policy liabilities net of reinsurance assets makes appropriate provision for all policy obligations and the consolidated financial statements fairly present the results of the valuation.

Phil K Watson

Phillip K. Watson, Fellow, Canadian Institute of Actuaries
Vice-President and Appointed Actuary
Waterloo, Ontario, February 15, 2022

INDEPENDENT AUDITORS' 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 statements of financial position as at December 31, 2021 and December 31, 2020;
- the consolidated statements of operations for the years then ended;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the segregated funds statements of financial position as at December 31, 2021 and December 31, 2020;
- the statements of changes in segregated funds financial position for the years then ended;
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(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, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

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 ***Auditors' Responsibilities for the Audit of the Financial Statements*** section of our auditors' 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.

Other Information

Management is responsible for the other information. Other information comprises information, other than the financial statements and the auditors' 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 auditors' report thereon, included in the Annual Report at the date of this auditors' 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 auditors' 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, 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.

Auditors' 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 auditors' 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 auditors' 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 auditors' 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
Waterloo, Canada, February 15, 2022

CONSOLIDATED STATEMENTS OF OPERATIONS

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.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31		(thousands of dollars)
	2021	2020
Net income	$ 186,767	$ 153,097
Other comprehensive income		
Unrealized gains (losses) on available-for-sale assets	(28,280)	37,802
Reclassifications of realized gains to net income for available-for-sale assets	(207)	(6,164)
Gains (losses) on the remeasurement of pension and other post-employment benefit plans	16,137	(21,103)
Income tax expense (recovery) (note 11)	3,238	(2,779)
Total other comprehensive income (loss)	(9,112)	7,756
Total comprehensive income	$ 177,655	$ 160,853

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(thousands of dollars)

	Participating Policyholders' Equity	Accumulated Other Comprehensive Income	Total
Balance as at December 31, 2019	$ 882,009	$ 9,238	$ 891,247
Net income	153,097	-	153,097
Other comprehensive income	-	7,756	7,756
Balance as at December 31, 2020	$ 1,035,106	$ 16,994	$ 1,052,100
Net income	186,767	-	186,767
Other comprehensive loss	-	(9,112)	(9,112)
Balance as at December 31, 2021	$ 1,221,873	$ 7,882	$ 1,229,755

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 consists of unrealized gains on available-for-sale assets and remeasurements related to employee future benefits, net of applicable income tax recoveries of $3,110 (2020 - $6,349). All accumulated other comprehensive income is attributed to participating policyholders' equity.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31		(thousands of dollars)
	2021	2020
ASSETS		
Cash, cash equivalents and short-term investments	$ 86,823	$ 76,330
Bonds and debentures	1,889,893	1,775,395
Equities	1,215,064	1,004,889
Mortgages	313,892	264,041
Private placements	391,322	322,510
Derivatives	38,429	50,565
Loans to policyholders	125,155	108,531
Investment property	368,713	279,734
Total invested assets (note 4)	4,429,291	3,881,995
Accrued investment income	17,327	16,526
Reinsurers' share of insurance contract liabilities (note 9)	358,446	380,911
Other assets (note 6)	77,142	49,780
Property, plant and equipment (note 7)	22,330	18,029
Total general fund assets	4,904,536	4,347,241
Segregated funds assets	1,932,133	1,641,774
Total assets	$ 6,836,669	$ 5,989,015
LIABILITIES		
Insurance contract liabilities (note 9)	$ 3,287,613	$ 2,920,930
Other contract liabilities (note 9)	249,930	219,385
Derivatives	7,390	7,456
Other liabilities	72,405	82,281
Taxes payable	21,770	43,483
Deferred income taxes (note 11)	22,508	7,986
Mortgage loans (note 10)	13,165	13,620
Total general fund liabilities	3,674,781	3,295,141
Segregated funds liabilities	1,932,133	1,641,774
Total liabilities	5,606,914	4,936,915
POLICYHOLDERS' EQUITY		
Participating policyholders' equity	1,221,873	1,035,106
Accumulated other comprehensive income	7,882	16,994
	1,229,755	1,052,100
Total liabilities and policyholders' equity	$ 6,836,669	$ 5,989,015

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

Douglas S. Alexander, CPA, CA
Chairman 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)
	2021	2020
OPERATING CASH INFLOWS		
Premiums received	$ 1,241,163	$ 1,112,554
Interest income received	78,372	71,119
Dividend income received	27,354	21,828
Investment property income received	7,192	4,230
Fee income received	61,490	48,442
	1,415,571	1,258,173
OPERATING CASH OUTFLOWS		
Benefit and annuity payments	436,796	393,372
Dividends paid to policyholders	62,461	49,318
Operating expenses	380,236	394,158
Income, premium and other taxes	108,196	62,328
Financing expenses	367	146
	988,056	899,322
Cash provided by operating activities	427,515	358,851
INVESTING CASH INFLOWS (OUTFLOWS)		
Purchase of investments	(988,816)	(1,011,340)
Proceeds from sale of investments	595,898	697,204
Other	(23,528)	(15,717)
Cash used in investing activities	(416,446)	(329,853)
FINANCING CASH INFLOWS (OUTFLOWS)		
Lease payments	(121)	(240)
Mortgage loans	(455)	10,674
Cash provided by (used in) financing activities	(576)	10,434
Increase in cash during the year	10,493	39,432
Cash, cash equivalents and short-term investments - beginning of year	76,330	36,898
Cash, cash equivalents and short-term investments - end of year	$ 86,823	$ 76,330

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

SEGREGATED FUNDS STATEMENTS OF FINANCIAL POSITION

As at December 31		(thousands of dollars)
	2021	2020
ASSETS		
Mutual/pooled units	$ 1,776,603	$ 1,463,407
Cash and short-term investments	22,057	62,297
Bonds and debentures	130,418	112,575
Private placements	3,671	4,681
Investment property fund	10,079	8,774
Other assets	1,055	1,061
Total segregated funds net assets	$ 1,943,883	$ 1,652,795
COMPOSITION OF SEGREGATED FUNDS NET ASSETS		
Held by contractholders (note 15(a))	$ 1,932,133	$ 1,641,774
Held by the Company	11,750	11,021
Total segregated funds net assets	$ 1,943,883	$ 1,652,795

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

STATEMENTS OF CHANGES IN SEGREGATED FUNDS FINANCIAL POSITION

For the years ended December 31		(thousands of dollars)
	2021	2020
Net assets - beginning of year	$ 1,652,795	$ 1,424,379
Additions to (deductions from) assets:		
Amounts received from contractholders	434,154	330,369
Net transfers to general fund	(179)	(74)
Amounts withdrawn by contractholders	(272,657)	(209,484)
Net contributions by contractholders	161,318	120,811
Interest and dividends	24,757	25,120
Net realized gains	84,657	50,276
Unrealized investment gains	69,234	71,578
Net investment income	178,648	146,974
Management fees and other operating costs	(48,878)	(39,369)
Net assets - end of year	$ 1,943,883	$ 1,652,795

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 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 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 on February 15, 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

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.

