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Industrial Alliance Insurance and Financial Services Inc.

Interim Condensed Consolidated Financial Statements

For the Third Quarter of 2020

As at September 30, 2020 and 2019

iA Financial Group

Interim Condensed Consolidated Financial Statements (unaudited)

Consolidated Income Statements

(Unaudited, in millions of dollars, unless otherwise indicated)	Quarters ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
	$	$	**$**	$
Revenues				
Premiums				
Gross premiums	**3,387**	2,404	**8,638**	7,131
Premiums ceded	**(216)**	(215)	**(617)**	(604)
Net premiums (Note 16)	**3,171**	2,189	**8,021**	6,527
Investment income (Note 5)				
Interest and other investment income	**359**	347	**1,108**	1,001
Change in fair value of investments	**35**	763	**2,583**	3,942
	394	1,110	**3,691**	4,943
Other revenues	**422**	416	**1,278**	1,251
	3,987	3,715	**12,990**	12,721
Policy benefits and expenses				
Gross benefits and claims on contracts	**1,439**	1,420	**4,267**	4,356
Ceded benefits and claims on contracts	**(129)**	(155)	**(400)**	(397)
Net transfer to segregated funds	**622**	262	**1,834**	682
Increase (decrease) in insurance contract liabilities	**950**	1,156	**4,266**	5,056
Increase (decrease) in investment contract liabilities	**3**	7	**25**	28
Decrease (increase) in reinsurance assets	**(18)**	(32)	**(112)**	(112)
	2,867	2,658	**9,880**	9,613
Commissions	**449**	425	**1,283**	1,220
General expenses	**351**	347	**1,113**	1,061
Premium and other taxes	**34**	31	**94**	95
Financing charges	**12**	13	**39**	42
	3,713	3,474	**12,409**	12,031
Income before income taxes	**274**	241	**581**	690
Income taxes (Note 15)	**50**	52	**104**	156
Net income	**224**	189	**477**	534
Net income attributed to participating policyholders	**(4)**	—	**4**	1
Net income attributed to shareholders	**228**	189	**473**	533
Dividends attributed to preferred shares (Note 11)	**6**	5	**17**	17
Net income attributed to common shareholder	**222**	184	**456**	516
Basic earnings per common share (in dollars) (Note 17)	**2.04**	1.69	**4.20**	4.75

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	
	2020	2019	**2020**	2019
	$	$	**$**	$
Net income	**224**	189	**477**	534
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	**45**	(1)	**73**	89
Reclassification of losses (gains) on available for sale financial assets included in net income	**(2)**	(4)	**(16)**	(13)
	43	(5)	**57**	76
Net investment hedge				
Unrealized gains (losses) on currency translation in foreign operations	**(28)**	16	**37**	(35)
Hedges of net investment in foreign operations	**23**	(13)	**(28)**	28
	(5)	3	**9**	(7)
Cash flow hedge				
Unrealized gains (losses) on cash flow hedges	**—**	—	**—**	(2)
Items that will not be reclassified subsequently to net income:				
Remeasurement of post-employment benefits	**(15)**	(13)	**(71)**	(70)
Total other comprehensive income	**23**	(15)	**(5)**	(3)
Comprehensive income	**247**	174	**472**	531
Comprehensive income attributed to participating policyholders	**(4)**	—	**4**	1
Comprehensive income attributed to shareholders	**251**	174	**468**	530

Income Taxes Included in Other Comprehensive Income

(Unaudited, in millions of dollars)	Quarters ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
	$	$	**$**	$
Income tax recovery (expense) related to:				
Items that may be reclassified subsequently to net income:				
Unrealized losses (gains) on available for sale financial assets	**(16)**	—	**(25)**	(31)
Reclassification of gains (losses) on available for sale financial assets included in net income	**1**	1	**5**	5
Hedges of net investment in foreign operations	**(4)**	2	**5**	(5)
	(19)	3	**(15)**	(31)
Items that will not be reclassified subsequently to net income:				
Remeasurement of post-employment benefits	**5**	4	**25**	24
Total income tax recovery (expense) included in other comprehensive income	**(14)**	7	**10**	(7)

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

Consolidated Statements of Financial Position

(In millions of dollars)	**As at September 30**	As at December 31
	2020	2019
	(unaudited)	
	$	$
Assets		
Investments (Note 5)		
Cash and short-term investments	**1,694**	1,005
Bonds	**32,035**	27,189
Stocks	**3,121**	3,024
Mortgages and other loans	**2,632**	3,870
Derivative financial instruments (Note 8)	**1,411**	1,003
Policy loans	**901**	900
Other invested assets	**448**	429
Investment properties	**1,989**	2,077
	44,231	39,497
Other assets	**2,970**	2,147
Reinsurance assets	**1,240**	1,030
Fixed assets	**374**	394
Deferred income tax assets	**28**	24
Intangible assets	**759**	805
Goodwill	**555**	606
General fund assets	**50,157**	44,503
Segregated funds net assets (Note 9)	**30,131**	27,868
Total assets	**80,288**	72,371
Liabilities		
Insurance contract liabilities	**35,109**	30,665
Investment contract liabilities	**565**	630
Derivative financial instruments (Note 8)	**775**	431
Other liabilities	**7,271**	6,079
Deferred income tax liabilities	**240**	287
Debentures	**652**	652
General fund liabilities	**44,612**	38,744
Liabilities related to segregated funds net assets (Note 9)	**30,131**	27,868
Total liabilities	**74,743**	66,612
Equity		
Share capital and contributed surplus	**2,180**	2,180
Retained earnings and accumulated other comprehensive income	**3,319**	3,537
Participating policyholders' accounts	**46**	42
	5,545	5,759
Total liabilities and equity	**80,288**	72,371

