

SUSTAINABLE GROWTH



Industrial Alliance Insurance and Financial Services Inc.

Interim Condensed Consolidated Financial Statements

For the Third Quarter of 2019

As at September 30, 2019 and 2018



Interim Condensed Consolidated Financial Statements (unaudited)

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Consolidated Income Statements

(Unaudited, in millions of dollars, unless otherwise indicated)	Quarters ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
	\$	\$	\$	\$
Revenues				
Premiums				
Gross premiums	2,404	2,035	7,131	6,455
Premiums ceded	(215)	(199)	(604)	(583)
Net premiums (Note 14)	2,189	1,836	6,527	5,872
Investment income (Note 3)				
Interest and other investment income	347	309	1,001	959
Change in fair value of investments	763	(604)	3,942	(818)
	1,110	(295)	4,943	141
Other revenues	416	439	1,251	1,312
	3,715	1,980	12,721	7,325
Policy benefits and expenses				
Gross benefits and claims on contracts	1,420	1,343	4,356	4,082
Ceded benefits and claims on contracts	(155)	(147)	(397)	(404)
Net transfer to segregated funds	262	114	682	600
Increase (decrease) in insurance contract liabilities	1,156	(346)	5,056	(45)
Increase (decrease) in investment contract liabilities	7	(2)	28	1
Decrease (increase) in reinsurance assets	(32)	9	(112)	108
	2,658	971	9,613	4,342
Commissions	425	421	1,220	1,241
General expenses	347	320	1,061	976
Premium and other taxes	31	33	95	95
Financing charges	13	15	42	48
	3,474	1,760	12,031	6,702
Income before income taxes	241	220	690	623
Income taxes (Note 13)	52	49	156	143
Net income	189	171	534	480
Net income attributed to participating policyholders	—	—	1	1
Net income attributed to shareholders	189	171	533	479
Dividends attributed to preferred shares (Note 9)	5	6	17	16
Net income attributed to common shareholders	184	165	516	463
Earnings per common share (in dollars) (Note 15)				
Basic	1.69	1.50	4.75	4.25
Diluted	N/A	1.50	N/A	4.23

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

Consolidated Comprehensive Income Statements

(Unaudited, in millions of dollars)	Quarters ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
	\$	\$	\$	\$
Net income	189	171	534	480
Other comprehensive income, net of income taxes				
Items that may be reclassified subsequently to net income:				
Available for sale financial assets				
Unrealized gains (losses) on available for sale financial assets	(1)	(26)	89	(50)
Reclassification of losses (gains) on available for sale financial assets included in net income	(4)	(1)	(13)	(4)
	(5)	(27)	76	(54)
Net investment hedge				
Unrealized gains (losses) on currency translation in foreign operations	16	(17)	(35)	29
Hedges of net investment in foreign operations	(13)	14	28	(24)
	3	(3)	(7)	5
Cash flow hedge				
Unrealized gains (losses) on cash flow hedges	—	—	(2)	—
Reclassification of losses (gains) on cash flow hedges included in net income	—	—	—	(1)
	—	—	(2)	(1)
Items that will not be reclassified subsequently to net income:				
Remeasurement of post-employment benefits	(13)	2	(70)	41
Total other comprehensive income	(15)	(28)	(3)	(9)
Comprehensive income	174	143	531	471
Comprehensive income attributed to participating policyholders	—	—	1	1
Comprehensive income attributed to shareholders	174	143	530	470

Income Taxes Included in Other Comprehensive Income

(Unaudited, in millions of dollars)	Quarters ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
	\$	\$	\$	\$
Income tax recovery (expense) related to:				
Items that may be reclassified subsequently to net income:				
Unrealized gains (losses) on available for sale financial assets	—	10	(31)	18
Reclassification of losses (gains) on available for sale financial assets included in net income	1	—	5	1
Hedges of net investment in foreign operations	2	(3)	(5)	4
	3	7	(31)	23
Items that will not be reclassified subsequently to net income:				
Remeasurement of post-employment benefits	4	(1)	24	(15)
Total income tax recovery (expense) included in other comprehensive income	7	6	(7)	8

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Consolidated Statements of Financial Position

(In millions of dollars)	As at September 30 2019 (unaudited) \$	As at December 31 2018 \$
Assets		
Investments (Note 3)		
Cash and short-term investments	901	1,046
Bonds	27,370	23,592
Stocks	2,920	3,055
Mortgages and other loans	3,853	3,661
Derivative financial instruments (Note 6)	1,208	225
Policy loans	905	951
Other invested assets	420	329
Investment properties	1,774	1,720
	39,351	34,579
Other assets	2,356	2,172
Reinsurance assets	1,112	1,001
Fixed assets	397	277
Deferred income tax assets	28	26
Intangible assets	1,099	1,071
Goodwill	607	633
General fund assets	44,950	39,759
Segregated funds net assets (Note 7)	26,976	23,781
Total assets	71,926	63,540
Liabilities		
Insurance contract liabilities	30,967	25,940
Investment contract liabilities	628	630
Derivative financial instruments (Note 6)	388	429
Other liabilities	6,182	5,875
Deferred income tax liabilities	275	266
Debentures (Note 8)	651	901
General fund liabilities	39,091	34,041
Liabilities related to segregated funds net assets (Note 7)	26,976	23,781
Total liabilities	66,067	57,822
Equity		
Share capital and contributed surplus	2,180	2,203
Retained earnings and accumulated other comprehensive income	3,633	3,470
Participating policyholders' accounts	46	45
	5,859	5,718
Total liabilities and equity	71,926	63,540

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

Consolidated Equity Statements

(Unaudited, in millions of dollars)

As at September 30, 2019

	Participating policyholders' accounts	Common shares (Note 9)	Preferred shares (Note 9)	Contributed surplus	Retained earnings	Accumulated other comprehensive income (Note 10)	Total
	\$	\$	\$	\$	\$	\$	\$
Balance as at December 31, 2017	41	1,521	375	19	3,073	49	5,078
Impact of adopting IFRS-15	—	—	—	—	(20)	—	(20)
Balance as at January 1, 2018	41	1,521	375	19	3,053	49	5,058
Net income attributed to shareholders	—	—	—	—	634	—	634
Net income attributed to participating policyholders' accounts	4	—	—	—	—	—	4
Other comprehensive income	—	—	—	—	—	(36)	(36)
Comprehensive income for the year	4	—	—	—	634	(36)	602
Equity transactions							
Transfer of post-employment benefits	—	—	—	—	(10)	10	—
Stock option plan	—	—	—	5	—	—	5
Stock options exercised	—	—	—	(1)	—	—	(1)
Common shares issued	—	151	—	—	—	—	151
Preferred shares issued net of issuance costs	—	—	150	—	(3)	—	147
Redemption of common shares	—	(17)	—	—	(33)	—	(50)
Dividends on common shares	—	—	—	—	(173)	—	(173)
Dividends on preferred shares	—	—	—	—	(21)	—	(21)
	—	134	150	4	(240)	10	58
Balance as at December 31, 2018	45	1,655	525	23	3,447	23	5,718
Net income attributed to shareholders	—	—	—	—	533	—	533
Net income attributed to participating policyholders' accounts	1	—	—	—	—	—	1
Other comprehensive income	—	—	—	—	—	(3)	(3)
Comprehensive income for the period	1	—	—	—	533	(3)	531
Equity transactions							
Transfer of post-employment benefits	—	—	—	—	(70)	70	—
Transfer of stock option plan	—	—	—	(23)	—	—	(23)
Dividends on common shares	—	—	—	—	(351)	—	(351)
Dividends on preferred shares	—	—	—	—	(17)	—	(17)
Other	—	—	—	—	1	—	1
	—	—	—	(23)	(437)	70	(390)
Balance as at September 30, 2019	46	1,655	525	—	3,543	90	5,859

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(Unaudited, in millions of dollars)

As at September 30, 2018

	Participating policyholders' accounts	Common shares	Preferred shares	Contributed surplus	Retained earnings	Accumulated other comprehensive income (Note 10)	Total
	\$	\$	\$	\$	\$	\$	\$
Balance as at December 31, 2017	41	1,521	375	19	3,073	49	5,078
Impact of adopting IFRS-15	—	—	—	—	(20)	—	(20)
Balance as at January 1, 2018	41	1,521	375	19	3,053	49	5,058
Net income attributed to shareholders	—	—	—	—	479	—	479
Net income attributed to participating policyholders' accounts	1	—	—	—	—	—	1
Other comprehensive income	—	—	—	—	—	(9)	(9)
Comprehensive income for the period	1	—	—	—	479	(9)	471
Equity transactions							
Transfer of post-employment benefits	—	—	—	—	41	(41)	—
Stock option plan	—	—	—	3	—	—	3
Stock options exercised	—	—	—	(1)	—	—	(1)
Common shares issued	—	151	—	—	—	—	151
Preferred shares issued net of issuance costs	—	—	150	—	(3)	—	147
Dividends on common shares	—	—	—	—	(128)	—	(128)
Dividends on preferred shares	—	—	—	—	(16)	—	(16)
	—	151	150	2	(106)	(41)	156
Balance as at September 30, 2018	42	1,672	525	21	3,426	(1)	5,685

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

Consolidated Cash Flows Statements

(Unaudited, in millions of dollars)	Nine months ended September 30	
	2019	2018
	\$	\$
Cash flows from operating activities		
Income before income taxes	690	623
Financing charges	42	48
Income taxes paid, net of refunds	(201)	(154)
Operating activities not affecting cash:		
Increase (decrease) in insurance contract liabilities	5,075	(3)
Increase (decrease) in investment contract liabilities	(2)	29
Decrease (increase) in reinsurance assets	(97)	53
Unrealized (gains) losses on investments	(3,936)	821
Provisions for losses	28	16
Amortization of premiums and discounts	11	22
Other depreciation	154	136
Goodwill impairment (Note 12)	22	—
Gain on a contingent consideration settlement (Note 12)	(14)	—
Other items not affecting cash	40	(109)
Operating activities affecting cash:		
Sales, maturities and repayments on investments	10,786	8,380
Purchases of investments	(11,713)	(9,080)
Realized gains on investments	(26)	(11)
Other items affecting cash	(239)	(401)
Net cash from operating activities	620	370
Cash flows from investing activities		
Acquisitions of businesses, net of cash	(3)	(221)
Purchases of fixed and intangible assets	(106)	(118)
Net cash used in investing activities	(109)	(339)
Cash flows from financing activities		
Issuance of common shares (Note 9)	—	148
Issuance of preferred shares (Note 9)	—	146
Redemption of debentures (Note 8)	(250)	(111)
Reimbursement of lease liabilities	(11)	—
Dividends paid on common shares	(351)	(128)
Dividends paid on preferred shares	(17)	(16)
Interest paid on debentures	(23)	(29)
Interest paid on lease liabilities	(3)	—
Net cash from (used in) financing activities	(655)	10
Foreign currency (losses) gains on cash	(1)	4
Increase (decrease) in cash and short-term investments	(145)	45
Cash and short-term investments at beginning	1,046	1,141
Cash and short-term investments at end	901	1,186
Supplementary information:		
Cash	593	959
Short-term investments	308	227
Total cash and short-term investments	901	1,186

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

Notes to Interim Condensed Consolidated Financial Statements

Nine months ended September 30, 2019 and 2018 (unaudited) (in millions of dollars, unless otherwise indicated)

1 › General Information

Industrial Alliance Insurance and Financial Services Inc. is a life and health insurance company incorporated under the *Business Corporations Act* (Quebec), governed by the *Insurers Act* and regulated by the Autorité des marchés financiers (AMF). Industrial Alliance Insurance and Financial Services Inc. and its subsidiaries (iA Insurance or the “Company”) offer a wide range of life and health insurance products, savings and retirement plans, mutual funds, securities, auto and home insurance, mortgages, and other financial products and services. The Company’s products and services are offered on both an individual and group basis and extend throughout Canada and to the United States.