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:

- mortgages,
- private placements,
- loans to policyholders,
- property, plant and equipment,
- reinsurers' share of insurance contract liabilities,
- insurance contract and other contract liabilities,
- current and deferred taxes, and
- mortgage loans.

(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, determination of fair value of financial instruments, impairment 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 of insurance and investment contracts, financial instruments and the componentizations of property, plant and equipment within the financial statements.

(b) Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary companies for the reporting period ended December 31 for each period presented. Subsidiaries are entities controlled by the Company.

(c) Invested assets

Invested assets are accounted for 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 or available-for-sale. Purchases and sales of bonds are recognized or derecognized in the Consolidated Statements of Financial Position on their settlement dates.

Fair value through profit or loss (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.

Available-for-sale (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"). Realized gains and losses on the sale of AFS bonds are reclassified from accumulated OCI and recorded as realized gains (losses) in the Consolidated Statements of Operations. Interest income earned is recorded to investment income. Transaction costs related to the purchase of these bonds are recorded as part of the carrying value of the bond at the date of purchase.

AFS bonds are tested for impairment at a minimum, on a quarterly basis. When there is objective evidence that an AFS bond is impaired and the decline in value is considered other than temporary, the loss accumulated in OCI is reclassified to investment income. Impairment is reversed only if the conditions that caused the impairment no longer exist. Reversals of impairment charges are only recognized to the extent that increases in fair value can be attributed to events subsequent to the impairment loss being recorded. If, in a subsequent period, the fair value of an impaired security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in income, then the impairment loss is reversed, with the amount of the reversal recognized in income.

Following impairment loss recognition, these assets will continue to be recorded at fair value with changes in fair value recorded to OCI, and tested for further impairment quarterly. Objective evidence of impairment includes financial difficulty of the issuer, bankruptcy or defaults and delinquency in payments of interest or principal.

Equities

Equities are designated as either FVTPL or AFS. 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 interest 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.

AFS equities are recorded in the Consolidated Statements of Financial Position at fair value with changes in the fair value of these equities recorded to unrealized gains and losses in OCI. Realized gains and losses on the sale of AFS equities are reclassified from accumulated OCI and recorded as realized gains and losses in the Consolidated Statements of Operations. Dividends received are recorded to investment income. Transaction costs related to the purchase of these equities are recorded as part of the carrying value of the equity at the date of purchase.

AFS equities are tested for impairment at least on a quarterly basis. The accounting for other-than-temporarily impaired equities is the same as described previously for bonds. Objective evidence of impairment for equities include a significant or prolonged decline in fair value of the equity below cost or changes with adverse effects that have taken place in the technological, market, economic or legal environment in which the issuer operates that may indicate that the carrying value will not recover. Impairment testing for fixed reset preferred shares uses the debt model.

Mortgages

Mortgages are classified as loans and receivables and carried at their amortized cost. Realized gains and losses on the sale of mortgages as well as interest income earned, are recorded in investment income in the Consolidated Statements of Operations. Transaction costs related to the purchase of mortgages are expensed when incurred. Provisions for potential losses on mortgages in arrears and in the process of realization are recognized immediately as a charge for loan impairment.

The investment in restructured impaired loans is reduced as at the restructuring date to an amount which does not exceed the estimated realizable value under the modified loan terms. Any write-off is recognized immediately as a charge for loan impairment. When collection of the scheduled future cash flows in accordance with the modified loan terms is reasonably assured, interest income is recognized at the effective interest rate inherent in the loan at the time it was initially recognized as being impaired.

Private placements

Private placements are classified as loans and receivables and carried at amortized cost. Realized gains and losses on the sale of private placements as well as interest income earned, are recorded in investment income in the Consolidated Statements of Operations. Transaction costs related to the purchase of private placements are recorded as part of the carrying value of the private placement at the date of purchase. Provisions for potential losses on private placements in arrears, and in the process of realization, are recognized immediately as a charge for loan impairment.

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.

Loans to policyholders

Loans to policyholders are 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

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) Provisions for asset defaults

Asset default provisions include principal, interest, and collection expenses for all invested assets. The provisions are management's best estimates based on such factors as past trends and current experience, forecasts of future market conditions, surveys of specific markets and inspections of properties on which the Company has provided mortgage loans. Provisions are established where, in the opinion of management, there is reasonable doubt concerning the repayment of principal amounts. Further, where there is reasonable doubt concerning the receipt of interest and, in all cases where interest is 90 days past due, interest ceases to be accrued and any interest previously accrued is reversed.

The provisions consist of: (i) provisions against specific assets for the current year which are deducted from the related assets and (ii) a provision which is the present value of estimated expected future asset default losses reported as a component of actuarial policy liabilities, including an amount as a provision for adverse deviations.

When a loan is identified as impaired, the carrying value of the investment is reduced to the estimated realizable amount and a charge is included in income immediately. Subsequent payments are recorded in interest income after any prior write-off has been recovered and if management has determined that a specific provision is not required; otherwise, they are recorded as a reduction in principal.

Impairment of a loan is recognized by a full or partial write-off of the recorded investment. Establishment of an allowance for loan impairment or partial write-off is supplemented by an allowance. Loan impairment is assessed on an individual loan basis.

(e) 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

(f) Contract classification

The Company's products are classified at contract inception, for accounting purposes, as insurance, service or investment contracts depending on the existence of significant insurance risk. 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. When significant insurance risk exists, the contract is accounted for as an insurance contract. In the absence of significant insurance risk, the contract is classified as an investment contract or a service contract.

(g) Insurance contract liabilities

Insurance contract liabilities are determined using accepted actuarial practices as established by the Actuarial Standards Board (ASB), using the Canadian Asset Liability Method ("CALM"). Insurance contract liabilities, net of reinsurance assets, represent an estimate of the amount which, together with estimated future premiums and investment income, will be sufficient to pay outstanding claims and future benefits, projected dividends, expenses and taxes on policies in-force.

Best estimate reserve assumptions are made for the lifetime of the policies and include assumptions related to mortality and morbidity, investment returns, rates of policy termination, operating expenses and certain taxes. To recognize the uncertainty that is involved in establishing these best estimate reserve assumptions, the Appointed Actuary is required to include a margin in each assumption to allow for possible deterioration in experience and to provide greater comfort that the policy liabilities are adequate to pay future benefit obligations. The impact of these margins is to increase actuarial liabilities and decrease the income that is recognized at inception of the policy.