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, 2020						
	Participating policyholders' accounts	Common shares	Preferred shares	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total
		(Note 11)	(Note 11)			(Note 12)	
	$	$	$	$	$	$	$
Balance as at December 31, 2018	52	1,655	525	23	3,440	23	5,718
Net income attributed to shareholders	—	—	—	—	713	—	713
Net income attributed to participating policyholders' accounts	(10)	—	—	—	—	—	(10)
Other comprehensive income	—	—	—	—	—	33	33
Comprehensive income for the year	(10)	—	—	—	713	33	736
Equity transactions							
Transfer of post-employment benefits	—	—	—	—	(21)	21	—
Transfer of stock option plan	—	—	—	(23)	—	—	(23)
Dividends on common shares	—	—	—	—	(651)	—	(651)
Dividends on preferred shares	—	—	—	—	(22)	—	(22)
Other	—	—	—	—	1	—	1
	—	—	—	(23)	(693)	21	(695)
Balance as at December 31, 2019	42	1,655	525	—	3,460	77	5,759
Net income attributed to shareholders	**—**	**—**	**—**	**—**	**473**	**—**	**473**
Net income attributed to participating policyholders' accounts	**4**	**—**	**—**	**—**	**—**	**—**	**4**
Other comprehensive income	**—**	**—**	**—**	**—**	**—**	**(5)**	**(5)**
Comprehensive income for the period	**4**	**—**	**—**	**—**	**473**	**(5)**	**472**
Equity transactions							
Transfer of post-employment benefits	**—**	**—**	**—**	**—**	**(71)**	**71**	**—**
Dividends on common shares	**—**	**—**	**—**	**—**	**(671)**	**—**	**(671)**
Dividends on preferred shares	**—**	**—**	**—**	**—**	**(17)**	**—**	**(17)**
Other	**—**	**—**	**—**	**—**	**2**	**—**	**2**
	—	**—**	**—**	**—**	**(757)**	**71**	**(686)**
Balance as at September 30, 2020	**46**	**1,655**	**525**	**—**	**3,176**	**143**	**5,545**

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

(Unaudited, in millions of dollars)	As at September 30, 2019						
	Participating policyholders' accounts	Common shares	Preferred shares	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total
		(Note 11)	(Note 11)			(Note 12)	
	$	$	$	$	$	$	$
Balance as at December 31, 2018	52	1,655	525	23	3,440	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	53	1,655	525	—	3,536	90	5,859

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	
	2020	2019
	$	$
Cash flows from operating activities		
Income before income taxes	**581**	690
Financing charges	**39**	42
Income taxes paid, net of refunds	**(134)**	(201)
Operating activities not affecting cash:		
Increase (decrease) in insurance contract liabilities	**4,390**	5,075
Increase (decrease) in investment contract liabilities	**(65)**	(2)
Decrease (increase) in reinsurance assets	**(168)**	(97)
Unrealized losses (gains) on investments	**(2,579)**	(3,936)
Provisions for losses	**45**	28
Amortization of premiums and discounts	**14**	11
Other depreciation	**162**	154
Goodwill impairment (Note 14)	**24**	22
Gain on a contingent consideration settlement	**—**	(14)
Gain on disposal of business (Note 4)	**(16)**	—
Other items not affecting cash	**(523)**	40
Operating activities affecting cash:		
Sales, maturities and repayments on investments	**11,624**	10,786
Purchases of investments	**(11,996)**	(11,713)
Realized losses (gains) on investments	**(41)**	(26)
Other items affecting cash	**32**	(239)
Net cash from (used in) operating activities	**1,389**	620
Cash flows from investing activities		
Acquisition of businesses, net of cash	**—**	(3)
Disposal of business, net of cash	**79**	—
Sales (purchases) of fixed and intangible assets[1]	**(47)**	(106)
Net cash from (used in) investing activities	**32**	(109)
Cash flows from financing activities		
Redemption of debentures (Note 10)	**—**	(250)
Reimbursement of lease liabilities[1]	**(22)**	(11)
Dividends paid on common shares	**(671)**	(351)
Dividends paid on preferred shares	**(17)**	(17)
Interest paid on debentures	**(20)**	(23)
Interest paid on lease liabilities	**(4)**	(3)
Net cash from (used in) financing activities	**(734)**	(655)
Foreign currency gains (losses) on cash	**2**	(1)
Increase (decrease) in cash and short-term investments	**689**	(145)
Cash and short-term investments at beginning	**1,005**	1,046
Cash and short-term investments at end	**1,694**	901
Supplementary information:		
Cash	**1,219**	593
Short-term investments	**475**	308
Total cash and short-term investments	**1,694**	901

[1] For the nine months ended September 30, 2020, fixed assets and lease liabilities presented in the Consolidated Statements of Financial Position include an amount of $18 ($8 for the nine months ended September 30, 2019) of initial capitalization not affecting cash.

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, 2020 and 2019 (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 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").

Pursuant to the 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.

On January 1, 2020, Industrial Alliance Insurance and Financial Services Inc. and its subsidiary The Excellence Life Insurance Company merged. The merger was recorded at book value and had no effect on the consolidated financial statements.

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, 2019. The significant accounting policies used to prepare these Interim Consolidated Financial Statements are consistent with those found in the Consolidated Financial Statements for the year ended December 31, 2019, except for items mentioned in Note 3.