On January 1, 2019, iA Insurance and iA Financial Corporation Inc. (iA Financial Corporation) completed an operation pursuant to which iA Financial Corporation became the holding company that owns all the common shares of the Company by way of a plan of arrangement under the *Companies Act* (Quebec) and the *Business Corporations Act* (Quebec) (the “arrangement”) (Note 18).

The Company’s Interim Consolidated Financial Statements are prepared on the basis of International Financial Reporting Standards (IFRS) in accordance with IAS-34 “Interim Financial Reporting”, issued by the International Accounting Standards Board (IASB). These Interim Consolidated Financial Statements do not contain all the information required in a complete annual financial statement and should be read in conjunction with the Consolidated Financial Statements for the year ended December 31, 2018, which are included in the 2018 Annual Report. The significant accounting policies used to prepare these Interim Consolidated Financial Statements are consistent with those found in the 2018 Annual Report, except for the items mentioned in Note 2.

Publication of these Interim Consolidated Financial Statements was authorized for issue by the Company’s Board of Directors on November 6, 2019.

2 › Changes in Accounting Policies

New Accounting Policies Applied

These standards or amendments apply to financial statements beginning on or after January 1, 2019.

Standards or amendments	Description of the standards or amendments and impacts on financial statements of the Company
IFRS-4 “Insurance Contract”	<p><i>Description:</i> On September 12, 2016, the IASB published an amendment to IFRS-4 “Insurance Contract”. This amendment, “Applying IFRS-9 Financial Instruments with IFRS-4 Insurance Contract”, provides two options to entities applying IFRS-4:</p> <ul style="list-style-type: none"> the deferral approach is an optional temporary exemption from applying IFRS-9 until January 1, 2021 for entities whose predominant activity is issuing contracts within the scope of IFRS-4; the overlay approach permits entities to adopt IFRS-9 but adjust some of the impacts arising from designated financial assets, those being assets related to the insurance contract liabilities. <p>On November 14, 2018, the IASB decided to propose extending the deferral approach until January 1, 2022. This decision is subject to public consultation currently underway.</p> <p><i>Status:</i> The Company met all criteria and chose the deferral approach, as described below. The Company will apply IFRS-9 only to financial statements beginning on January 1, 2021, or January 1, 2022 if approved.</p>
IFRS-16 “Leases”	<p><i>Description:</i> On January 13, 2016, the IASB published the standard IFRS-16 “Leases”, which replaces the standard IAS-17 “Leases”. This new standard specifies:</p> <ul style="list-style-type: none"> how to recognize, measure, present and disclose leases; for the lessee: <ul style="list-style-type: none"> the requirement to recognize assets and liabilities for all leases; unless the lease term is 12 months or less or the underlying asset has a low value; for the lessor: <ul style="list-style-type: none"> that the accounting remains substantially unchanged. <p><i>Impact:</i> The Company has applied this new standard as of January 1, 2019 and the impact is described below.</p>
IAS-19 “Employee Benefits”	<p><i>Description:</i> On February 7, 2018, the IASB published an amendment to IAS-19 “Employee Benefits”. The amendment “Plan Amendment, Curtailment or Settlement” clarifies, for defined benefit pension plans, when changes require a revaluation of the net cost of assets and liabilities involved. The amendment requires the entity to use the adjusted assumptions resulting from the reassessment to determine the cost of services rendered during the period and the net interest for the period following the changes made to the pension plans or the revaluation. This amendment applies prospectively.</p> <p><i>Impact:</i> No impact on the Company’s financial statements.</p>

IFRIC-23 “Uncertainty over Income Tax Treatments”	<p><i>Description:</i> On June 7, 2017, the IASB published Interpretation IFRIC-23, “Uncertainty over Income Tax Treatments”. This interpretation clarifies how to apply the recognition and measurement requirement in IAS-12 “Income Taxes” when there is uncertainty over income tax treatments. This interpretation applies to the determination of taxable profit (taxable loss), tax bases, unused tax losses, unused tax credits and tax rates when there is doubt as to the tax treatments to be used in accordance with IAS-12.</p> <p><i>Impact:</i> No impact on the Company’s financial statements.</p>
IAS-28 “Investments in Associates and Joint Ventures”	<p><i>Description:</i> On October 12, 2017, the IASB published an amendment to IAS-28 “Investments in Associates and Joint Ventures”. The amendment “Long-term Interest in Associates and Joint Ventures” clarifies the situation where an entity applies the equity method and owns long-term interests that meet the criteria to be qualified in substance as long-term net investments. This amendment applies more specifically to shares when there are losses that must be absorbed by long-term interests.</p> <p><i>Impact:</i> No impact on the Company’s financial statements.</p>
Annual Improvements to IFRSs 2015-2017 Cycle	<p><i>Description:</i> In December 2017, the IASB published the Annual Improvements to IFRSs 2015-2017 Cycle. The Annual Improvements clarify situations specific to four standards:</p> <ul style="list-style-type: none"> • IFRS-3 “Business Combinations” related to the fact that a business combination achieved in stages is applicable when a party to a joint arrangement obtains control of a business that is a joint operation, and this improvement will apply prospectively; • IFRS-11 “Joint Arrangements” related to the fact that an interest previously owned by an entity in a joint operation is not remeasured when the entity obtains joint control of the joint operation, and this improvement will apply prospectively; • IAS-12 “Income Taxes” related to the recognition of income taxes on dividend liabilities to be paid, and this improvement will apply retrospectively; • IAS-23 “Borrowing Costs” related to the fact that an entity shall exclude from the calculation of capitalized borrowing costs the borrowing costs for the period during the completion of the assets, and this improvement will apply prospectively. <p><i>Impact:</i> No impact on the Company’s financial statements.</p>

Impact of the application of IFRS-16

The Company chose to apply this new standard on a modified retrospective basis as at January 1, 2019. As a result, the comparative figures are not restated. The Company also elected to use the simplification measure relating to the identification of leases at transition date. Accordingly, this standard has been applied to leases previously identified as such in accordance with IAS-17 “Leases” and IFRIC-4 “Determining whether an Arrangement Contains a Lease”. The Company has also elected to use the exemption for lease periods with a term of 12 months or less, or those whose underlying asset has a low value. As a result, these leases are recognized in *General expenses*.

On January 1, 2019, the Company recognized right-of-use assets of \$140 and lease liabilities of \$142, calculated using a weighted average incremental borrowing rate of 3%. The Company also reversed a liability of \$2 that was presented in *Other liabilities*.

Reconciliation of lease liabilities as at January 1, 2019:

	\$
Commitments related to operating leases as at December 31, 2018	187
Exemptions related to short-term or low-value contracts	(1)
Variable costs and non-lease components	(74)
Extension options considered in the lease liabilities	72
	184
Effect of discount at the incremental borrowing rate as at January 1, 2019	(42)
Lease liabilities as at January 1, 2019	142

Right-of-use assets are recognized in *Fixed assets* and lease liabilities are recognized in *Other liabilities*. Therefore, the following new accounting policies apply:

Fixed assets

Right-of-use assets are recorded at cost less accumulated amortization. Right-of-use assets consist of fixed assets such as rental space and other assets arising from leases recognized at the commencement date of the contract, that is when the leased asset is made available for the Company. The Company calculates depreciation using the straight-line method. The depreciation period is based on the estimated useful life. Right-of-use assets are amortized over periods ranging from 2 to 30 years.

Other liabilities

Lease liabilities are recognized, from the commencement date of the contract, at the discounted value of the lease payments that have not yet been paid, discounted at the interest rate implicit in the lease, or if this rate is not available, at the incremental borrowing rate. Subsequently, lease liabilities are recorded at amortized cost using the effective interest method and the related interest expense is recognized in *Financing charges* in the Income Statement. Lease liabilities exclude amounts relating to variable lease payments or payments for which the Company is reasonably certain not to exercise. The Company has elected to recognize lease payments for short-term and low-value contracts on a straight-line basis over the lease term in *General expenses*.

Future Changes in Accounting Policies

Standards or amendments are presented on the basis of their publication date unless a more relevant approach allows for better information.