A range of allowable margins is prescribed by the ASB. As the probability of deviation from estimates declines, these provisions will be included in future income to the extent that they are not required to cover adverse experience. If estimates of future conditions change throughout the life of a policy, the present value of those changes is recognized in income immediately. The 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.

The reinsurance asset represents the benefit derived from reinsurance arrangements in-force as at the Consolidated Statements of Financial Position date. The reinsurance asset is measured on the same basis as the amounts associated with the insurance contracts and in accordance with the terms of each reinsurance contract.

Gross premiums for all types of insurance contracts and contracts with limited mortality or morbidity risk are generally recognized as revenue when due.

(h) 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 a change in policy liabilities. Deposits collected from and payments made to contractholders are recorded as an increase and decrease in the investment contract liabilities. Investment contract liabilities are included in other contract liabilities.

(i) Income taxes

The Company provides for income taxes using the liability method of tax accounting. Current income tax expense represents the expected payable resulting from current year operations. 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.

The income tax rates used to measure income tax assets and liabilities are those rates enacted or substantively enacted at the dates of the Consolidated Statements of Financial Position.

(j) Employee future benefits

Equitable Life 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 employees' 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.

(k) Fair value disclosures

The fair values of investments are determined as disclosed in note 4. The fair values of mortgage loans are determined as disclosed in note 10. 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 corporate earnings.

(l) 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 Life 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 does not present these amounts as revenue in the Consolidated Statements of Operations; however separate audited financial statements are available for each segregated fund.

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.

The Company earns fee income from segregated funds, which is included in fee income on the Consolidated Statements of Operations.

3. CHANGES IN ACCOUNTING POLICIES

New accounting pronouncements issued but not yet effective:

IFRS 9, Financial Instruments

On July 24, 2014, the International Accounting Standards Board (IASB) issued the complete amended IFRS 9, Financial Instruments to replace IAS 39, Financial Instruments: Recognition and Measurement. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

IFRS 9 introduces new requirements for the classification and measurement of financial assets based on the business model in which they are held and the characteristics of their contractual cash flows. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment. The standard also introduces additional changes relating to financial liabilities.

IFRS 9 also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. Special transitional requirements have been set for the application of the new general hedging model.

On September 12, 2016, the IASB issued amendments to IFRS 4, Insurance Contracts, to address accounting mismatches and volatility that may arise in profit or loss in the period between the effective date of IFRS 9 and the new insurance contracts standard, IFRS 17, issued in May 2017. The amendments apply in the same period in which the Company adopts IFRS 17.

The amendments introduce two approaches that may be adopted by insurers in the period between the effective date of IFRS 9, January 1, 2018, and the effective date of IFRS 17, January 1, 2023.

- overlay approach – an option for all issuers of insurance contracts to reclassify amounts between profit or loss and other comprehensive income for eligible financial assets by removing any additional accounting volatility that may arise from applying IFRS 9; and
- temporary exemption – an optional temporary exemption from IFRS 9 for companies whose activities are predominately connected with insurance. This exemption allows an entity to continue to apply existing financial instrument requirements in IAS 39 to all financial assets until the earlier of the application of IFRS 17 or January 1, 2023.

The Company evaluated its liabilities at December 31, 2015, the prescribed date of assessment under the temporary exemption provisions and concluded that all of the liabilities were predominantly connected with insurance. Approximately 91% of the Company's liabilities at December 31, 2015 are liabilities that arise from contracts within the scope of IFRS 17 and approximately 91% of the Company's liabilities at December 31, 2015 are liabilities that arise because the Company issues insurance contracts and fulfils obligations arising from insurance contracts. Additionally, the Company has not previously applied any version of IFRS 9. Therefore, the Company is an eligible insurer that qualifies for optional relief from the application of IFRS 9.

As at January 1, 2018, the Company elected to apply the optional transitional relief under IFRS 4 that permits the deferral of the adoption of IFRS 9 for eligible insurers. The Company will continue to apply IAS 39 until January 1, 2023. See note 4(h) for additional disclosures which enable comparison between the Company and entities that applied IFRS 9 at January 1, 2018.

IFRS 17, Insurance Contracts

On May 18, 2017, the IASB issued IFRS 17, Insurance Contracts. On June 25, 2020, the IASB issued amendments to IFRS 17 aimed at helping companies implement the standard and to defer the effective date. The new standard is effective for annual periods beginning on or after January 1, 2023. IFRS 17 will replace IFRS 4, Insurance Contracts. This standard introduces consistent accounting for insurance contracts across jurisdictions applying IFRS. The standard requires a company to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts. Additionally, IFRS 17 requires a company to recognize profits as it delivers insurance services, rather than when it receives premiums.

The Company intends to adopt IFRS 17 in its financial statements on the effective date promulgated by the IASB. The extent of the impact of adoption of the standard has not yet been determined.

4. INVESTMENTS

(thousands of dollars)

(a) Carrying and fair values of invested assets

	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

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.

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) Provisions for asset defaults

The provisions for impaired assets and the provisions for potential future asset default losses, which include a provision for adverse deviations, reflected as a component of the insurance contract liabilities are $396,109 (2020 - $330,814).

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

Bonds and debentures	Term to Maturity	2021 Carrying Value	2020 Carrying Value
Government of Canada	Less than 1 year	$ -	$ -
	1 to 5 years	67,970	50,236
	Over 5 years	109,938	70,983
Provincial governments	Less than 1 year	7,430	2,617
	1 to 5 years	45,330	50,286
	Over 5 years	629,267	681,648
Municipal governments	Less than 1 year	-	-
	1 to 5 years	2,102	2,199
	Over 5 years	18,293	17,343
Corporate	Less than 1 year	28,194	31,032
	1 to 5 years	264,399	263,492
	Over 5 years	707,916	596,233
Foreign governments	Less than 1 year	-	-
	1 to 5 years	-	-
	Over 5 years	9,054	9,326
		$ 1,889,893	$ 1,775,395
Mortgages	Less than 1 year	$ 17,743	$ 17,518
	1 to 5 years	189,223	133,287
	Over 5 years	106,926	113,236
		$ 313,892	$ 264,041
Private placements	Less than 1 year	$ -	$ 4,001
	1 to 5 years	72,133	58,608
	Over 5 years	319,189	259,901
		$ 391,322	$ 322,510

(d) Analysis of net investment income

	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

(e) 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 2021 the gross collateral held was $28,637 (2020 - $37,788).

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, 2021, gross collateral of $899 (2020 - nil) was pledged to a counterparty.