Publication of these Interim Consolidated Financial Statements was authorized for issue by the Company's Board of Directors on November 4, 2020.

2 › Impacts of COVID-19 Pandemic

Since the beginning of 2020, the spread of the COVID-19 virus, elevated to a pandemic by the World Health Organization (WHO) on March 11, 2020, has negatively impacted the financial markets, resulted in economic uncertainty and shaken the operations of the business community. The COVID-19 pandemic has forced governments to implement exceptional measures to slow the progression of this crisis. These measures, which include travel bans, periods of isolation and social distancing, have disrupted the world's financial markets and economies. This situation had negative effects on the Company's financial results for the nine months ended September 30, 2020. However, the risk management program established by the Company made it possible to partially mitigate the effects of this crisis on the results of the Company. The Company deployed initiatives in order to support its clients and mitigate the impacts of the crisis, in addition to the measures implemented by levels of government to contain this pandemic. In addition, governments and central banks implemented significant monetary and fiscal interventions to stabilize economic conditions. With regards to the operations of the Company, measures are used to protect the health and the safety of its employees while ensuring the continuity of its activities.

At this time, it is impossible to reliably assess the duration and extent of the impacts that these elements could have on the Company's future financial results, due to uncertainties about future developments. The significant estimates, assumptions and judgments made by management in the preparation of these financial statements take into account these uncertainties.

The effects of the pandemic primarily affected the valuation of the following assets and liabilities of the Company:

Fair Value of Financial Instruments and Investment Properties

Changes in market factors, such as interest rates, stock prices and exchange rates, caused by COVID-19 resulted in changes in the fair value of financial instruments. Likewise, the financial projections used to establish the fair value of investment properties were reviewed, resulting in a decrease in the fair value of investment properties, which was recorded as a change in fair value in investment income.

The investment properties as well as the bonds and stocks classified as designated at fair value through profit or loss support the insurance contract liabilities. Consequently, changes in the fair value of these assets are offset by changes in the corresponding insurance contract liabilities under the Canadian Asset Liability Method (CALM).

Note 5 "Invested Assets and Investment Income" and Note 6 "Fair Value of Financial Instruments and Investment Properties" present the fair value of the financial assets and liabilities, and investment properties.

Goodwill
As part of the monitoring of impairment indicators, the revision of the financial projections, which consider the effects of COVID-19, resulted in a reduction in the carrying value of the goodwill of a Company subsidiary. This impairment is recorded as a goodwill impairment in Note 14 "General Expenses".

Insurance Contract Liabilities and Investment Contract Liabilities
Changes in methods and assumptions and the impact of exchange rate fluctuations used in the calculation of provisions for future policy benefits and other insurance contract liabilities, as well as the financial assumptions used in the calculation of investment contract liabilities, take into account the economic uncertainties related to COVID-19.

Post-Employment Benefits - Net liabilities resulting from the obligation in respect of defined benefits
COVID-19 had a significant impact on the changes in the financial assumptions used in the measurement of the defined benefit obligation and in the return on defined benefit plan assets, resulting in an increase in the net liability arising from the defined benefit obligation leading to an actuarial loss recognized as a reduction in other comprehensive income as presented in Note 18 "Post-Employment Benefits".

Actual results could differ from best estimates, as mentioned in Note 2, section b) "Important Estimates, Assumptions, Use of Judgment and Accounting Adjustment" of the Consolidated Financial Statements for the year ended December 31, 2019.

3 › Changes in Accounting Policies

New Accounting Policies Applied

These standards or amendments apply to financial statements beginning on or after January 1, 2020.

Standards or amendments	Description of the standards or amendments and impacts on financial statements of the Company
IFRS 4 *Insurance Contracts*	*Description:* On September 12, 2016, the IASB published an amendment to IFRS 4 *Insurance Contracts*. This amendment, *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*, provides two options to entities applying IFRS 4: • 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. On June 25, 2020, the IASB published an amendment to IFRS 4 *Insurance Contracts* to extend the deferral approach until January 1, 2023. *Status:* 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 or after January 1, 2023.
Conceptual Framework for Financial Reporting	*Description:* 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 for Financial Reporting* 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. This revised version applies prospectively. *Impact:* No impact on the Company's financial statements.
IFRS 3 *Business Combinations*	*Description:* 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. This amendment applies prospectively. *Impact:* No impact on the Company's financial statements.
IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*	*Description:* 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 along with the explanation accompanying that definition and aligns the definitions used across IFRS standards. This amendment applies prospectively. *Impact:* No impact on the Company's financial statements.