Standards or amendments	Description of the standards or amendments
IFRS-9 "Financial Instruments"	<p>The Company adopted the amendment IFRS-4 "Insurance Contract", described in the section <i>New Accounting Policies Applied</i>. Consequently, even if the provisions of IFRS-9 applied to financial statements beginning on January 1, 2018, the Company will apply these provisions simultaneously to the application of the standard IFRS-17.</p> <p><i>Description:</i> On July 24, 2014, the IASB published the standard IFRS-9 "Financial Instruments" which replaces the provisions of the standard IAS-39 "Financial Instruments: Recognition and Measurement". The standard IFRS-9:</p> <ul style="list-style-type: none"> • requires financial assets to be measured at amortized cost or at fair value on the basis of the entity's business model for managing assets; • changes the accounting for financial liabilities measured using the fair value option; • proposes a new accounting model related to the recognition of expected credit losses, requiring the entity to recognize expected credit losses on financial assets using current estimates of expected shortfalls in cash flows on those instruments as at the reporting date; • modifies the hedge accounting model, which aims to present in the financial statements the effect of risk management activities. <p>The provisions of this new standard will apply retrospectively or on a modified retrospective basis.</p> <p>On October 12, 2017, the IASB published an amendment to IFRS-9 "Financial Instruments". The amendment "Prepayment Features with Negative Compensation" enables entities to measure at amortized cost some prepayable financial assets with so-called negative compensation.</p> <p><i>Status:</i> The Company is evaluating the impact of this standard on its financial statements.</p>
IFRS-17 "Insurance Contracts"	<p><i>Description:</i> On May 18, 2017, the IASB published the standard IFRS-17 "Insurance Contracts" which replaces the provisions of the standard IFRS-4 "Insurance Contracts". The standard IFRS-17:</p> <ul style="list-style-type: none"> • has an objective to ensure that an entity provides relevant information that faithfully represents those contracts and gives a basis for users of financial statements to assess the effect that insurance contracts have on the financial position, income statement and cash flows statement; • establishes the principles for recognition, measurement, presentation and disclosure; • defines a general model and a variable fee approach applicable to all insurance contracts and reinsurance contracts to measure the insurance contract liabilities; • defines a specific model for contracts of one year or less. <p>The provisions of this new standard will apply retrospectively to each group of insurance contracts and, if and only if impracticable, an entity shall apply the modified retrospective or fair value approach to financial statements beginning on or after January 1, 2021. Early adoption is permitted if IFRS-9 "Financial Instruments" and IFRS-15 "Revenue from Contracts with Customers" are previously applied.</p> <p>On November 14, 2018, the IASB decided to propose extending the date of application to financial statements beginning on or after January 1, 2022. This decision is subject to public consultation currently underway.</p> <p><i>Status:</i> The Company is evaluating the impact on presentation, disclosure and measurement of the insurance contract liabilities that this standard will have on its financial statements.</p>
Conceptual Framework for Financial Reporting	<p><i>Description:</i> On March 29, 2018, the IASB published a revised version of the Conceptual Framework for Financial Reporting. The IASB decided to revise the Conceptual Framework because important issues were not addressed and some indications were outdated or unclear. This revised version includes, among other things, a new chapter on valuation, guidance on the presentation of financial performance and improved definitions of an asset and a liability and guidance in support of those definitions. The Conceptual Framework helps entities to develop their accounting method when no IFRS is applicable to a specific situation. The provisions will apply prospectively to financial statements beginning on or after January 1, 2020. Early adoption is permitted.</p> <p><i>Status:</i> The Company is currently evaluating the impact of this revised version on its financial statements.</p>

IFRS-3 “Business Combinations”	<p><i>Description:</i> On October 22, 2018, the IASB published an amendment to the standard IFRS-3 “Business Combinations”. The amendment “Definition of a Business” clarifies the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The provisions of this amendment will apply prospectively to transactions for which the acquisition date is on or after January 1, 2020. Early adoption is permitted.</p> <p><i>Status:</i> The Company is currently evaluating the impact of this amendment on its financial statements.</p>
IAS-1 “Presentation of Financial Statements” and IAS-8 “Accounting Policies, Changes in Accounting Estimates and Errors”	<p><i>Description:</i> On October 31, 2018, the IASB published an amendment to IAS-1 “Presentation of Financial Statements” and IAS-8 “Accounting Policies, Changes in Accounting Estimates and Errors”. The amendment “Definition of Material” clarifies the definition of material in IAS-1 and the explanation accompanying that definition and aligns the definitions used across IFRS standards. The provisions of this amendment will apply prospectively to financial statements beginning on or after January 1, 2020. Early adoption is permitted.</p> <p><i>Status:</i> The Company is currently evaluating the impact of this amendment on its financial statements.</p>
IFRS-9 “Financial Instruments”, IAS-39 “Financial Instruments: Recognition and Measurement” and IFRS-7 “Financial Instruments: Disclosures”	<p><i>Description:</i> On September 26, 2019, the IASB published an amendment to IFRS-9 “Financial Instruments”, IAS-39 “Financial Instruments: Recognition and Measurement” and IFRS-7 “Financial Instruments: Disclosures”. The amendment, “Interest Rate Benchmark Reform” seeks to modify certain hedge accounting requirements so that this accounting is not affected by uncertainties related to interest rate benchmark reform. The provisions of this amendment will apply retrospectively to financial statements beginning on or after January 1, 2020. Early adoption is permitted.</p> <p><i>Status:</i> The Company is currently evaluating the impact of this amendment on its financial statements.</p>

Information on the Deferral of the Application of IFRS-9 “Financial Instruments”

The Company applies IFRS-4 “Insurance Contracts” in its operations. This standard was amended in 2016 to allow entities that apply IFRS-4 to defer the application of IFRS-9 “Financial Instruments” if total liabilities for insurance activities represent more than 90% of the entity’s total liabilities. This calculation is made as of the closing date preceding April 1, 2016, the calculation date identified in the standard.

For this calculation, the Company primarily considered insurance contract liabilities, investment contract liabilities, segregated funds liabilities and debentures as at December 31, 2015. Liabilities related to its insurance activities are greater than 90% of total liabilities.

The Company has decided to defer the application of IFRS-9 until January 1, 2021 (or January 1, 2022 if the proposition is accepted), when IFRS-17 “Insurance Contracts”, which includes the valuation of these policies, becomes effective. If the Company had applied IFRS-9, this would not have had a significant impact on the classification of financial assets designated at fair value through profit or loss in accordance with IAS-39 “Financial Instruments: Recognition and Measurement” given the very close relationship between invested assets and insurance contract liabilities. For financial assets classified as loans and receivables or available for sale as at September 30, 2019, an amount of \$964 does not meet the solely payments of principal and interest test in accordance with IFRS-9. In addition, for mortgages, the Company cannot use the low credit risk exemption in the calculation of expected credit losses.

3 › Invested Assets and Investment Income**a) Carrying Value and Fair Value**

	As at September 30, 2019					
	At fair value through profit or loss	Available for sale	Loans and receivables	Other	Total	Fair value
	\$	\$	\$	\$	\$	\$
Cash and short-term investments	403	—	498	—	901	901
Bonds						
Governments	11,832	1,658	109	—	13,599	
Municipalities	1,146	154	40	—	1,340	
Corporate and other	8,609	1,710	2,112	—	12,431	
	21,587	3,522	2,261	—	27,370	27,664
Stocks						
Common	1,518	32	—	—	1,550	
Preferred	184	369	—	—	553	
Stock indexes	223	104	—	—	327	
Investment fund units	483	7	—	—	490	
	2,408	512	—	—	2,920	2,920
Mortgages and other loans						
Insured mortgages						
Residential	—	—	871	—	871	
Multi-residential	—	—	1,438	—	1,438	
Non-residential	—	—	6	—	6	
	—	—	2,315	—	2,315	
Conventional mortgages						
Residential	—	—	282	—	282	
Multi-residential	68	—	166	—	234	
Non-residential	29	—	226	—	255	
	97	—	674	—	771	
Other loans	—	—	767	—	767	
	97	—	3,756	—	3,853	3,951
Derivative financial instruments	1,208	—	—	—	1,208	1,208
Policy loans	—	—	905	—	905	905
Other invested assets	—	—	5	415	420	420
Investment properties	—	—	—	1,774	1,774	1,793
Total investments	25,703	4,034	7,425	2,189	39,351	39,762

	As at December 31, 2018					
	At fair value through profit or loss	Available for sale	Loans and receivables	Other	Total	Fair value
	\$	\$	\$	\$	\$	\$
Cash and short-term investments	465	—	581	—	1,046	1,046
Bonds						
Governments	9,857	1,996	118	—	11,971	
Municipalities	1,045	110	40	—	1,195	
Corporate and other	6,721	1,725	1,980	—	10,426	
	17,623	3,831	2,138	—	23,592	23,733
Stocks						
Common	1,793	31	—	—	1,824	
Preferred	177	320	—	—	497	
Stock indexes	236	77	—	—	313	
Investment fund units	415	6	—	—	421	
	2,621	434	—	—	3,055	3,055
Mortgages and other loans						
Insured mortgages						
Residential	—	—	859	—	859	
Multi-residential	—	—	1,427	—	1,427	
Non-residential	—	—	6	—	6	
	—	—	2,292	—	2,292	
Conventional mortgages						
Residential	—	—	221	—	221	
Multi-residential	60	—	174	—	234	
Non-residential	30	—	222	—	252	
	90	—	617	—	707	
Other loans	—	—	662	—	662	
	90	—	3,571	—	3,661	3,705
Derivative financial instruments	225	—	—	—	225	225
Policy loans	—	—	951	—	951	951
Other invested assets	—	—	7	322	329	329
Investment properties	—	—	—	1,720	1,720	1,738
Total investments	21,024	4,265	7,248	2,042	34,579	34,782

The *At fair value through profit or loss* category includes securities held for trading, mainly derivative financial instruments and short-term investments as well as securities designated at fair value through profit or loss. Other invested assets are made up of notes receivable, investments in associates and investments in joint ventures accounted for using the equity method.

b) Investments in Associates and Joint Ventures

The Company holds interests ranging from 25% to 50% as at September 30, 2019 (ranging from 25% to 30% as at December 31, 2018). The carrying value of those investments as at September 30, 2019 is \$415 (\$322 as at December 31, 2018). The share of net income and comprehensive income for the nine months ended September 30, 2019 amounts to \$14 (\$15 for the nine months ended September 30, 2018).

c) Investment Income

	Quarters ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
	\$	\$	\$	\$
Interest and other investment income				
Interest	261	228	739	703
Dividends	27	35	87	102
Derivative financial instruments	5	4	13	14
Rental income	49	39	145	118
Gains realized	7	2	26	11
Variation in provisions for losses	(9)	(6)	(28)	(16)
Other	7	7	19	27
	347	309	1,001	959
Change in fair value of investments				
Cash and short-term investments	2	2	6	3
Bonds	642	(533)	2,732	(704)
Stocks	46	19	176	44
Mortgages and other loans	1	(2)	(1)	1
Derivative financial instruments	61	(94)	1,034	(197)
Investment properties	11	4	1	33
Other	—	—	(6)	2
	763	(604)	3,942	(818)
Total investment income	1,110	(295)	4,943	141

4 › Fair Value of Financial Instruments and Investment Properties

a) Methods and Assumptions Used to Estimate Fair Values

Fair value is the consideration that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Management uses its judgment to determine the data used to measure the fair value of financial assets and liabilities, particularly for financial instruments classified as Level 3. Fair value of various categories of financial instruments and investment properties is determined as described below.