2021

	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	$ 30,000	$ 48,100	$ 80,600	$ 158,700	$ 30,622	$ (1,151)	$ 29,471	$ 30,763	$ 32,213	$ 557
Foreign exchange contracts										
Swaps	$ 30,934	$ 12,315	$ 156,309	$ 199,558	$ 7,807	$ (6,239)	$ 1,568	$ 7,864	$ 20,512	$ 343
Total	$ 60,934	$ 60,415	$ 236,909	$ 358,258	$ 38,429	$ (7,390)	$ 31,039	$ 38,627	$ 52,725	$ 900

2020

	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	$ 17,100	$ 65,393	$ 85,600	$ 168,093	$ 39,635	$ (1,714)	$ 37,921	$ 39,883	$ 41,494	$ 717
Foreign exchange contracts										
Swaps	$ 28,678	$ 3,065	$ 148,624	$ 180,367	$ 10,930	$ (5,742)	$ 5,188	$ 10,977	$ 22,563	$ 367
Total	$ 45,778	$ 68,458	$ 234,224	$ 348,460	$ 50,565	$ (7,456)	$ 43,109	$ 50,860	$ 64,057	$ 1,084

(f) Determination of fair values and fair value hierarchy

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

	2021			
	Level 1	Level 2	Level 3	Total
Cash, cash equivalents and short-term investments	$ 86,823	$ -	$ -	$ 86,823
Bonds and debentures	-	1,889,893	-	1,889,893
Equities	1,129,896	-	85,168	1,215,064
Mortgages	-	-	310,396	310,396
Private placements	-	414,321	-	414,321
Derivatives	-	38,429	-	38,429
Loans to policyholders	-	125,155	-	125,155
Investment property	-	-	368,713	368,713
Segregated funds assets	1,754,026	177,354	-	1,931,380
Assets at fair value	$ 2,970,745	$ 2,645,152	$ 764,277	$ 6,380,174
Derivatives	$ -	$ 7,390	$ -	$ 7,390
Mortgage loans	-	13,165	-	13,165
Liabilities at fair value	$ -	$ 20,555	$ -	$ 20,555

	2020			
	Level 1	Level 2	Level 3	Total
Cash, cash equivalents and short-term investments	$ 76,330	$ -	$ -	$ 76,330
Bonds and debentures	-	1,775,395	-	1,775,395
Equities	942,499	-	62,390	1,004,889
Mortgages	-	-	287,217	287,217
Private placements	-	357,443	-	357,443
Derivatives	-	50,565	-	50,565
Loans to policyholders	-	108,531	-	108,531
Investment property	-	-	279,734	279,734
Segregated funds assets	1,472,410	168,303	-	1,640,713
Assets at fair value	$ 2,491,239	$ 2,460,237	$ 629,341	$ 5,580,817
Derivatives	$ -	$ 7,456	$ -	$ 7,456
Mortgage loans	-	13,620	-	13,620
Liabilities at fair value	$ -	$ 21,076	$ -	$ 21,076

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

(g) Investment property

	2021	2020
Balance, beginning of year	$ 279,734	$ 192,150
Acquisitions	20,728	81,934
Improvements	4,736	1,175
Fair value changes	63,515	4,475
Balance, end of year	$ 368,713	$ 279,734

Certain investment properties are encumbered by mortgage loans as discussed in note 10.

(h) Fair value and change in fair value of financial assets

The following additional disclosure, required by IFRS 9 for eligible insurers, presents the fair value and the amount of change in the fair value of the Company's financial assets as at and for the year ending December 31, 2021, showing separately the fair value of financial assets with contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI") and the fair value of financial assets that do not give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding ("Non-SPPI"):

	SPPI		Non-SPPI	
2021	Fair Value	Change in Fair Value	Fair Value	Change in Fair Value
Bonds and debentures	$ 1,779,412	$ 69,877	$ 110,481	$ 44,621
Equities	-	-	1,215,064	210,175
Mortgages	310,396	23,179	-	-
Private placements	334,031	32,031	80,290	24,847
Derivatives	-	-	38,429	(12,136)
Loans to policyholders	125,155	16,624	-	-
	$ 2,548,994	$ 141,711	$ 1,444,264	$ 267,507

	SPPI		Non-SPPI	
2020	Fair Value	Change in Fair Value	Fair Value	Change in Fair Value
Bonds and debentures	$ 1,709,535	$ 138,575	$ 65,860	$ 34,349
Equities	-	-	1,004,889	134,639
Mortgages	287,217	47,277	-	-
Private placements	302,000	46,258	55,443	40,823
Seed capital – segregated funds	-	-	-	(424)
Derivatives	-	-	50,565	23,863
Loans to policyholders	108,531	12,302	-	-
	$ 2,407,283	$ 244,412	$ 1,176,757	$ 233,250

The following additional disclosure, required by IFRS 9 for eligible insurers, presents the credit risk ratings of SPPI financial assets as at December 31, 2021:

	Credit Risk	Carrying Value	% of Total
Credit rating (bonds and debentures, private placements):			
AAA	Low	$ 204,924	9.7%
AA	Low	711,852	33.7%
A	Low	619,633	29.3%
BBB	Low	566,147	26.8%
BB	Low	1,846	0.1%
CCC	Medium	9,041	0.4%
		$ 2,113,443	100.0%

None of the mortgages, carrying value $313,892 (2020 - $264,041), are impaired. The credit risk for the mortgages is low. Loans to policyholders, carrying value $125,155 (2020 - $108,531), do not have credit exposure as the loans are supported by the cash value of the policy.

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, real estate, interest rate, currency 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 Life'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, equities 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 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, 2021 the Company had loaned securities, which are included in invested assets, with a fair value of $647,914 (2020 - $578,862), and collateral of $664,630 (2020 - $598,528).

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 good credit rating and concentration of credit risk is managed by following policy guidelines set each year by the Board of Directors. 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 carrying value of the asset net of any allowances for losses. 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.

	2021	2020
Bonds and debentures	$ 1,000,509	$ 890,757
Equities	237,330	254,524
Mortgages	313,892	264,041
Private placements	391,322	322,510
Derivatives	9,792	12,778
Other assets	75,363	47,056
Total Consolidated Statements of Financial Position maximum credit exposure	$ 2,028,208	$ 1,791,666

(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.