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*	The Company adopted the amendment to IFRS 4 *Insurance Contracts* described in the section "New Accounting Policies Applied". Consequently, even if the provisions of IFRS 9 applied to financial statements beginning on or after January 1, 2018, the Company will apply these provisions simultaneously to the application of the standard IFRS 17. *Description:* 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: • 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. The provisions of the new standard IFRS 9 will apply retrospectively or on a modified retrospective basis. 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. *Status:* The Company is currently evaluating the impact of this standard on its financial statements.
IFRS 17 *Insurance Contracts*	*Description:* 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: • 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. The provisions of the new standard IFRS 17 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. On June 25, 2020, the IASB published an amendment to IFRS 17 *Insurance Contracts* that clarifies different subjects and that postpones the effective date to financial statements beginning on or after January 1, 2023. *Status:* The Company is currently evaluating the impact on presentation, disclosure and measurement of the insurance contract liabilities that this standard will have on its financial statements.
IAS 1 *Presentation of Financial Statements*	*Description:* On January 23, 2020, the IASB published an amendment to IAS 1 *Presentation of Financial Statements.* The amendment concerns the classification of liabilities as current or non-current and only affects the presentation of liabilities in the statement of financial position, and not the amount or timing of recognition of any asset, liability income or expense, or the information that entities disclose about those items. The provisions of this amendment will apply retrospectively to financial statements beginning on or after January 1, 2022. Early adoption is permitted. On July 15, 2020, the IASB published an amendment to IAS 1 *Presentation of Financial Statements* that postpones the effective date to financial statements beginning on or after January 1, 2023. *Status:* The Company is currently evaluating the impact of this amendment on its financial statements.
IAS 16 *Property, Plant and Equipment*	*Description:* On May 14, 2020, the IASB published an amendment to IAS 16 *Property, Plant and Equipment.* The amendment clarifies the accounting for the net proceeds from selling any items produced while bringing an item of property, plant and equipment into use. The provisions of this amendment will apply retrospectively to financial statements beginning on or after January 1, 2022. Early adoption is permitted. *Status:* The Company is currently evaluating the impact of this amendment on its financial statements.
IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*	*Description:* On May 14, 2020, the IASB published an amendment to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.* The amendment clarifies that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling the contract. The provisions of this amendment will apply on a modified retrospective basis to financial statements beginning on or after January 1, 2022. Early adoption is permitted. *Status:* The Company is currently evaluating the impact of this amendment on its financial statements.

IFRS 3 *Business Combinations*	*Description:* On May 14, 2020, the IASB published an amendment to IFRS 3 *Business Combinations*. The amendment updates the reference to the Conceptual Framework and adds an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The provisions of this amendment will apply prospectively to financial statements beginning on or after January 1, 2022. Early adoption is permitted. *Status:* The Company is currently evaluating the impact of this amendment on its financial statements.
Annual Improvements to IFRSs 2018-2020 Cycle	*Description:* On May 14, 2020, the IASB published the Annual Improvements to IFRSs 2018-2020 Cycle. The Annual Improvements clarify situations specific to four standards: • IFRS 1 *First-time Adoption of International Financial Reporting Standards* related to the fact that a subsidiary that becomes a first-time adopter later than its parent, is allowed to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs; • IFRS 9 *Financial Instruments* related to the fact that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on the other's behalf are included when the entity applies the '10 per cent' test in assessing whether to derecognize a financial liability; • IFRS 16 *Leases* related to Illustrative Example 13 accompanying IFRS 16 that removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion; • IAS 41 *Agriculture* related to the fact that an entity no longer excludes taxation cash flows when measuring the fair value of a biological asset using a present value technique to ensure consistency with the requirements in IFRS 13 *Fair Value Measurement*. The provisions of IFRS 1, IFRS 9, and IAS 41 will apply prospectively to financial statements beginning on or after January 1, 2022. Early adoption is permitted. The Annual Improvement to IFRS 16 only regards an illustrative example, so this is applicable immediately. *Status:* The Company is currently evaluating the impact of these improvements on its financial statements.
IFRS 16 *Leases*	*Description:* On May 28, 2020, the IASB published an amendment to IFRS 16 *Leases*. The amendment *COVID-19 Related Rent Concessions* exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19 related rent concessions that reduce lease payments due on or before June 30, 2021. The provisions of this amendment will apply retrospectively to financial statements beginning on or after June 1, 2020. Early adoption is permitted. *Status:* The Company is currently evaluating the impact of this amendment on its financial statements.
IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance Contracts* and IFRS 16 *Leases*	*Description*: On August 27, 2020, the IASB published an amendment to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance Contracts* and IFRS 16 *Leases*. The amendment, *Interest Rate Benchmark Reform – Phase 2*, clarifies the requirements related to financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements of financial instruments when an existing interest rate benchmark is replaced. The provisions of this amendment will apply on a modified retrospective basis to financial statements beginning on or after January 1, 2021. Early adoption is permitted. *Status:* The Company is currently evaluating the impact of this amendment on its financial statements.

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, liabilities related to segregated funds net assets 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 IFRS 17 *Insurance Contracts* is adopted. IFRS 17 includes the measurement principles of these policies. 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, held to maturity or available for sale as at September 30, 2020, an amount of $806 ($756 as at December 31, 2019) would not have met the solely payments of principal and interest test in accordance with IFRS 9. In addition, for mortgages, the Company could not have used the low credit risk exemption in the calculation of expected credit losses.

4 › Disposal of Business

On June 1, 2020, the Company sold a subsidiary, iA Investment Counsel Inc., to CWB Financial Group. Goodwill of $26 and intangible assets of $41 were disposed of in this transaction. A gain before tax of $16 was recognized in the Income Statement in *Other revenues*. The after-tax gain on this transaction is $8. The sale reflects the Company's decision to focus on serving wealth management needs of high-net-worth Canadians exclusively through its expanding network of independent, entrepreneur-owned investment advisory practices.