Financial Assets

Short-Term Investments – Carrying value of these investments represents the fair value due to their short-term maturity.

Bonds – Bonds are valued based on quoted price, observed on active markets for identical or similar assets. If prices are not available on active markets, fair value is estimated using current valuation methods, including a model based on discounting expected cash flows or other similar techniques. These methods take into account current data observable on the market for financial instruments that have a similar risk profile and comparable terms. The significant data used in these models include, but are not limited to, rate curves, credit risk, issuer spread, volatility and liquidity valuation and other reference data published by the market. Management uses its best estimates when such data are not available.

Stocks – Stocks are valued based on quote price, observed on active markets. If the price is not available on the active markets, fair value is determined using equity valuation models, which analyze the fair value of the net asset, and other techniques that rely on comparisons with reference data, such as market indices. Investment fund units are evaluated at the net asset value published by the fund manager.

Mortgages and Other Loans – The fair value of mortgages and other loans is estimated by discounting the cash flows with the interest rates currently prevailing on the market for loans with substantially the same credit risk and terms.

Derivative Financial Instruments – Fair value of derivative financial instruments is determined according to the type of derivative instrument. Fair value of derivative financial instruments, such as futures contracts and options traded on the stock exchanges is determined in accordance with quoted prices on active markets. Derivative financial instruments that are traded over the counter are valued using valuation models such as actualized cash flow analysis and other valuation models used on the market. These valuations are based on observable data on the market, including interest rates, foreign exchange rates, financial indices, rate differentials, credit risk and volatility.

Among derivative financial instruments, certain other derivative contracts are subject to trading restrictions. In such situations, an illiquidity premium based on data that are not observable in the market is used to ascertain the fair value of these derivative financial instruments. While these data are not observable, they are based on assumptions deemed appropriate given the circumstances. Once the restricted trading period ends, the instruments are valued using standard valuation models based on data observable in the market, as described previously. The Company's use of non-observable data is limited to the trading restrictions period, and their effect on the fair value of derivative financial instruments does not represent a significant amount.

Policy Loans – Policy loans are carried at amortized cost. They are guaranteed and may be reimbursed at any time. Their fair value approximates their carrying value due to their short-term nature.

Other Investments – The fair value of other investments is approximately the same as the carrying value due to the nature of these elements.

Other Assets – The fair value of the other financial assets is approximately the same as the carrying value due to their short-term nature.

Investment Properties

The fair value of investment properties is determined using various recognized methods and standards of assessment in the real estate sector. Among these methods, the income approach is the most popular, as it is based on an investor's behaviour in relation to income expectations generated by an investment property. Under this approach, discounting of the cash flows generated by an investment property is preferred as it measures the relationship between the market value and the reasonably discounted incomes over an investment horizon. Expected cash flows include contractual and projected income as well as the investment property's operating expenses. These cash flows reflect the interest, rental and occupancy rates established based on market studies, rental income expected from leases in effect and estimates of future cash inflows, including revenues projected for future leases, and estimates of future cash inflows made according to the current market circumstances. Future lease rates are estimated based on the location, current type and quality of the building, and market data and projections as of the date of the valuation. Fair values are usually compared to market information, including recent transactions for similar assets to verify their reasonableness. Highest and best use is one of the possible valuation methods. Highest and best use of a site is an integral part of the process to establish the fair value of an investment property. This use is that, at the time of the appraisal, provides the highest fair value for the investment property. As a result, this use is determined by considering possible, legally admissible, financially feasible physical use achievable in the short term based on demand and must be tied to the likelihood of being achieved rather than to the simple possibility. Valuations are performed by external, independent, certified appraisers, or internally, on an annual basis.

Financial Liabilities

Other Liabilities – The fair value of other liabilities, except securitization liabilities and short-selling securities, is approximately the same as the carrying value due to their short-term nature.

The fair value of securitization liabilities is estimated by discounting cash flows with the interest rates currently prevailing on the market for new debts with substantially the same terms.

Short-selling securities, classified as held for trading, are measured using the observed market prices in active markets for identical or similar financial instruments. If quoted prices in active markets are not available, fair value is estimated using standard methods of assessment, such as a model based on discounted future cash flows or similar techniques. These methods take into account the current observable market data for financial instruments with a similar risk profile and comparable terms. Important data used in these models include, but are not limited to, yield curves, credit risk, issuer spreads, the measure of volatility and liquidity and other reference data published by the markets.

Debentures – The fair value of debentures classified as financial liabilities at amortized cost is estimated using a valuation model that takes into account instruments on the market that have substantially the same conditions. This fair value can fluctuate due to interest rates and credit risks associated with these instruments.

Derivative Financial Instruments – The fair value of derivative financial instruments recorded as financial liabilities is presented in Note 6 *Derivative Financial Instruments* and is equal to the carrying amounts reported in the negative fair value column. The fair value is determined according to the method and assumptions previously described in the *Financial Assets* section.

b) Hierarchy of the Fair Value

Disclosures regarding financial instruments and investment properties must be presented as a hierarchy that categorizes the inputs to valuation models used to measure the fair value of financial assets and financial liabilities. The hierarchy gives the highest priority to readily available unadjusted quoted prices in active markets for identical assets or liabilities and lowest priority to unobserved inputs. The three levels of the hierarchy are described below:

Level 1 – Valuation based on quoted prices in active markets (unadjusted) for identical assets or liabilities. Stocks traded on the market, among other things, are classified in Level 1.

Level 2 – Valuation model based on inputs other than quoted prices included in Level 1 that are observable on the market for the asset or liability, either directly or indirectly. Most bonds, short-term investments and certain derivative financial instruments are classified in Level 2.

Level 3 – Valuation model based on valuation techniques that use largely unobservable market parameters and that reflect management's best estimates. Most private placements are classified in Level 3.

If a financial instrument classified as Level 1 subsequently ceases to be actively traded, it is reclassified into Level 2. If the measurement of its fair value requires the use of significant unobservable inputs, it is directly reclassified into Level 3.

Assets

	As at September 30, 2019			Total
	Level 1	Level 2	Level 3	
	\$	\$	\$	\$
Recurring fair value assessments				
Cash and short-term investments				
Held for trading	—	403	—	403
Bonds				
Designated at fair value through profit or loss				
Governments	371	11,461	—	11,832
Municipalities	—	1,146	—	1,146
Corporate and other	—	8,477	132	8,609
	371	21,084	132	21,587
Available for sale				
Governments	83	1,575	—	1,658
Municipalities	—	154	—	154
Corporate and other	—	1,699	11	1,710
	83	3,428	11	3,522
	454	24,512	143	25,109
Stocks				
Designated at fair value through profit or loss	1,203	—	1,205	2,408
Available for sale	114	369	29	512
	1,317	369	1,234	2,920
Mortgages and other loans				
Designated at fair value through profit or loss	—	97	—	97
Derivative financial instruments				
Held for trading	184	1,024	—	1,208
Investment properties				
	—	—	1,774	1,774
General fund investments accounted at fair value	1,955	26,405	3,151	31,511
Segregated funds financial instruments and investment properties	20,494	6,232	60	26,786
Total financial assets at fair value	22,449	32,637	3,211	58,297

	As at December 31, 2018			Total
	Level 1	Level 2	Level 3	
	\$	\$	\$	\$
Recurring fair value assessments				
Cash and short-term investments				
Held for trading	—	465	—	465
Bonds				
Designated at fair value through profit or loss				
Governments	358	9,499	—	9,857
Municipalities	—	1,045	—	1,045
Corporate and other	—	6,581	140	6,721
	358	17,125	140	17,623
Available for sale				
Governments	185	1,811	—	1,996
Municipalities	—	110	—	110
Corporate and other	—	1,709	16	1,725
	185	3,630	16	3,831
	543	20,755	156	21,454
Stocks				
Designated at fair value through profit or loss	1,487	—	1,134	2,621
Available for sale	86	319	29	434
	1,573	319	1,163	3,055
Mortgages and other loans				
Designated at fair value through profit or loss	—	90	—	90
Derivative financial instruments				
Held for trading	27	197	1	225
Investment properties				
	—	—	1,720	1,720
General fund investments accounted at fair value	2,143	21,826	3,040	27,009
Segregated funds financial instruments and investment properties	17,852	5,894	47	23,793
Total financial assets at fair value	19,995	27,720	3,087	50,802

The Company uses unobservable inputs in the valuation of bonds and stocks classified into Level 3. Regarding bonds, unobservable inputs mainly correspond to credit and liquidity risk premiums ranging from 1.18% to 2.65% as at September 30, 2019 (1.40% to 3.25% as at December 31, 2018). Stocks classified into Level 3 are mainly valued from information available in the financial statements of companies using models based on discounting expected cash flows as well as the use of multiples.

The main unobservable inputs used in the valuation of the investment properties as at September 30, 2019 are the discount rate, which is between 5.00% and 9.00% (5.00% and 9.00% as at December 31, 2018) and the terminal capitalization rate, which is between 4.25% and 7.00% (4.25% and 7.75% as at December 31, 2018). The discount rate is based on market activity by type of building and the location and reflects the expected rate of return to be realized on investments over the next 10 years. The terminal capitalization rate is based on market activity by type of building and location. This rate reflects the expected rate of return on the investment over the remaining life after the 10-year period. If all other factors remain constant, a decrease (increase) in the discount rate and terminal capitalization rate will lead to an increase (decrease) in fair value of investment properties.

Due to the unobservable nature of the main data used to measure bonds, stocks and investment properties classified in Level 3, the Company does not assess whether the application of other assumptions would have an impact on the fair value. Also, the investment properties as well as bonds and stocks classified as designated at fair value through profit or loss support the Company's insurance contract liabilities. Consequently, changes in fair value of these assets are offset by changes in the corresponding insurance contract liabilities under the Canadian Asset Liability Method (CALM). Even if the Company were to use possible alternative assumptions affecting fair value, this would not have a significant impact on the Financial Statements.