	2021		2020	
Bonds issued or guaranteed by:				
Canadian federal government	$ 177,908	9.4%	$ 121,219	6.8%
Canadian provincial governments	682,027	36.1%	734,551	41.4%
Canadian municipal governments	20,395	1.1%	19,542	1.1%
Foreign governments	9,054	0.5%	9,326	0.5%
Total government bonds	$ 889,384	47.1%	$ 884,638	49.8%
Corporate bonds by industry sector:				
Financials	$ 415,417	22.0%	$ 353,039	19.9%
Utilities and energy	216,989	11.5%	193,205	10.9%
Industrials	123,634	6.5%	116,241	6.5%
Telecom	40,192	2.1%	38,004	2.2%
Other	204,277	10.8%	190,268	10.7%
Total corporate bonds	$ 1,000,509	52.9%	$ 890,757	50.2%
Total bonds and debentures	$ 1,889,893	100.0%	$ 1,775,395	100.0%

(iii) Asset quality

The Company's accounting policies for the recording and assessing of impairment are described in note 2. Details concerning the credit quality of financial instruments held and considered impaired or temporarily impaired as at the current statement of financial position date are described in the following sections.

	2021	2020
Bonds and debentures portfolio quality:		
AAA	$ 204,924	$ 152,418
AA	711,852	785,300
A	676,182	549,331
BBB	295,089	286,518
BB	1,846	1,828
Total bonds and debentures	$ 1,889,893	$ 1,775,395

The Company provides for credit risk by establishing allowances against the carrying value of impaired loans and recognizing other than temporary impairments on available-for-sale securities in the Consolidated Statements of Operations. In addition, the Company provides for potential future impairments by reducing investment yields assumed in the calculation of policy liabilities. No allowances for impairments were required as at December 31, 2021 or 2020.

(b) Market risk

Market risk is the risk of loss arising from adverse changes in market rates and prices. Market risk includes equity risk, real estate risk, interest rate risk, currency 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 FVTPL equities 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 actuarial liabilities. Much of the remainder of FVTPL equities are held to back long-term fixed liabilities. In addition, there are products such as segregated funds where the liabilities are affected by movements in equity markets.

Overall, it is estimated the impact on the Company of an immediate 10% increase in equity markets would be an increase in net income of approximately $27,200 (2020 - $19,000). The impact of a decrease of 10% would be an estimated decrease in net income of approximately $27,200 (2020 - $19,000). The impact of a 35% increase in equity markets would be an increase in net income of approximately $78,800 (2020 - $56,200), and the impact of a 35% decrease would be a decrease in net income of approximately $98,800 (2020 - $73,700).

(ii) Real estate risk

Real estate risk is the potential for financial loss arising from declines in real estate values and potential lease defaults. The impact of a 10% drop in real estate values would be an estimated decrease in net income of approximately $21,800 (2020 - $17,300). The impact of a 10% increase in real estate values would be an estimated increase in net income of approximately $21,800 (2020 - $17,300).

(iii) Interest rate risk

Interest rate risk exists if asset and liability cash flows are not closely matched and interest rates change causing a difference in value between the asset and liability. For asset/liability management purposes, the general fund is divided into segments based on the characteristics of the liabilities the segment supports.

The risk associated with the mismatch in portfolio duration and cash flow, asset prepayment exposure, asset default and the pace of asset acquisition are quantified and reviewed regularly. Projected cash flows from the current assets and liabilities are used to determine the interest rate risk. Cash flows from assets are reduced to provide for potential asset default losses. Testing under several interest rate scenarios (including increasing and decreasing rates) is done to assess reinvestment risk. One way of measuring interest rate risk is to determine the impact on net income of an immediate 1% increase or an immediate 1% decrease in the level of interest rates. These impacts are included in note 9 (b).

Bonds designated as AFS are held in Surplus. Changes in fair value of AFS bonds are recorded in OCI.

(iv) Currency risk

Currency risk is the potential for financial loss arising from changes in foreign exchange rates. The Company minimizes currency risk as liabilities are generally matched with assets of the same currency. The impact of a 10% strengthening in the Canadian dollar would be an estimated decrease in net income of approximately $8,500 (2020 - $5,700). The impact of a 10% weakening in the Canadian dollar would be an estimated increase in net income of approximately $8,500 (2020 - $5,700).

(v) Preferred share risk

Preferred share risk is the potential for financial loss arising from declines in the value of preferred shares. The impact of a 10% drop in preferred share values would be an estimated decrease in net income of approximately $3,600 (2020 - $5,600). The impact of a 10% increase in preferred share values would be an estimated increase in net income of approximately $3,600 (2020 - $5,600).

(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.

(d) 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, policyholder behaviour and expenses. A variety of assumptions are made related to the future level of claims, policyholder behaviour, expenses and sales levels when products are designed and priced, as well as, in the determination of actuarial liabilities. The development of assumptions for future claims and policyholder behaviour are based on the Company's and industry experience. Such assumptions require a significant amount of professional judgment and therefore, actual experience may be materially different than the assumptions made by the Company. Additional information on insurance risk can be found in note 9 (a).

6. OTHER ASSETS

(thousands of dollars)

	2021	2020
Premiums and other receivables	$ 48,611	$ 29,161
Due from reinsurers	26,752	17,895
Intangible assets	1,727	2,548
Right-of-use asset	52	176
	$ 77,142	$ 49,780

7. PROPERTY, PLANT AND EQUIPMENT

(thousands of dollars)

	2021	2020
Cost		
Balance, beginning of year	$ 32,176	$ 33,434
Additions	7,219	1,160
Dispositions	(505)	(2,418)
Balance, end of year	$ 38,890	$ 32,176
Accumulated depreciation		
Balance, beginning of year	$ 14,147	$ 13,993
Depreciation for the year	2,918	2,572
Dispositions	(505)	(2,418)
Balance, end of year	$ 16,560	$ 14,147
Net book value	$ 22,330	$ 18,029

8. EMPLOYEE FUTURE BENEFITS

(thousands of dollars)

Equitable Life 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 $3,605 (2020 - $3,101). 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 2021, consisting of cash contributed by the Company to its funded pension plan and cash payments directly to beneficiaries for other benefits, were $2,623 (2020 - $2,123).