5 › Invested Assets and Investment Income

a) Carrying Value and Fair Value

	As at September 30, 2020						
	At fair value through profit or loss	Available for sale	Held to maturity	Loans and receivables	Other	Total	Fair value
	$	$	$	$	$	$	$
Cash and short-term investments	776	—	—	918	—	1,694	1,694
Bonds							
Governments	12,897	1,730	537	114	—	15,278	
Municipalities	1,297	187	—	40	—	1,524	
Corporate and other	11,016	1,781	—	2,436	—	15,233	
	25,210	3,698	537	2,590	—	32,035	32,420
Stocks							
Common	1,704	42	—	—	—	1,746	
Preferred	190	364	—	—	—	554	
Stock indexes	222	20	—	—	—	242	
Investment fund units	572	7	—	—	—	579	
	2,688	433	—	—	—	3,121	3,121
Mortgages and other loans							
Insured mortgages							
Multi-residential	—	—	—	1,289	—	1,289	
Non-residential	—	—	—	5	—	5	
	—	—	—	1,294	—	1,294	
Conventional mortgages							
Multi-residential	63	—	—	187	—	250	
Non-residential	29	—	—	181	—	210	
	92	—	—	368	—	460	
Other loans	—	—	—	878	—	878	
	92	—	—	2,540	—	2,632	2,755
Derivative financial instruments	1,411	—	—	—	—	1,411	1,411
Policy loans	—	—	—	901	—	901	901
Other invested assets	—	—	—	4	444	448	448
Investment properties	—	—	—	—	1,989	1,989	2,015
Total investments	30,177	4,131	537	6,953	2,433	44,231	44,765

	As at December 31, 2019					
	At fair value through profit or loss	Available for sale	Loans and receivables	Other	Total	Fair value
	$	$	$	$	$	$
Cash and short-term investments	489	—	516	—	1,005	1,005
Bonds						
Governments	11,713	1,551	111	—	13,375	
Municipalities	1,106	167	40	—	1,313	
Corporate and other	8,601	1,721	2,179	—	12,501	
	21,420	3,439	2,330	—	27,189	27,430
Stocks						
Common	1,621	34	—	—	1,655	
Preferred	186	374	—	—	560	
Stock indexes	215	98	—	—	313	
Investment fund units	489	7	—	—	496	
	2,511	513	—	—	3,024	3,024
Mortgages and other loans						
Insured mortgages						
Residential	—	—	846	—	846	
Multi-residential	—	—	1,419	—	1,419	
Non-residential	—	—	6	—	6	
	—	—	2,271	—	2,271	
Conventional mortgages						
Residential	—	—	293	—	293	
Multi-residential	66	—	193	—	259	
Non-residential	28	—	225	—	253	
	94	—	711	—	805	
Other loans	—	—	794	—	794	
	94	—	3,776	—	3,870	3,917
Derivative financial instruments	1,003	—	—	—	1,003	1,003
Policy loans	—	—	900	—	900	900
Other invested assets	—	—	5	424	429	429
Investment properties	—	—	—	2,077	2,077	2,099
Total investments	25,517	3,952	7,527	2,501	39,497	39,807

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.

Sale of Residential Mortgage Portfolio

On September 1, 2020, the Company assigned to a third party, by way of a sales agreement, its residential mortgage portfolio as well as its rights and obligations toward the Canada Mortgage and Housing Corporation (CMHC) regarding residential mortgages included under the mortgage-backed securities program issued under the *National Housing Act*. This sale reflects management's decision to exit the residential mortgage market. The Company transferred the risks and rewards related to this portfolio and, consequently, derecognized the residential mortgages. Under this transaction, the Company received monetary consideration and recognized government bonds under its assets.

Impacts of Sale of Residential Mortgage Portfolio

The gain related to this transaction is presented in *Investment income* in the Income Statement.

Government bonds recognized as a result of the transaction are quoted in an active market and are classified as assets held to maturity. They are carried at amortized cost using the effective interest method. The interest calculated according to this method and the realized gains or losses on disposal of these securities are accounted for in *Interest and other investment income* in the Income Statement. At each reporting date, bonds classified as held to maturity are tested for impairment. The Company considers an impairment loss if it deems it unlikely that it will be able to recover all amounts due according to the contractual terms of the obligation if it represents objective evidence of impairment, such as the issuer's financial difficulty, a bankruptcy or default of payment of principal or interest. When there is an impairment, a provision for losses is recorded, which corresponds to the spread between the carrying value of the asset and the recoverable amount valuated according to the estimated future cash flows discounted at the initial effective interest rate. This provision is immediately recorded in the Income Statement. When the effects of the cause of the impairment begin to fade and future payments are reasonably assured, the provision is reduced or reversed and the changes related to provisions for losses are recorded in the Income Statement.

The securitization liability related to the portfolio was not derecognized because the Company is party to a total return swap agreement and remains responsible for the related liabilities.

b) Investments in Associates and Joint Ventures

The Company holds interests ranging from 25% to 50% as at September 30, 2020 and as at December 31, 2019. The carrying value of these investments as at September 30, 2020 is $431 ($422 as at December 31, 2019). The share of net income and comprehensive income for the nine months ended September 30, 2020 amounts to $13 ($14 for the nine months ended September 30, 2019).

c) Investment Income

	Quarters ended September 30		**Nine months ended September 30**	
	2020	2019	**2020**	2019
	$	$	**$**	$
Interest and other investment income				
Interest	**260**	261	**821**	739
Dividends	**25**	27	**108**	87
Derivative financial instruments	**1**	5	**(2)**	13
Rental income	**56**	49	**162**	145
Gains (losses) realized	**20**	7	**41**	26
Variation in provisions for losses	**(8)**	(9)	**(45)**	(28)
Other	**5**	7	**23**	19
	359	347	**1,108**	1,001
Change in fair value of investments				
Cash and short-term investments	**1**	2	**4**	6
Bonds	**(127)**	642	**2,048**	2,732
Stocks	**88**	46	**(51)**	176
Mortgages and other loans	**(2)**	1	**4**	(1)
Derivative financial instruments	**76**	61	**654**	1,034
Investment properties	**(4)**	11	**(75)**	1
Other	**3**	—	**(1)**	(6)
	35	763	**2,583**	3,942
Total investment income	**394**	1,110	**3,691**	4,943

6 › 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 exercises its judgment to determine the data that will be 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, yield curves, credit risks, issuer spreads, volatility and liquidity valuation and other reference data published by the markets. 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 financial 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 discounted 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 on 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 on 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 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 commonly used, as it is based on an investor’s behaviour in relation to income expected to be 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 the one 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. Assessments are carried out by external independent appraisers on an annual basis or by qualified Company personnel quarterly.