The following table presents assets recognized at fair value evaluated according to Level 3 parameters:

Nine months ended September 30, 2019								
	Balance as at December 31, 2018	Realized and unrealized gains (losses) included in net income	Realized and unrealized gains (losses) included in other comprehensive income	Purchases	Sales and settlements	Transfers in (out) of Level 3	Balance as at September 30, 2019	Total unrealized gains (losses) included in net income on investments still held
	\$	\$	\$	\$	\$	\$	\$	\$
Bonds								
Designated at fair value through profit or loss	140	9	—	—	(17)	—	132	10
Available for sale	16	—	—	—	(5)	—	11	—
Stocks								
Designated at fair value through profit or loss	1,134	(2)	—	108	(35)	—	1,205	(2)
Available for sale	29	—	(1)	1	—	—	29	—
Derivative financial instruments								
Held for trading	1	—	—	—	(1)	—	—	—
Investment properties	1,720	1	—	57	(4)	—	1,774	1
General fund investments accounted at fair value	3,040	8	(1)	166	(62)	—	3,151	9
Segregated funds financial instruments and investment properties	47	2	—	12	(1)	—	60	2
Total	3,087	10	(1)	178	(63)	—	3,211	11

Year ended December 31, 2018

	Balance as at December 31, 2017	Realized and unrealized gains (losses) included in net income	Realized and unrealized gains (losses) included in other comprehensive income	Purchases	Sales and settlements	Transfers in (out) of Level 3	Balance as at December 31, 2018	Total unrealized gains (losses) included in net income on investments still held
	\$	\$	\$	\$	\$	\$	\$	\$
Bonds								
Designated at fair value through profit or loss	145	(2)	—	—	(3)	—	140	(2)
Available for sale	15	—	1	—	—	—	16	—
Stocks								
Designated at fair value through profit or loss	902	74	—	235	(61)	(16)	1,134	77
Available for sale	18	—	2	9	—	—	29	—
Derivative financial instruments								
Held for trading	2	—	—	—	(1)	—	1	—
Investment properties	1,341	43	—	378	(42)	—	1,720	43
General fund investments accounted at fair value	2,423	115	3	622	(107)	(16)	3,040	118
Segregated funds financial instruments and investment properties	22	—	—	27	(2)	—	47	—
Total	2,445	115	3	649	(109)	(16)	3,087	118

For the nine months ended September 30, 2019, an amount of \$30 (\$46 for the year ended December 31, 2018) presented in *Purchases* for investment properties corresponds to capitalizations to *Investment properties*. *Sales and settlements* for investment properties include transfers of \$2 to fixed assets (\$7 for the year ended December 31, 2018).

Realized and unrealized gains (losses) included in net income and *Total unrealized gains (losses) included in net income on financial instruments still held* are presented in the *Investment income* in the Income Statement, except the value of segregated funds assets, which are not presented in the Income Statement, but are included in the change in segregated funds net assets in Note 7 *Segregated Funds Net Assets*. *Realized and unrealized gains (losses) included in other comprehensive income* are presented in Note 10 *Accumulated Other Comprehensive Income in Unrealized gains (losses)*.

Fair Value Disclosed in the Notes

The Company classifies certain financial instruments as loans and receivables. These financial instruments are measured at amortized cost and fair value is disclosed in the notes. The following table shows the hierarchy level of such fair values:

	As at September 30, 2019			Total
	Level 1	Level 2	Level 3	
	\$	\$	\$	\$
Classified as loans and receivables				
Bonds				
Governments	—	8	136	144
Municipalities	—	52	—	52
Corporate and other	—	253	2,106	2,359
	—	313	2,242	2,555
Mortgages and other loans	—	3,854	—	3,854
Total of assets classified as loans and receivables	—	4,167	2,242	6,409

	As at December 31, 2018			Total
	Level 1	Level 2	Level 3	
	\$	\$	\$	\$
Classified as loans and receivables				
Bonds				
Governments	—	9	128	137
Municipalities	—	48	—	48
Corporate and other	—	251	1,843	2,094
	—	308	1,971	2,279
Mortgages and other loans	—	3,615	—	3,615
Total of assets classified as loans and receivables	—	3,923	1,971	5,894

Financial Liabilities

The following table presents financial liabilities measured at fair value on a recurring basis and those whose fair value is disclosed in a note by hierarchy level:

	As at September 30, 2019			Total
	Level 1	Level 2	Level 3	
	\$	\$	\$	\$
Recurring fair value assessments				
Other liabilities				
Held for trading	30	165	—	195
Derivative financial instruments				
Held for trading	45	343	—	388
Total of liabilities classified as held for trading	75	508	—	583
Classified at amortized cost				
Other liabilities				
Securitization liabilities	—	1,244	—	1,244
Debentures	—	666	—	666
Total of liabilities classified at amortized cost	—	1,910	—	1,910

	As at December 31, 2018			Total
	Level 1	Level 2	Level 3	
	\$	\$	\$	\$
Recurring fair value assessments				
Other liabilities				
Held for trading	48	127	—	175
Derivative financial instruments				
Held for trading	10	388	31	429
Total of liabilities classified as held for trading	58	515	31	604
Classified at amortized cost				
Other liabilities				
Securitization liabilities	—	1,154	—	1,154
Debentures	—	899	—	899
Total of liabilities classified at amortized cost	—	2,053	—	2,053

5 › Management of Risks Associated with Financial Instruments

a) Impairment of Financial Assets Classified as Available for Sale

During the nine months ended September 30, 2019, the Company reclassified unrealized losses of stock classified as available for sale for less than \$1 (none for the year ended December 31, 2018) from *Other comprehensive income* to *Investment income* in the Income Statement.

Since the financial assets designated at fair value through profit or loss are matched, variations of fair value, other than those related to credit risk, are directly reflected in the *Increase (decrease) in insurance contract liabilities*, which prevents a disparity of the treatment in the net income. Only variations in the fair value related to credit events regarding cash flows would have an impact on the Company's net income.

The unrealized gains and losses on financial assets classified as available for sale and included in the *Accumulated other comprehensive income* are the following:

	As at September 30, 2019			As at December 31, 2018		
	Fair value	Unrealized losses	Unrealized gains	Fair value	Unrealized losses	Unrealized gains
	\$	\$	\$	\$	\$	\$
Bonds						
Governments	1,658	(1)	63	1,996	(6)	31
Municipalities	154	—	3	110	(1)	1
Corporate and other	1,710	(1)	51	1,725	(23)	7
	3,522	(2)	117	3,831	(30)	39
Stocks	512	(25)	7	434	(21)	8
Total	4,034	(27)	124	4,265	(51)	47

b) Credit Risk

Credit risk corresponds to the possibility that the Company will sustain a financial loss if a counterparty or a debtor does not meet their commitments.

b) i) Credit Quality Indicators

Bonds by Investment Grade

	As at	As at
	September 30, 2019	December 31, 2018
	Carrying amount	
	\$	\$
AAA	1,142	1,229
AA	9,573	8,355
A	11,665	9,882
BBB	4,763	3,942
BB and lower	227	184
Total	27,370	23,592

The Company prepares an assessment of the quality of the investment if the evaluation is not available from a credit rating agency. Bonds that have been internally evaluated represent an amount of \$1,968 as at September 30, 2019 (\$1,801 as at December 31, 2018).

Mortgages and Other Loans

	As at September 30, 2019	As at December 31, 2018
	\$	\$
Insured mortgages	2,315	2,292
Conventional mortgages	771	707
Other loans	767	662
Total	3,853	3,661

The credit quality of mortgages and other loans is assessed internally, on a regular basis, when the review of the portfolio is made.

b) ii) Past Due or Impaired Financial Assets**Past Due Bonds, Mortgages and Other Loans**

Bonds, mortgages and other loans are considered in arrears when the counterparty has not made a payment at a contractual date. Any loan on which contractual payments are in arrears for 90 days or more in the case of mortgages and 120 days or more in the case of other loans or in foreclosure is assumed to be impaired. Any impaired loan which is not insured and fully guaranteed is generally impaired.

	As at September 30, 2019			
	Bonds classified as loans and receivables	Mortgages classified as loans and receivables	Other loans	Total
	\$	\$	\$	\$
Gross values				
Not past due and not impaired	2,250	2,985	736	5,971
Past due and not impaired				
30 – 89 days in arrears	—	2	34	36
90 – 119 days in arrears	—	—	5	5
120 days and more in arrears	—	—	1	1
Impaired	21	3	1	25
Total of gross values	2,271	2,990	777	6,038
Specific provisions for losses	10	1	—	11
	2,261	2,989	777	6,027
Collective provisions	—	—	10	10
Total of net values	2,261	2,989	767	6,017

	As at December 31, 2018			
	Bonds classified as loans and receivables	Mortgages classified as loans and receivables	Other loans	Total
	\$	\$	\$	\$
Gross values				
Not past due and not impaired	2,125	2,902	636	5,663
Past due and not impaired				
30 – 89 days in arrears	—	2	27	29
90 – 119 days in arrears	—	3	4	7
120 days and more in arrears	—	—	2	2
Impaired	21	3	1	25
Total of gross values	2,146	2,910	670	5,726
Specific provisions for losses	8	1	—	9
	2,138	2,909	670	5,717
Collective provisions	—	—	8	8
Total of net values	2,138	2,909	662	5,709

Foreclosed Properties

During the nine months ended September 30, 2019, the Company took possession of properties held as collateral on mortgages for a value of \$1 (less than \$1 for the year ended December 31, 2018). Foreclosed properties that the Company still held at the end of the period are presented as real estate held for resale in the line *Other assets*.

Specific Provisions for Losses

As at September 30, 2019				
	Bonds classified as loans and receivables	Mortgages classified as loans and receivables	Other loans	Total
	\$	\$	\$	\$
Balance at beginning	8	1	—	9
Variation in specific provisions for losses	2	—	—	2
Balance at end	10	1	—	11

As at December 31, 2018				
	Bonds classified as loans and receivables	Mortgages classified as loans and receivables	Other loans	Total
	\$	\$	\$	\$
Balance at beginning	6	2	—	8
Variation in specific provisions for losses	2	(1)	—	1
Balance at end	8	1	—	9

6 › Derivative Financial Instruments

The Company is an end user of derivative financial instruments in the normal course of managing exposure to fluctuations in interest rates, currency exchange rates and fair values of invested assets. Derivative financial instruments are financial contracts whose value is derived from underlying interest rates, exchange rates, other financial instruments or indexes.

The notional amount represents the amount to which a rate or price is applied to determine the cash flows to be exchanged periodically and does not represent direct credit exposure. Maximum credit risk is the estimated cost of replacing derivative financial instruments which have a positive value, should the counterparty default. The maximum credit risk of derivative financial instruments as at September 30, 2019 is \$1,204 (\$220 as at December 31, 2018). The Company's exposure at the end of each period is limited to the risk that a counterparty does not honour the terms of a derivative financial instrument.