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

	Pension Benefits		Other Benefits	
	2021	2020	2021	2020
Accrued benefit obligation				
Balance, beginning of year	$ 133,635	$ 111,996	$ 9,407	$ 8,944
Current service cost - employer	3,000	2,376	-	-
Current service cost - employee	643	645	-	-
Interest cost	3,444	3,575	233	282
Benefits paid	(3,145)	(9,103)	(513)	(554)
Actuarial loss from changes in demographic assumptions	-	8	-	-
Actuarial (gain) loss from changes in plan experience	(402)	8,536	-	-
Actuarial (gain) loss from changes in financial assumptions	(10,368)	15,602	(457)	735
Balance, end of year	$ 126,807	$ 133,635	$ 8,670	$ 9,407
Fair value of assets				
Balance, beginning of year	$ 102,297	$ 102,548	$ -	$ -
Actual return on assets	7,251	6,638	-	-
Employer contributions	2,110	1,569	513	554
Employee contributions	643	645	-	-
Benefits paid	(3,145)	(9,103)	(513)	(554)
Balance, end of year	$ 109,156	$ 102,297	$ -	$ -
Fair value of assets	$ 109,156	$ 102,297	$ -	$ -
Accrued benefit obligation	126,807	133,635	8,670	9,407
Net accrued benefit obligation	$ (17,651)	$ (31,338)	$ (8,670)	$ (9,407)

Composition of fair value of pension benefits assets

		2021		2020
Bonds	$	49,732	$	54,797
Beutel Goodman Canadian Equity Fund		17,064		13,523
BentallGreenOak Prime Canadian Property Fund Ltd		10,079		8,774
Beutel Goodman International Equity Fund		8,716		7,816
Beutel Goodman American Equity Fund		9,857		8,635
Private placements		3,973		4,681
Public equity - exchange traded funds		5,307		-
Amounts on deposit with the Receiver General of Canada		1,909		1,977
MFS Balanced Fund		1,153		1,159
Accrued investment income		411		496
Cash		955		439
Total plan assets	$	109,156	$	102,297

The fair value of plan assets are 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 in order 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			
		2021		2020		2021		2020
Other liabilities	$	17,651	$	31,338	$	8,670	$	9,407

(c) Net benefit plan expense

	Pension Benefits				Other Benefits			
		2021		2020		2021		2020
Current service cost - employer	$	3,000	$	2,376	$	-	$	-
Current service cost - administration costs		262		363		-		-
Interest cost		841		354		233		282
	$	4,103	$	3,093	$	233	$	282

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

	2021	2020
Discount rate used to determine accrued benefit obligation	3.00%	2.55%
Discount rate used to determine net benefit cost	2.55%	3.25%
Rate of compensation increase	3.00%	3.00%

The assumed health care trend rate used in measuring the accrued benefit obligation in 2021 was 5.25% until 2023, decreasing annually to a rate of 3.57% in 2040. The assumed dental care trend rate used in measuring the accrued benefit obligation in 2021 was 3.00% until 2023, increasing annually to a rate of 3.57% in 2040.

(e) Sensitivity analysis

Sensitivity to changes in actuarial assumptions would have the following effect on the accrued benefit obligation as at December 31, 2021:

	Pension Benefits		Other Benefits	
2.75% discount rate (instead of 3.00%)	$	5,613	$	249
1.75% inflation rate (instead of 2.00%) and salary rate reduced by 0.25%		1,505		Included below*
1.00% increase in health and dental care trend rates		N/A		1,110*

9. POLICY LIABILITIES

(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. In all cases, the assumptions are supplemented by the addition of margins for adverse deviation.

Policy claims and benefits

Estimates of the amounts and timing of future claims and benefit payments are updated regularly based on Company and industry experience.

Policy lapse rates

Policyholders may allow their policies to lapse by choosing not to continue to pay premiums. 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.

Investment income

The computation of policy liabilities takes into account projected net investment income on assets supporting policy liabilities and income expected to be earned or foregone on reinvestments or financing of mismatched cash flows. Uncertainties exist with respect to the projections of interest rates and the magnitude of credit losses from asset defaults. The Company accounts for such uncertainties by projecting multiple scenarios of future reinvestment rates, selecting an adverse scenario for use in the valuation and by incorporating provisions for credit losses into projections of net investment income (in addition to the allowances for impairment applied as direct reductions to the carrying values of the invested assets).

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.

Policyholder dividends

Policy liabilities include estimated future policyholder dividends which reflect the expectation 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.

(b) Sensitivity to assumptions

The sensitivity of two key assumptions is shown below.

Policy lapse rates

For lapse-supported policies in-force at December 31, 2021 a 10% decrease in all future lapse rates would decrease net income by approximately $18,000 (2020 - $22,200). For non-lapse-supported policies in-force at December 31, 2021, a 10% increase in all future lapse rates would decrease net income by approximately $86,500 (2020 - $87,800).

Interest rates

The Company manages its sensitivity to interest rate changes by being well-matched in terms of its asset and liability cash flows. A 1% increase in the general level of interest rates would increase net income by approximately $9,400 (2020 - $6,100). A 1% decrease would reduce net income by approximately $11,400 (2020 - $8,100).

(c) Composition of insurance contract liabilities

	2021	2020
Annuity contracts	$ 552,588	$ 582,158
Life insurance contracts	2,313,984	1,935,949
Health insurance contracts	421,041	402,823
Total insurance contract liabilities	$ 3,287,613	$ 2,920,930

(d) Change in policy liabilities

2021	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Other contract liabilities	Net policy liabilities
Balance, beginning of year	$ 2,920,930	$ 380,911	$ 219,385	$ 2,759,404
New policies	(87,413)	12,347	1,832	(97,928)
Change in balances on in-force policies	407,548	(41,278)	28,713	477,539
Method and assumption changes	46,548	6,466	-	40,082
Balance, end of year	$ 3,287,613	$ 358,446	$ 249,930	$ 3,179,097

2020	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Other contract liabilities	Net policy liabilities
Balance, beginning of year	$ 2,464,976	$ 264,129	$ 194,675	$ 2,395,522
New policies	(149,686)	16,545	14,091	(152,140)
Change in balances on in-force policies	664,756	118,587	10,619	556,788
Method and assumption changes	(59,116)	(18,350)	-	(40,766)
Balance, end of year	$ 2,920,930	$ 380,911	$ 219,385	$ 2,759,404

Valuation assumptions are reviewed and updated annually. Changes in assumptions can increase (decrease) policy liabilities. The most significant assumption changes are set out in the table below.

	2021	2020
Lapse	$ 41,122	$ 74,429
Expense	-	(8,435)
Mortality/morbidity	-	(23,532)
Investment	(1,040)	(92,294)
Modeling refinements and other	-	9,066
Total method and assumption changes	$ 40,082	$ (40,766)

(e) Composition of assets supporting liabilities and surplus

2021	Individual Insurance	Savings and Retirement	Group Benefits	Surplus	Total
Bonds and debentures	$ 668,995	$ 317,726	$ 158,705	$ 744,467	$ 1,889,893
Equities	942,316	98,032	14,155	160,561	1,215,064
Mortgages	119,108	48,952	30,475	115,357	313,892
Private placements	142,133	160,811	16,543	71,835	391,322
Derivatives	32,931	(1,326)	356	6,468	38,429
Loans to policyholders	125,155	-	-	-	125,155
Investment property	218,647	44,983	-	105,083	368,713
Reinsurers' share of insurance contract liabilities	174,829	-	183,617	-	358,446
Other	49,450	2,957	15,692	135,523	203,622
Total	$ 2,473,564	$ 672,135	$ 419,543	$ 1,339,294	$ 4,904,536