Financial Liabilities

Derivative Financial Instruments – The fair value of derivative financial instruments recorded as financial liabilities is presented in Note 8 “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.

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

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. The significant data used in these models include, but are not limited to, yield curves, credit risks, issuer spreads, volatility and liquidity valuation and other reference data published by the markets.

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

The fair value of the mortgage debt is $77 ($76 as at December 31, 2019). It is secured by an investment property with a carrying value of $177 ($181 as at December 31, 2019), bearing interest of 3.143% and maturing on May 1, 2022. The interest expense on the mortgage debt is $2.

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.

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, 2020			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Recurring fair value measurements				
Cash and short-term investments				
Held for trading	—	776	—	776
Bonds				
Designated at fair value through profit or loss				
Governments	446	12,451	—	12,897
Municipalities	—	1,297	—	1,297
Corporate and other	—	10,869	147	11,016
	446	24,617	147	25,210
Available for sale				
Governments	173	1,557	—	1,730
Municipalities	—	187	—	187
Corporate and other	—	1,781	—	1,781
	173	3,525	—	3,698
	619	28,142	147	28,908
Stocks				
Designated at fair value through profit or loss	1,315	—	1,373	2,688
Available for sale	33	364	36	433
	1,348	364	1,409	3,121
Mortgages and other loans				
Designated at fair value through profit or loss	—	92	—	92
Derivative financial instruments				
Held for trading	346	1,063	2	1,411
Investment properties	—	—	1,989	1,989
General fund investments recognized at fair value	2,313	30,437	3,547	36,297
Segregated funds financial instruments and investment properties	22,282	7,395	261	29,938
Total financial assets at fair value	24,595	37,832	3,808	66,235

	As at December 31, 2019			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Recurring fair value measurements				
Cash and short-term investments				
Held for trading	—	489	—	489
Bonds				
Designated at fair value through profit or loss				
Governments	850	10,863	—	11,713
Municipalities	—	1,106	—	1,106
Corporate and other	—	8,472	129	8,601
	850	20,441	129	21,420
Available for sale				
Governments	76	1,475	—	1,551
Municipalities	—	167	—	167
Corporate and other	—	1,710	11	1,721
	76	3,352	11	3,439
	926	23,793	140	24,859
Stocks				
Designated at fair value through profit or loss	1,220	—	1,291	2,511
Available for sale	108	374	31	513
	1,328	374	1,322	3,024
Mortgages and other loans				
Designated at fair value through profit or loss	—	94	—	94
Derivative financial instruments				
Held for trading	229	774	—	1,003
Investment properties	—	—	2,077	2,077
General fund investments recognized at fair value	2,483	25,524	3,539	31,546
Segregated funds financial instruments and investment properties	21,343	6,373	90	27,806
Total financial assets at fair value	23,826	31,897	3,629	59,352

Transfers from Level 1 to Level 2 during the nine months ended September 30, 2020 amount to $564 (none for the year ended December 31, 2019). These transfers took place during the three months ended March 31, 2020 and result from the application of a fair value adjustment for events that took place after the market close but before the valuation date. Transfers from Level 2 to Level 1 during the nine months ended September 30, 2020 amount to $564 (none for the year ended December 31, 2019). This adjustment, made for the three months ended March 31, 2020, was not required for the three month periods ended June 30, 2020 and September 30, 2020. These transfers are related to segregated fund financial instruments and investment properties.

Transfers from Level 2 to Level 3 during the nine months ended September 30, 2020 amount to $10 (none for the year ended December 31, 2019). These transfers are from bonds designated at fair value through profit or loss. The fair value of these bonds is measured at the quoted market price obtained through brokers who estimate the fair value of these financial instruments. However, the price of these bonds has remained unchanged for more than 30 days which, according to our internal policy, results in a transfer.

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 1.48% to 2.70% as at September 30, 2020 (1.09% to 2.68% as at December 31, 2019). Stocks classified into Level 3 are mainly valuated 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, 2020 are the discount rate, which is between 5.25% and 7.75% (5.25% and 7.75% as at December 31, 2019) and the terminal capitalization rate, which is between 4.25% and 7.25% (4.25% and 7.25% as at December 31, 2019). 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 the location and reflects the expected rate of return to be realized on investments 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 fair value. Also, the investment properties as well as the bonds and stocks classified as designated at fair value through profit or loss support the insurance contract liabilities. Consequently, changes in the fair value of these assets are offset by changes in the corresponding insurance contract liabilities under the 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, 2020							
	Balance as at December 31, 2019	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, 2020	Total unrealized gains (losses) included in net income on investments still held
	$	$	$	$	$	$	$	$
Bonds								
Designated at fair value through profit or loss	129	10	—	26	(28)	10	147	11
Available for sale	11	—	—	—	(11)	—	—	—
Stocks								
Designated at fair value through profit or loss	1,291	(23)	—	172	(67)	—	1,373	(23)
Available for sale	31	—	2	4	(1)	—	36	—
Derivative financial instruments								
Held for trading	—	2	—	—	—	—	2	1
Investment properties	2,077	(75)	—	18	(31)	—	1,989	(75)
General fund investments recognized at fair value	3,539	(86)	2	220	(138)	10	3,547	(86)
Segregated funds financial instruments and investment properties	90	6	—	174	(9)	—	261	6
Total	3,629	(80)	2	394	(147)	10	3,808	(80)