As at September 30, 2019						
	Notional amount			Total	Fair value	
	Less than 1 year	1 to 5 years	Over 5 years		Positive	Negative
	\$	\$	\$	\$	\$	\$
Equity contracts						
Swap contracts	531	222	97	850	6	(3)
Futures contracts	693	—	—	693	4	(1)
Options	5,607	—	—	5,607	192	(49)
Currency contracts						
Forward contracts	3,395	725	—	4,120	11	(25)
Swap contracts	29	747	2,063	2,839	18	(203)
Interest rate contracts						
Swap contracts	1,194	3,019	4,805	9,018	618	(64)
Forward contracts	819	2,228	—	3,047	359	(7)
Options	54	—	—	54	—	—
Other derivative contracts	2	2	357	361	—	(36)
Total	12,324	6,943	7,322	26,589	1,208	(388)

As at December 31, 2018						
	Notional amount			Total	Fair value	
	Less than 1 year	1 to 5 years	Over 5 years		Positive	Negative
	\$	\$	\$	\$	\$	\$
Equity contracts						
Swap contracts	521	16	88	625	4	(11)
Futures contracts	642	—	—	642	4	(3)
Options	740	225	—	965	31	(7)
Currency contracts						
Forward contracts	3,157	49	—	3,206	6	(104)
Swap contracts	20	764	1,489	2,273	25	(136)
Interest rate contracts						
Swap contracts	1,089	2,477	3,126	6,692	126	(108)
Forward contracts	760	1,898	—	2,658	28	(29)
Other derivative contracts	2	2	367	371	1	(31)
Total	6,931	5,431	5,070	17,432	225	(429)

	As at September 30, 2019		
	Notional amount	Fair value	
		Positive	Negative
	\$	\$	\$
Derivative financial instruments not designated as hedge accounting	24,335	145	694
Net investment hedge	1,212	1	(14)
Fair value hedges			
Interest risk	980	1,062	(1,067)
Currency risk	16	—	—
Cash flow hedges			
Interest risk	3	—	—
Currency risk	43	—	(1)
Total of derivative financial instruments	26,589	1,208	(388)

	As at December 31, 2018		
	Notional amount	Fair value	
		Positive	Negative
	\$	\$	\$
Derivative financial instruments not designated as hedge accounting	15,590	211	(373)
Net investment hedge	1,022	—	(46)
Fair value hedges			
Interest risk	736	14	(8)
Currency risk	15	—	(1)
Cash flow hedges			
Interest risk	44	—	—
Currency risk	25	—	(1)
Total of derivative financial instruments	17,432	225	(429)

Embedded Derivative Financial Instruments

The Company owns perpetual preferred shares with call options which give the issuer the right to redeem the shares at a predetermined price. Accounting standards require that the value of the call options be measured separately from the preferred shares. The value of the call options for embedded derivative financial instruments is determined using a valuation which relies predominantly on the volatility, quoted price on markets and characteristics of the underlying preferred shares. Embedded derivative financial instruments are presented as other derivative contracts.

Net Investment Hedge

Forward contracts, designated as hedges of net investments in foreign operations with a functional currency other than the functional currency of the Company, have maturities of less than two years as at September 30, 2019 (less than one year as at December 31, 2018). The effective portion of changes in fair value is recorded in *Other comprehensive income*, as is the foreign currency translation of the net investment in a foreign operation. For the nine months ended September 30, 2019 and 2018, the Company has recognized no ineffectiveness.

Fair Value Hedges

The interest rate swap contracts, designated as interest rate risk hedging related to financial assets classified as available for sale, have maturities ranging from 2 years to 14 years as at September 30, 2019 (from 3 years to 9 years as at December 31, 2018). Changes in fair value due to the interest rate of the hedged item are recorded in *Investment income* in the Income Statement against variations in fair value of the derivative financial instruments considered as hedging items. Variations in fair value related to the credit risk of hedged items are reported in *Other comprehensive income*.

The Company uses a fair value hedge to manage its exposure to changes in currency rate risk related to financial assets classified as available for sale. The Company uses forward contracts with maturities of less than two years as at September 30, 2019 (less than 4 years as at December 31, 2018). For the nine months ended September 30, 2019 and 2018, the Company has recognized no ineffectiveness.

The Company uses a hedging relationship in order to reduce its exposure to interest rate risk on financial liabilities classified as financial liabilities at amortized cost. The Company uses interest rate swap contracts with maturities of less than one year to 9 years as at September 30, 2019 (less than one year to 10 years as at December 31, 2018).

The effective portion of the fair value hedging relationship is recorded in *Net income*. For the nine months ended September 30, 2019, the Company has recognized a loss of \$17 on the hedging instruments (gain of \$6 for the nine months ended September 30, 2018) and a gain of \$16 on the hedged items (loss of \$8 for the nine months ended September 30, 2018). For the nine months ended September 30, 2019, the Company has recognized an ineffectiveness of \$1 (\$2 for the nine months ended September 30, 2018).

Cash Flow Hedges

The Company uses a cash flow hedging relationship in order to manage its exposure to variations of interest risks on forecasted transactions. The Company uses forward contracts on bonds that have maturities of less than one year as at September 30, 2019 (less than one year as at December 31, 2018). For the nine months ended September 30, 2019 and 2018, the Company has recognized no ineffectiveness.

The Company uses a cash flow hedging relationship in order to manage its exposure to changes in currency rate risk on financial assets denominated in foreign currency. The Company uses swap contracts that have maturities from 5 years to 10 years as at September 30, 2019 (from 6 years to 10 years as at December 31, 2018). For the nine months ended September 30, 2019 and 2018, the Company has recognized no ineffectiveness.

7 › Segregated Funds Net Assets

	As at September 30	As at December 31
	2019	2018
	\$	\$
Assets		
Cash and short-term investments	985	1,156
Bonds	5,389	5,006
Stocks	20,541	17,743
Mortgages	18	16
Investment properties	9	9
Derivative financial instruments	9	—
Other assets	856	166
Total assets	27,807	24,096
Liabilities		
Accounts payable and accrued expenses	831	310
Derivative financial instruments	—	5
Total liabilities	831	315
Net assets	26,976	23,781

The following table presents the change in segregated funds net assets:

	Quarters ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
	\$	\$	\$	\$
Balance at beginning	26,389	24,888	23,781	24,117
Add:				
Amounts received from policyholders	1,048	808	3,071	2,719
Interest and dividends	113	113	393	378
Net realized gains	166	98	413	329
Net increase (decrease) in fair value	168	(62)	2,087	(21)
	27,884	25,845	29,745	27,522
Less:				
Amounts withdrawn by policyholders	785	694	2,409	2,139
Operating expenses	123	117	360	349
	908	811	2,769	2,488
Balance at end	26,976	25,034	26,976	25,034

8 › Debentures

Following the change in company structure (Note 18), the issued and outstanding debentures remain issued by the Company and are guaranteed by the parent company, iA Financial Corporation, under the terms of the arrangement.

On May 16, 2019, the Company redeemed all of its \$250 subordinated debentures maturing May 16, 2024, bearing interest of 2.80% payable semi-annually until May 16, 2019. The subordinated debentures were redeemed at nominal value plus accrued and unpaid interest. Consequently, the Company paid a total of \$254.

9 › Share Capital

The capital issued by the Company is the following:

	As at September 30, 2019		As at December 31, 2018	
	Number of shares (in thousands)	Amount \$	Number of shares (in thousands)	Amount \$
Common shares				
Balance at beginning	108,575	1,655	106,756	1,521
Shares issued on exercise of stock options	—	—	159	7
Shares issued	—	—	2,750	144
Shares redemption	—	—	(1,090)	(17)
Balance at end	108,575	1,655	108,575	1,655
Preferred shares, Class A				
Balance at beginning	21,000	525	15,000	375
Shares issued	—	—	6,000	150
Balance at end	21,000	525	21,000	525
Total of share capital		2,180		2,180

Preferred Shares, Class A

Following the change in company structure (Note 18), the issued and outstanding preferred shares remain issued by the Company and are guaranteed by the parent company, iA Financial Corporation, under the terms of the arrangement.

Stock Options

Following the change in company structure (Note 18), the stock option plan was transferred to iA Financial Corporation. As a result, any shares arising from this plan will be issued by iA Financial Corporation.

Dividends

	Quarters ended September 30				Nine months ended September 30			
	2019		2018		2019		2018	
	Total	Per share	Total	Per share	Total	Per share	Total	Per share
	\$ (in dollars)		\$ (in dollars)		\$ (in dollars)		\$ (in dollars)	
Common shares	81	0.74	46	0.415	351	3.23	128	1.175
Preferred shares								
Class A – Series B	1	0.29	1	0.29	4	0.86	4	0.86
Class A – Series G	2	0.24	2	0.24	7	0.71	7	0.71
Class A – Series I	2	0.30	3	0.30	6	0.90	5	0.68
	5		6		17		16	
Total	86		52		368		144	

Dividends Declared and Not Recognized on Common Shares of the Company

A dividend of an amount of \$300 was approved by the Board of Directors of the Company on November 6, 2019. This dividend was not recorded as a liability in these financial statements. This dividend will be paid, in part or in full, in the fourth quarter of 2019.

10 › Accumulated Other Comprehensive Income

	Bonds	Stocks	Currency translation	Hedging	Total
	\$	\$	\$	\$	\$
Balance as at December 31, 2018	6	(10)	135	(108)	23
Unrealized gains (losses)	126	(6)	—	—	120
Income taxes on unrealized gains (losses)	(33)	2	—	—	(31)
Other	—	—	(35)	31	(4)
Income taxes on other	—	—	—	(5)	(5)
	93	(4)	(35)	26	80
Realized losses (gains)	(18)	—	—	—	(18)
Income taxes on realized losses (gains)	5	—	—	—	5
	(13)	—	—	—	(13)
Balance as at September 30, 2019	86	(14)	100	(82)	90
Balance as at December 31, 2017	28	7	49	(35)	49
Unrealized gains (losses)	(42)	(40)	—	—	(82)
Income taxes on unrealized gains (losses)	11	11	—	—	22
Other	—	—	86	(86)	—
Income taxes on other	—	—	—	13	13
	(31)	(29)	86	(73)	(47)
Realized losses (gains)	12	16	—	—	28
Income taxes on realized losses (gains)	(3)	(4)	—	—	(7)
	9	12	—	—	21
Balance as at December 31, 2018	6	(10)	135	(108)	23
Balance as at December 31, 2017	28	7	49	(35)	49
Unrealized gains (losses)	(65)	(3)	—	—	(68)
Income taxes on unrealized gains (losses)	17	1	—	—	18
Other	—	—	29	(29)	—
Income taxes on other	—	—	—	4	4
	(48)	(2)	29	(25)	(46)
Realized losses (gains)	(6)	1	—	—	(5)
Income taxes on realized losses (gains)	1	—	—	—	1
	(5)	1	—	—	(4)
Balance as at September 30, 2018	(25)	6	78	(60)	(1)

11 › Capital Management**Regulatory Requirements and Solvency Ratio**

The Company manages its capital jointly with its parent company, iA Financial Corporation.