2020	Individual Insurance	Savings and Retirement	Group Benefits	Surplus	Total
Bonds and debentures	$ 604,484	$ 321,782	$ 147,553	$ 701,576	$ 1,775,395
Equities	748,146	130,556	15,235	110,952	1,004,889
Mortgages	91,240	46,445	28,569	97,787	264,041
Private placements	99,511	164,844	12,767	45,388	322,510
Derivatives	42,318	(1,017)	466	8,798	50,565
Loans to policyholders	108,531	-	-	-	108,531
Investment property	161,686	33,568	-	84,480	279,734
Reinsurers' share of insurance contract liabilities	204,494	-	176,417	-	380,911
Other	39,376	3,670	20,971	96,648	160,665
Total	$ 2,099,786	$ 699,848	$ 401,978	$ 1,145,629	$ 4,347,241

10. MORTGAGE LOANS

(thousands of dollars)

The mortgage loan of $13,165 bears interest at 2.7% with maturity in 2029. This mortgage loan is secured by investment property with a carrying value of $41,900.

	2021	2020
Balance, beginning of year	$ 13,620	$ 2,946
Cash flows	(455)	10,674
Balance, end of year	$ 13,165	$ 13,620

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

2022	2023	2024	2025	2026
$468	$482	$496	$511	$526

The interest expense on the mortgage loan was $367 (2020 - $146). The fair value of the mortgage loan is $13,165 (2020 - $13,620). 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.

11. 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:

	2021	2020
Current taxes on income for the reporting period	$ 38,815	$ 44,469
Current taxes referring to previous periods	(656)	(892)
Current income taxes	$ 38,159	$ 43,577
Origination and reversal of temporary differences	$ 9,648	$ 683
Impact of change in tax rates	13	(15)
Prior year reversal of temporary differences	656	892
Deferred income taxes	$ 10,317	$ 1,560
Total income tax expense reported in net income	$ 48,476	$ 45,137
Income tax recognized on unrealized gains (losses) on AFS assets	$ (7,370)	$ 9,912
Income tax recognized on reclassification from OCI to net income on AFS assets	(73)	(1,640)
Income tax recognized on remeasurement of pension and other post-employment plans	4,205	(5,493)
Total income tax expense (recovery) reported in OCI	$ (3,238)	$ 2,779

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

	2021		2020	
Provision for income taxes at statutory rates	$ 61,304	26.06%	$ 51,977	26.22%
Decrease in tax due to:				
Tax exempt investment income	(12,935)	(5.50)%	(7,031)	(3.55)%
Other	107	0.05%	191	0.10%
Income tax expense and effective income tax rate	$ 48,476	20.61%	$ 45,137	22.77%

(c) Deferred income taxes

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

	2021	2020
Loans to policyholders	$ 30,831	$ 26,211
Investment property	27,448	16,490
Insurance and investment contract liabilities	(31,844)	(27,138)
Employee future benefits	649	1,094
Other comprehensive income related to employee future benefits	(7,510)	(11,698)
Other	2,934	3,027
	$ 22,508	$ 7,986

(ii) Reconciliation of deferred income tax liability:

	2021	2020
Balance, beginning of year	$ 7,986	$ 11,919
Tax expense during the period recognized in net income	10,317	1,560
Tax expense (recovery) during the period recognized in OCI	4,205	(5,493)
Balance, end of year	$ 22,508	$ 7,986

12. 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.

13. LINE OF BUSINESS INFORMATION

(thousands of dollars)

The Company operates in various lines of business, each offering different products and services to meet clients' needs. The Individual Insurance line of business provides participating whole life and universal life insurance products, non-participating term products and critical illness products. The Savings and Retirement line of business provides individual savings and annuity products as well as administration and management of the segregated funds. The Group Benefits line of business provides group life, dental, prescription drug, long- and short-term disability, accidental death and dismemberment and supplemental health care insurance and administrative services. The Surplus line of business manages assets not required to back liabilities in the above three lines of business.

2021	Individual Insurance	Savings and Retirement	Group Benefits	Surplus	Total
Revenues					
Net premiums	$ 831,996	$ 54,712	$ 347,282	$ -	$ 1,233,990
Net investment income	157,839	22,891	1,133	71,429	253,292
Fee income	11,436	42,640	7,211	203	61,490
Total revenues	$ 1,001,271	$ 120,243	$ 355,626	$ 71,632	$ 1,548,772
Net income	$ 101,848	$ 19,156	$ 17,859	$ 47,904	$ 186,767
Total general fund assets	$ 2,473,564	$ 672,135	$ 419,543	$ 1,339,294	$ 4,904,536

2020	Individual Insurance	Savings and Retirement	Group Benefits	Surplus	Total
Revenues					
Net premiums	$ 703,851	$ 57,397	$ 321,898	$ -	$ 1,083,146
Net investment income	174,575	47,828	12,366	30,606	265,375
Fee income	8,678	33,423	6,192	149	48,442
Total revenues	$ 887,104	$ 138,648	$ 340,456	$ 30,755	$ 1,396,963
Net income	$ 114,643	$ 7,315	$ 12,993	$ 18,146	$ 153,097
Total general fund assets	$ 2,099,786	$ 699,848	$ 401,978	$ 1,145,629	$ 4,347,241

14. CAPITAL ADEQUACY

(thousands of dollars)

Equitable Life 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, 2021, the Company's Total LICAT Ratio was 167%, which is well in excess of the minimum level required by OSFI. 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%

15. 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 pension plan was charged $186 (2020 - $196) for these services. Included in the segregated funds of the Company are $106,000 (2020 - $99,157) 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 of Directors, 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 of Directors ("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.

Total Senior Management compensation for 2021 was $21,215 (2020 - $12,529). The compensation program consists of five components: base salary, short term incentive plan, long term incentive plan, post-employment benefits and other benefits. The 2021 compensation includes $7,167 related to transition and retirement costs.

Each component of total Senior Management compensation is addressed below.

Short term compensation in 2021 of $11,045 (2020 - $7,449) is comprised of:

- Base salary 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 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, net 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 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 2021 of $8,777 (2020 - $3,693) is comprised of:

- The long term incentive plan 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 2021 of $1,393 (2020 - $1,387) is comprised of pension and heath and dental benefits.

(ii) Board of Directors

Total Board of Directors compensation for 2021 was $792 (2020 - $878).

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 $1,000. The By-law was last approved by policyholders at the Annual and Special Meeting in May 2019.

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.

16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

PARTICIPATING ACCOUNT MANAGEMENT POLICY

The Participating Account Management Policy applies to all participating policies of the Company, which include Traditional Participating Life, Participating Universal Life and Participating Adjustable Premium Life policies.