	Year ended December 31, 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 December 31, 2019	Total unrealized gains (losses) included in net income on investments still held
	$	$	$	$	$	$	$	$
Bonds								
Designated at fair value through profit or loss	140	7	—	—	(18)	—	129	7
Available for sale	16	—	—	—	(5)	—	11	—
Stocks								
Designated at fair value through profit or loss	1,134	5	—	198	(46)	—	1,291	5
Available for sale	29	—	(1)	3	—	—	31	—
Derivative financial instruments								
Held for trading	1	—	—	—	(1)	—	—	—
Investment properties	1,720	44	—	318	(5)	—	2,077	44
General fund investments recognized at fair value	3,040	56	(1)	519	(75)	—	3,539	56
Segregated funds financial instruments and investment properties	47	1	—	44	(2)	—	90	2
Total	3,087	57	(1)	563	(77)	—	3,629	58

For the nine months ended September 30, 2020, an amount of $18 ($55 for the year ended December 31, 2019) presented in *Purchases* for investment properties corresponds to capitalizations to *Investment properties*. Also, *Sales and settlements* for investment properties do not include any transfers to fixed assets ($2 for the year ended December 31, 2019).

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 is not presented in the Income Statement, but is included in the change in segregated funds net assets in Note 9 “Segregated Funds Net Assets”. *Realized and unrealized gains (losses) included in other comprehensive income* are presented in Note 12 “Accumulated Other Comprehensive Income” in *Unrealized gains (losses).*

Fair Value Disclosed in the Notes

The Company classifies certain financial instruments as held to maturity or 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, 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Classified as held to maturity				
Bonds				
Governments	**—**	**538**	**—**	**538**
Total of assets classified as held to maturity	**—**	**538**	**—**	**538**
Classified as loans and receivables				
Bonds				
Governments	**—**	**8**	**143**	**151**
Municipalities	**—**	**55**	**—**	**55**
Corporate and other	**—**	**233**	**2,535**	**2,768**
	—	**296**	**2,678**	**2,974**
Mortgages and other loans	**—**	**2,663**	**—**	**2,663**
Total of assets classified as loans and receivables	**—**	**2,959**	**2,678**	**5,637**
Total of assets whose fair value is disclosed in the notes	**—**	**3,497**	**2,678**	**6,175**

	As at December 31, 2019			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Classified as loans and receivables				
Bonds				
Governments	—	8	131	139
Municipalities	—	51	—	51
Corporate and other	—	243	2,138	2,381
	—	302	2,269	2,571
Mortgages and other loans	—	3,823	—	3,823
Total of assets classified as loans and receivables	—	4,125	2,269	6,394

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, 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Recurring fair value measurements				
Other liabilities				
Held for trading	**64**	**232**	**—**	**296**
Derivative financial instruments				
Held for trading	**165**	**573**	**37**	**775**
Total of liabilities classified as held for trading	**229**	**805**	**37**	**1,071**
Classified at amortized cost				
Other liabilities				
Securitization liabilities	**—**	**1,127**	**—**	**1,127**
Mortgage debt	**—**	**77**	**—**	**77**
Debentures	**—**	**681**	**—**	**681**
Total of liabilities classified at amortized cost	**—**	**1,885**	**—**	**1,885**

	As at December 31, 2019			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Recurring fair value measurements				
Other liabilities				
Held for trading	46	165	—	211
Derivative financial instruments				
Held for trading	80	315	36	431
Total of liabilities classified as held for trading	126	480	36	642
Classified at amortized cost				
Other liabilities				
Securitization liabilities	—	1,183	—	1,183
Mortgage debt	—	76	—	76
Debentures	—	664	—	664
Total of liabilities classified at amortized cost	—	1,923	—	1,923

7 › Management of Risks Associated with Financial Instruments

a) Impairment of Financial Assets Classified as Available for Sale

During the nine months ended September 30, 2020 and the year ended December 31, 2019, the Company did not reclassify any unrealized losses of stocks classified as available for sale 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, 2020			As at December 31, 2019		
	Fair value	**Unrealized losses**	**Unrealized gains**	Fair value	Unrealized losses	Unrealized gains
	$	**$**	**$**	$	$	$
Bonds						
Governments	**1,730**	**—**	**84**	1,551	(1)	57
Municipalities	**187**	**—**	**10**	167	—	3
Corporate and other	**1,781**	**(1)**	**88**	1,721	(2)	40
	3,698	**(1)**	**182**	3,439	(3)	100
Stocks	**433**	**(25)**	**9**	513	(21)	10
Total	**4,131**	**(26)**	**191**	3,952	(24)	110

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 September 30, 2020	As at December 31, 2019
	$	$
AAA	**1,970**	1,546
AA	**15,172**	13,101
A	**9,387**	7,961
BBB	**5,258**	4,343
BB and lower	**248**	238
Total	**32,035**	27,189

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 $2,154 as at September 30, 2020 ($2,054 as at December 31, 2019).