The Company's capital adequacy requirements are regulated according to the guideline on capital adequacy requirements for life insurers (CARLI).

According to CARLI, many items are included in the solvency ratio:

The available capital represents the total Tier 1 and Tier 2 capital, less other deductions prescribed by the AMF.

Tier 1 capital contains more permanent equity items and is primarily composed of equity attributable to common shareholders and preferred shares. Goodwill and other intangible assets are deducted from this category.

Tier 2 capital is primarily composed of subordinated debentures.

The surplus allowance is the value of specific provisions for adverse deviations included in insurance contract liabilities.

The eligible deposits are amounts related to unregistered reinsurance agreements, which are deposited in guarantee instruments.

The base solvency buffer is determined according to five risk categories, namely credit risk, market risk, insurance risk, segregated funds guarantee risk and operational risk. These risk components are calculated using various methods and consider the risks associated to asset and liability elements that are on and off the Statement of Financial Position. The base solvency buffer represents the sum of risk components minus some credits (for example, for between-risk diversification and for adjustable products) multiplied by a scalar of 1.05.

The CARLI total ratio is calculated by dividing the sum of the available capital, the surplus allowance and the eligible deposits by the base solvency buffer.

According to the AMF guideline, the Company must set a target level of available capital that exceeds the minimum requirements. The guideline also stipulates that most of the available capital must be Tier 1, which absorbs the losses related to current operations.

As at September 30, 2019, the Company maintains a ratio that satisfies the regulatory requirements.

	September 30, 2019
	\$
Available capital, surplus allowance and eligible deposits	8,614
Base solvency buffer	6,858
Total ratio	126%

In the Company's consolidated financial statements as at December 31, 2018, the solvency ratio was 126% and the Company maintained a ratio that satisfied the regulatory requirements.

12 › General Expenses

Settlement of Contingent Consideration and Impairment of Goodwill

During the quarter, the Company concluded the final settlement of the contingent consideration recorded in the final allocation of the acquisition price of PPI Management Inc. As at September 30, 2019, the contingent consideration was settled for \$10, resulting in a gain of \$14 recorded in the Income Statement in *General Expenses*. At the same time, the financial projections of the subsidiary were reviewed. As a result, an impairment test was performed with respect to PPI Management Inc. activities included in the Individual Insurance Sector cash generating units (CGU). This led the Company to recognize an impairment of goodwill of \$22. This amount was recognized in the Income Statement in *General Expenses*. To determine the recoverable amount of the CGU, the value in use was determined using calculations that use cash flow projections before tax based on future financial projections approved by management covering a five-year period.

13 › Income Taxes

The effective income tax rate differs from the Canadian statutory tax rate due to the following items:

	Quarters ended September 30				Nine months ended September 30			
	2019		2018		2019		2018	
	\$	%	\$	%	\$	%	\$	%
Income before income taxes	241		220		690		623	
Income tax expense at Canadian statutory tax rate	64	27	59	27	184	27	167	27
Increase (decrease) in income taxes due to:								
Differences in tax rates on income not subject to tax in Canada	(1)	—	(1)	—	(3)	—	(3)	—
Tax-exempt investment income	(14)	(6)	(11)	(5)	(24)	(4)	(37)	(7)
Non-taxable portion of the change in fair value of investment properties	(1)	—	—	—	(2)	—	—	—
Adjustments of previous years	—	—	—	—	(1)	—	14	3
Variation in tax rates	—	—	—	—	(4)	(1)	(1)	—
Other	4	1	2	—	6	1	3	—
Income tax expense (recovery) and effective income tax rate	52	22	49	22	156	23	143	23

14 › Segmented Information

The Company operates and manages its activities according to five main reportable operating segments, which reflect its company structure for decision making. Management uses judgment in the aggregation of business units into the Company's operating segments. Its products and services are offered to retail customers, businesses and groups. The Company primarily operates in Canada and the United States. The main products and services offered by each segment are the following:

Individual Insurance – Life, health, disability and mortgage insurance products.

Individual Wealth Management – Individual products and services for savings plans, retirement funds and segregated funds, in addition to securities brokerage, trust operations and mutual funds.

Group Insurance – Life, health, accidental death and dismemberment, dental care and short and long-term disability insurance products for employee plans; creditor insurance, replacement insurance, replacement warranties, extended warranties and other ancillary products for dealer services; and specialized products for special markets.

Group Savings and Retirement – Group products and services for savings plans, retirement funds and segregated funds.

US Operations – Miscellaneous insurance products sold in the United States such as life insurance products and extended warranties relating to dealer services.

Other – Auto and home insurance products, services supporting the activities that have no link with key segments such as asset management and financing, Company capital and some adjustments related to consolidation.

The Company uses assumptions, judgments and methodologies to allocate general expenses that are not directly attributable to a business segment. The allocation of other activities is mainly performed according to a formula based on equity and is uniformly applied to each operating segment.

The other assets and other liabilities, except mainly for derivative financial instruments, are classified in their entirety in the *Other* column since they are used for the operational support of the Company's activities.

Segmented Income Statements

	Quarter ended September 30, 2019						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
\$	\$	\$	\$	\$	\$	\$	
Revenues							
Net premiums	398	738	418	428	127	80	2,189
Investment income	861	47	38	64	66	34	1,110
Other revenues	30	368	13	24	19	(38)	416
	1,289	1,153	469	516	212	76	3,715
Operating expenses							
Gross benefits and claims on contracts	206	487	271	306	153	(3)	1,420
Ceded benefits and claims on contracts	(73)	—	(14)	(8)	(105)	45	(155)
Net transfer to segregated funds	—	172	—	90	—	—	262
Increase (decrease) in insurance contract liabilities	855	105	27	92	81	(4)	1,156
Increase (decrease) in investment contract liabilities	—	—	7	—	—	—	7
Decrease (increase) in reinsurance assets	(11)	—	(1)	1	(25)	4	(32)
Commissions, general and other expenses	216	320	152	25	97	(7)	803
Financing charges	5	—	6	—	1	1	13
	1,198	1,084	448	506	202	36	3,474
Income before income taxes and allocation of other activities	91	69	21	10	10	40	241
Allocation of other activities	29	3	3	—	5	(40)	—
Income before income taxes	120	72	24	10	15	—	241
Income taxes	21	20	6	2	3	—	52
Net income attributed to shareholders	99	52	18	8	12	—	189

	Quarter ended September 30, 2018						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
\$	\$	\$	\$	\$	\$	\$	
Revenues							
Net premiums	384	553	416	303	106	74	1,836
Investment income	(302)	(33)	16	(9)	(4)	37	(295)
Other revenues	48	367	15	22	17	(30)	439
	130	887	447	316	119	81	1,980
Operating expenses							
Gross benefits and claims on contracts	207	452	266	286	95	37	1,343
Ceded benefits and claims on contracts	(74)	—	(16)	(6)	(59)	8	(147)
Net transfer to segregated funds	—	68	—	46	—	—	114
Increase (decrease) in insurance contract liabilities	(299)	(6)	18	(39)	(13)	(7)	(346)
Increase (decrease) in investment contract liabilities	—	—	(2)	—	—	—	(2)
Decrease (increase) in reinsurance assets	—	—	(3)	(1)	9	4	9
Commissions, general and other expenses	211	308	151	23	78	3	774
Financing charges	5	—	5	—	(1)	6	15
	50	822	419	309	109	51	1,760
Income before income taxes and allocation of other activities	80	65	28	7	10	30	220
Allocation of other activities	23	5	1	—	1	(30)	—
Income before income taxes	103	70	29	7	11	—	220
Income taxes	18	19	8	2	2	—	49
Net income attributed to shareholders	85	51	21	5	9	—	171

Nine months ended September 30, 2019							
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
	\$	\$	\$	\$	\$	\$	\$
Revenues							
Net premiums	1,177	2,101	1,228	1,427	362	232	6,527
Investment income	4,043	138	152	325	172	113	4,943
Other revenues	91	1,087	42	73	56	(98)	1,251
	5,311	3,326	1,422	1,825	590	247	12,721
Operating expenses							
Gross benefits and claims on contracts	624	1,521	855	926	351	79	4,356
Ceded benefits and claims on contracts	(181)	—	(43)	(21)	(216)	64	(397)
Net transfer to segregated funds	—	429	—	253	—	—	682
Increase (decrease) in insurance contract liabilities	3,997	232	40	557	243	(13)	5,056
Increase (decrease) in investment contract liabilities	—	—	28	—	—	—	28
Decrease (increase) in reinsurance assets	(40)	—	—	4	(89)	13	(112)
Commissions, general and other expenses	618	966	450	77	262	3	2,376
Financing charges	16	1	18	—	1	6	42
	5,034	3,149	1,348	1,796	552	152	12,031
Income before income taxes and allocation of other activities	277	177	74	29	38	95	690
Allocation of other activities	73	2	5	2	13	(95)	—
Income before income taxes	350	179	79	31	51	—	690
Income taxes	69	47	21	8	11	—	156
Net income	281	132	58	23	40	—	534
Net income attributed to participating policyholders	1	—	—	—	—	—	1
Net income attributed to shareholders	280	132	58	23	40	—	533

Nine months ended September 30, 2018

	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
	\$	\$	\$	\$	\$	\$	
Revenues							
Net premiums	1,155	1,824	1,192	1,179	303	219	5,872
Investment income	(26)	(25)	62	53	(33)	110	141
Other revenues	127	1,101	45	67	51	(79)	1,312
	1,256	2,900	1,299	1,299	321	250	7,325
Operating expenses							
Gross benefits and claims on contracts	593	1,356	831	906	278	118	4,082
Ceded benefits and claims on contracts	(194)	—	(53)	(18)	(165)	26	(404)
Net transfer to segregated funds	—	360	—	240	—	—	600
Increase (decrease) in insurance contract liabilities	(7)	58	(7)	76	(147)	(18)	(45)
Increase (decrease) in investment contract liabilities	—	—	1	—	—	—	1
Decrease (increase) in reinsurance assets	(7)	—	(7)	4	103	15	108
Commissions, general and other expenses	612	953	442	69	219	17	2,312
Financing charges	14	—	13	—	—	21	48
	1,011	2,727	1,220	1,277	288	179	6,702
Income before income taxes and allocation of other activities	245	173	79	22	33	71	623
Allocation of other activities	53	6	3	—	9	(71)	—
Income before income taxes	298	179	82	22	42	—	623
Income taxes	56	50	23	6	8	—	143
Net Income	242	129	59	16	34	—	480
Net income attributed to participating policyholders	1	—	—	—	—	—	1
Net income attributed to shareholders	241	129	59	16	34	—	479