Traditional Participating Life policies and Participating Adjustable Premium Life policies are backed by the Traditional Participating Account. Participating Universal Life policies are backed by the Universal Life Account. Each Participating Account records the assets, liabilities, transactions and earnings associated with the corresponding participating policies. The investment income, net of investment expenses, earned on the assets within each segment determines the investment return for the account. The Company follows the portfolio average approach rather than the investment generation approach for allocating investment income between classes within the Traditional Participating Account.

The Company has Board of Directors approved investment policies. These policies dictate the investment objectives and investment philosophy for the Company's assets. These policies also specify the required controls and monitoring of the assets. The Participating Accounts are managed within the guidelines and constraints established by these policies. The Participating Accounts are invested in a diversified portfolio of fixed income and non-fixed income assets.

Expenses that are directly attributable to a Participating Account are charged directly to the corresponding Participating Account. Indirect expenses are allocated to Accounts based on studies and Management's best estimate of the incidence of the cost by line of business or in some cases by standard indices. Premium taxes are allocated directly to the appropriate Participating Account. Investment income taxes are allocated to the appropriate Participating Account in accordance with the Canada Revenue Agency tax formulae. Income tax is allocated based on the taxable income earned.

Income from all lines of business is used to support the Company's capital and surplus position. The Company's current and projected capital and surplus position is considered in the dividend scale setting process.

This Policy has been established by the Board of Directors and is subject to amendment from time to time at the sole discretion of the Board of Directors. The principal factors that may cause the Board of Directors to review and amend this Policy include corporate restructuring, regulatory or legislative changes, material unanticipated events, or clarifications of this Policy.

DIVIDEND POLICY

This Dividend Policy applies to all participating policies of the Company which includes Traditional Participating Life, Participating Universal Life and Participating Adjustable Premium Life policies.

Traditional Participating Life policies and Participating Adjustable Premium Life policies are eligible to receive annual experience dividends. Traditional Participating Life policies are reviewed and have their dividends declared at least annually. Participating Adjustable Premium Life policies are reviewed and have their dividends declared at least quinquennially. Participating Universal Life policies are not eligible for experience dividends.

Experience dividends are determined based on the distributable earnings of the Participating Account. The distributable earnings are earnings on the Participating Account adjusted to maintain consistency in distribution across periods. 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. Earnings arise when the experience on these factors is collectively more favourable than the assumptions used in calculating the guaranteed policy values. Since dividends reflect actual experience, they cannot be known in advance and are not guaranteed. Dividends will fluctuate with actual experience over time. Experience may deteriorate over time and as a result, dividends may be reduced. No terminal dividends are paid on policies. The Company follows a permanent contribution to surplus philosophy. Income from all lines of business is used to support the Company's capital and surplus position. The Company's current and projected capital and surplus position is considered in the dividend scale setting process.

An objective of the dividend distribution is to maintain reasonable equity between classes and generations of policyholders. The Company follows the Contribution Principle in the calculation of individual policy dividends for classes of its participating policy owners. The Contribution Principle (Source of Earnings Method) is a generally accepted method of determining dividends in Canada. Under this principle, distributable earnings are to be distributed among policies over the long term in the same proportion as the policies are considered to have contributed to distributable earnings, subject to practical considerations and constraints. In order to determine the contribution, policies are grouped into classes with common experience factors. Dividend classes are established at issue. These classifications would not be expected to change. The effect of policy loan utilization, and the rates charged for such loans are reflected by the class of policyholder.

The method for determining dividends is based on objective quantifications, to the extent practicable. Actual dividends are to be consistent with policy contracts, this Policy and applicable law. This Policy would be applied consistently over time.

All participating policies are eligible for ownership dividends. These dividends may be paid based on the overall earnings of the Company and when the Company has a strong capital position at the time an ownership dividend is being considered and into the foreseeable future. Ownership dividends are paid at the sole discretion of the Board of Directors, based on the recommendation of Management, and may be credited in any manner deemed appropriate by the Company.

Dividends are declared at the sole discretion of the Board of Directors in accordance with this Policy and applicable law. This Policy has been established by the Board of Directors and is subject to amendment from time to time at the sole discretion of the Board of Directors. The principal factors that may cause the Board of Directors to review and amend this Policy include corporate restructuring, regulatory or legislative changes, material unanticipated events, or clarification of this Policy.

SENIOR MANAGEMENT

Fabien Jeudy, FSA, FCIA
President and Chief Executive Officer

Dave Bennett, FIA
Senior Vice-President, Group

Tara Proper, CFA
Senior Vice-President, Investments

Sheila Hart, FSA, FCIA
Senior Vice-President and Chief Financial Officer

Donna Carbell, MBA
Senior Vice-President, Individual

Christopher Brown, BA
Vice-President, Human Resources

Campbell Crosbie, MBA, FICB
Vice-President, Information Technology and Chief Information Officer

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

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

Judy Williams, ASA
Vice-President, Savings and Retirement

SUBSIDIARIES

The subsidiaries of the Company are:

		Book Value
262695 Holdings Limited One Westmount Road North Waterloo, Ontario N2J 4C7	1,000 common shares	$ 1,000
Equilife Investment Management Inc. One Westmount Road North Waterloo, Ontario N2J 4C7	85,000 common shares	$ 85,000

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 ("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.

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.

With sadness we mark the passing of Robert Badun in April 2021. Mr. Badun joined the Board in 2012 and served as Chair of the Senior Credit and Investment Policy Committee from 2013 to 2020. He is greatly missed by his friends and colleagues at the Company and on the Board of Directors.

Douglas S. Alexander, CPA, CA
Chairman, Equitable Life of Canada
Corporate Director
London, Ontario
(36/36)

Andrea Bolger, MBA, ICD.D
Corporate Director
Toronto, Ontario
1, 2, 4, 5 (28/30)

Laura I. Formusa, LL.B, ICD.D
Corporate Director
Toronto, Ontario
1, 2, 3 (22/22)

Neil Parkinson, FCPA, FCA, ICD.D
Corporate Director
Cambridge, Ontario
1, 2, 3, 5 (28/28)

Craig Richardson
Corporate Director
London, Ontario
4, 5 (26/26)

Fabien Jeudy, FSA, FCIA
President and Chief Executive Officer
Equitable Life of Canada
Waterloo, Ontario
(20/20)

Les Dakens, CHRE
Corporate Director
Dwight, Ontario
3, 4, 5 (27/27)

Dikran Ohannessian
Corporate Director
Toronto, Ontario
1, 2, 3 (22/22)

A. David Pelletier, FSA, FCIA, Hon FIA
Corporate Director
Toronto, Ontario
1, 2, 4, 5 (32/32)

Equitable Life of Canada®

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