Segmented Premiums

Quarter ended September 30, 2019

	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
	\$	\$	\$	\$	\$	\$	
Gross premiums							
Invested in general fund	499	162	453	111	293	(15)	1,503
Invested in segregated funds	—	576	—	325	—	—	901
	499	738	453	436	293	(15)	2,404
Premiums ceded							
Invested in general fund	(101)	—	(35)	(8)	(166)	95	(215)
Net premiums	398	738	418	428	127	80	2,189

	Quarter ended September 30, 2018						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
\$	\$	\$	\$	\$	\$	\$	
Gross premiums							
Invested in general fund	479	88	463	33	183	48	1,294
Invested in segregated funds	—	465	—	276	—	—	741
	479	553	463	309	183	48	2,035
Premiums ceded							
Invested in general fund	(95)	—	(47)	(6)	(77)	26	(199)
Net premiums	384	553	416	303	106	74	1,836

	Nine months ended September 30, 2019						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
\$	\$	\$	\$	\$	\$	\$	
Gross premiums							
Invested in general fund	1,468	369	1,334	470	699	81	4,421
Invested in segregated funds	—	1,732	—	978	—	—	2,710
	1,468	2,101	1,334	1,448	699	81	7,131
Premiums ceded							
Invested in general fund	(291)	—	(106)	(21)	(337)	151	(604)
Net premiums	1,177	2,101	1,228	1,427	362	232	6,527

	Nine months ended September 30, 2018						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
\$	\$	\$	\$	\$	\$	\$	
Gross premiums							
Invested in general fund	1,427	296	1,331	251	533	142	3,980
Invested in segregated funds	—	1,528	—	947	—	—	2,475
	1,427	1,824	1,331	1,198	533	142	6,455
Premiums ceded							
Invested in general fund	(272)	—	(139)	(19)	(230)	77	(583)
Net premiums	1,155	1,824	1,192	1,179	303	219	5,872

Segmented Assets and Liabilities

	As at September 30, 2019						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
\$	\$	\$	\$	\$	\$	\$	
Assets							
Invested assets	23,099	1,871	2,142	3,828	1,093	7,318	39,351
Segregated funds assets	—	15,748	—	11,228	—	—	26,976
Reinsurance assets	(655)	—	232	127	1,511	(103)	1,112
Other	122	841	—	—	33	3,491	4,487
Total assets	22,566	18,460	2,374	15,183	2,637	10,706	71,926
Liabilities							
Insurance contract liabilities and investment contract liabilities	21,792	1,881	2,193	4,009	1,796	(76)	31,595
Segregated funds liabilities	—	15,748	—	11,228	—	—	26,976
Other	288	31	6	9	—	7,162	7,496
Total liabilities	22,080	17,660	2,199	15,246	1,796	7,086	66,067

	As at December 31, 2018						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
\$	\$	\$	\$	\$	\$	\$	
Assets							
Invested assets	19,056	1,823	1,869	3,349	926	7,556	34,579
Segregated funds assets	—	13,994	—	9,787	—	—	23,781
Reinsurance assets	(697)	—	236	131	1,317	14	1,001
Other	121	940	—	—	27	3,091	4,179
Total assets	18,480	16,757	2,105	13,267	2,270	10,661	63,540
Liabilities							
Insurance contract liabilities and investment contract liabilities	17,787	1,643	2,148	3,452	1,602	(62)	26,570
Segregated funds liabilities	—	13,994	—	9,787	—	—	23,781
Other	287	59	6	3	—	7,116	7,471
Total liabilities	18,074	15,696	2,154	13,242	1,602	7,054	57,822

15 › Earnings Per Common Share

Basic Earnings Per Share

Basic earnings per share are calculated by dividing the net income attributed to common shareholders by the weighted average number of outstanding common shares during the period.

	Quarters ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Net income attributed to common shareholders	184	165	516	463
Weighted average number of outstanding shares (in millions of units)	109	110	109	109
Basic earnings per share (in dollars)	1.69	1.50	4.75	4.25

There was no transaction on common shares that could affect these calculations after the closing date and before the date of authorization for issue of these financial statements.

Diluted Earnings Per Share

Diluted earnings per share are calculated by adjusting the weighted average number of outstanding common shares to take into account the conversion of all potentially dilutive common shares.

The dilutive effect of stock options considers the number of shares presumed issued without consideration, calculated as the difference between the number of shares deemed to have been issued (by assuming the outstanding stock option grants are exercised) and the number of shares that would have been issued at the average market price for the year (the number of shares that would have been issued using the issuance proceeds, using the average market price of the Company's common shares for the period). Following the change in company structure (Note 18), the stock option plan was transferred to iA Financial Corporation. For the quarter and for the nine months ended September 30, 2018, an average of 148,565 and 124,618 antidilutive stock options were excluded from the calculation.

	Quarter ended September 30, 2018	Nine months ended September 30, 2018
Net income attributed to common shareholders	165	463
Weighted average number of outstanding shares (in millions of units)	110	109
Add: dilutive effect of stock options granted and outstanding (in millions of units)	—	1
Weighted average number of outstanding shares on a diluted basis (in millions of units)	110	110
Diluted earnings per share (in dollars)	1.50	4.23

16 › Post-Employment Benefits

The Company maintains a number of funded and unfunded defined benefit plans which provide pension benefits and defined contribution plans.

The Company also provides other post-retirement benefits. These include additional health care benefits, life insurance and dental benefits. The Company also provides post-employment benefits such as salary continuation for short-term disabilities.

Amounts Recognized in Net Income and Other Comprehensive Income

	Quarters ended September 30			
	2019		2018	
	Pension plans	Other plans	Pension plans	Other plans
	\$	\$	\$	\$
Current service cost	11	1	11	1
Net interest	2	—	1	—
Components of the cost of defined benefits recognized in the net income	13	1	12	1
Remeasurement of net liabilities (assets) as defined benefits ¹				
Rate of return on assets (excluding amounts included in the net interest above)	(19)	—	20	—
Actuarial losses (gains) on financial assumption changes	34	2	(22)	(1)
Losses (gains) on components of the cost of defined benefits recognized in other comprehensive income	15	2	(2)	(1)
Total of defined benefit cost components	28	3	10	—

¹ Market based assumptions, such as assumptions on rate of return on assets and changes in financial assumptions, are reviewed on a quarterly basis. All other assumptions are reviewed on an annual basis.

	Nine months ended September 30			
	2019		2018	
	Pension plans	Other plans	Pension plans	Other plans
	\$	\$	\$	\$
Current service cost	33	2	32	2
Net interest	6	1	4	1
Administrative expense	1	—	1	—
Components of the cost of defined benefits recognized in the net income	40	3	37	3
Remeasurement of net liabilities (assets) as defined benefits ¹				
Rate of return on assets (excluding amounts included in the net interest above)	(153)	—	14	—
Actuarial losses (gains) on financial assumption changes	242	5	(68)	(2)
Losses (gains) on components of the cost of defined benefits recognized in other comprehensive income	89	5	(54)	(2)
Total of defined benefit cost components	129	8	(17)	1

¹ Market based assumptions, such as assumptions on rate of return on assets and changes in financial assumptions, are reviewed on a quarterly basis. All other assumptions are reviewed on an annual basis.

Items that will not be reclassified subsequently to net income

	Quarters ended September 30			
	2019		2018	
	Pension plans	Other plans	Pension plans	Other plans
	\$	\$	\$	\$
Losses (gains) on components of the cost of defined benefits recognized in other comprehensive income				
Remeasurement of post-employment benefits	15	2	(2)	(1)
Income taxes on remeasurement of post-employment benefits	(3)	(1)	1	—
Total of other comprehensive income	12	1	(1)	(1)

	Nine months ended September 30			
	2019		2018	
	Pension plans	Other plans	Pension plans	Other plans
	\$	\$	\$	\$
Losses (gains) on components of the cost of defined benefits recognized in other comprehensive income				
Remeasurement of post-employment benefits	89	5	(54)	(2)
Income taxes on remeasurement of post-employment benefits	(23)	(1)	15	—
Total of other comprehensive income	66	4	(39)	(2)

17 Commitments

Investment Commitments

In the normal course of business of the Company, various outstanding contractual commitments related to offers for commercial and residential loans, private placements, joint ventures and real estate are not reflected in the financial statements and may not be fulfilled. There were \$784 (\$809 as at December 31, 2018) of outstanding commitments as at September 30, 2019, of which the estimated disbursements will be \$66 (\$42 as at December 31, 2018) in 30 days, \$329 (\$324 as at December 31, 2018) in 31 to 365 days and \$389 (\$443 as at December 31, 2018) in more than one year.

Financing Agreement

The Company has entered into a financing agreement with iA Financial Corporation for an amount of \$80, to be used only to finance iA Financial Corporation's normal course issuer bid program.

Letters of Credit

In the normal course of operations, banks issue letters of credit on behalf of the Company. As at September 30, 2019, the balance of these letters is \$7 (\$2 as at December 31, 2018).

Lines of Credit

As at September 30, 2019, the Company had operating lines of credit totalling \$56 (\$56 as at December 31, 2018). As at September 30, 2019 and December 31, 2018, no lines of credit were used. The purpose of these lines of credit is to facilitate financing of the Company's operations and meet its temporary working capital requirements.

18 › Change in Company Structure

On January 1, 2019, the Company implemented a change in its company structure whereby the Company became a wholly owned subsidiary of iA Financial Corporation, a holding company that consolidates all of the group's activities. Pursuant to a plan of arrangement, all of the Company's common shares outstanding as at January 1, 2019 were exchanged for newly issued common shares of iA Financial Corporation, on a one for one basis. The Company's issued and outstanding preferred shares and debentures remain issued and have been guaranteed by iA Financial Corporation in accordance with the terms of the arrangement. iA Financial Corporation is a "successor issuer" of the Company as defined in the securities regulations with respect to previously issued common shares of the Company.

This change in company structure had no financial impact on the Company's financial statements.

19 › Comparative Figures

Certain comparative figures have been reclassified to comply with the current presentation. The reclassifications had no impact on the net income of the Company.