Mortgages and Other Loans

	As at September 30, 2020	As at December 31, 2019
	$	$
Insured mortgages	**1,294**	2,271
Conventional mortgages	**460**	805
Other loans	**878**	794
Total	**2,632**	3,870

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 and which is not subject to a measure deployed by the Company to support its clients or in foreclosure is assumed to be impaired. Any loan in default which is not insured and fully guaranteed is generally impaired.

	As at September 30, 2020				
	Bonds classified as held to maturity	**Bonds classified as loans and receivables**	**Mortgages classified as loans and receivables**	**Other loans**	**Total**
	$	**$**	**$**	**$**	**$**
Gross values					
Not past due and not impaired	**537**	**2,553**	**1,662**	**870**	**5,622**
Past due and not impaired					
30 – 89 days in arrears	**—**	**—**	**—**	**29**	**29**
90 – 119 days in arrears	**—**	**—**	**—**	**4**	**4**
120 days or more in arrears	**—**	**—**	**—**	**2**	**2**
Impaired	**—**	**45**	**—**	**—**	**45**
Total of gross values	**537**	**2,598**	**1,662**	**905**	**5,702**
Specific provisions for losses	**—**	**8**	**—**	**—**	**8**
	537	**2,590**	**1,662**	**905**	**5,694**
Collective provisions	**—**	**—**	**—**	**27**	**27**
Total of net values	**537**	**2,590**	**1,662**	**878**	**5,667**

	As at December 31, 2019			
	Bonds classified as loans and receivables	Mortgages classified as loans and receivables	Other loans	Total
	$	$	$	$
Gross values				
Not past due and not impaired	2,319	2,978	760	6,057
Past due and not impaired				
30 – 89 days in arrears	—	2	36	38
90 – 119 days in arrears	—	2	5	7
120 days or more in arrears	—	—	2	2
Impaired	21	—	1	22
Total of gross values	2,340	2,982	804	6,126
Specific provisions for losses	10	—	—	10
	2,330	2,982	804	6,116
Collective provisions	—	—	10	10
Total of net values	2,330	2,982	794	6,106

Foreclosed Properties

During the nine months ended September 30, 2020, the Company took possession of properties held as collateral on mortgages for a value of less than $1 ($3 for the year ended December 31, 2019). Foreclosed properties that the Company still held at the end of the period are presented as real estate held for resale in *Other Assets.*

Specific Provisions for Losses

	As at September 30, 2020		
	Bonds classified as loans and receivables	**Mortgages classified as loans and receivables**	**Total**
	$	**$**	**$**
Balance at beginning	**10**	**—**	**10**
Variation in specific provisions for losses	**(2)**	**—**	**(2)**
Balance at end	**8**	**—**	**8**

	As at December 31, 2019		
	Bonds classified as loans and receivables	Mortgages classified as loans and receivables	Total
	$	$	$
Balance at beginning	8	1	9
Variation in specific provisions for losses	2	(1)	1
Balance at end	10	—	10

During the nine months ended September 30, 2020, the specific provisions for losses did not vary for other loans (nor for the year ended December 31, 2019) or for bonds classified as held to maturity.

8 › 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 that have a positive value should the counterparty default. The maximum credit risk of derivative financial instruments as at September 30, 2020 is $1,399 ($1,001 as at December 31, 2019). The Company's exposure at the end of each reporting period is limited to the risk that a counterparty does not honour the terms of derivative financial instrument contracts.

	As at September 30, 2020					
	Notional amount				Fair value	
	Less than 1 year	**1 to 5 years**	**Over 5 years**	**Total**	**Positive**	**Negative**
	$	**$**	**$**	**$**	**$**	**$**
Equity contracts						
Swap contracts	**839**	**454**	**91**	**1,384**	**8**	**(18)**
Futures contracts	**841**	**—**	**—**	**841**	**10**	**(1)**
Options	**6,658**	**—**	**—**	**6,658**	**346**	**(167)**
Currency contracts						
Forward contracts	**3,841**	**550**	**—**	**4,391**	**22**	**(31)**
Swap contracts	**54**	**837**	**2,898**	**3,789**	**20**	**(329)**
Interest rate contracts						
Swap contracts	**963**	**3,555**	**5,011**	**9,529**	**592**	**(190)**
Forward contracts	**1,397**	**2,656**	**—**	**4,053**	**411**	**(2)**
Other derivative contracts	**2**	**4**	**352**	**358**	**2**	**(37)**
Total	**14,595**	**8,056**	**8,352**	**31,003**	**1,411**	**(775)**

	As at December 31, 2019					
	Notional amount				Fair value	
	Less than 1 year	1 to 5 years	Over 5 years	Total	Positive	Negative
	$	$	$	$	$	$
Equity contracts						
Swap contracts	490	719	97	1,306	21	(2)
Futures contracts	632	—	—	632	1	(4)
Options	5,594	—	—	5,594	236	(77)
Currency contracts						
Forward contracts	3,358	1,057	—	4,415	70	(10)
Swap contracts	21	777	2,406	3,204	33	(169)
Interest rate contracts						
Swap contracts	643	3,188	5,697	9,528	361	(65)
Forward contracts	1,165	2,544	200	3,909	280	(68)
Other derivative contracts	1	2	357	360	1	(36)
Total	11,904	8,287	8,757	28,948	1,003	(431)

	As at September 30, 2020		
	Notional amount	**Fair value**	
		Positive	**Negative**
	$	**$**	**$**
Derivative financial instruments not designated as hedge accounting	**28,406**	**1,392**	**(737)**
Net investment hedge	**1,462**	**8**	**(6)**
Fair value hedges			
Interest risk	**988**	**11**	**(30)**
Currency risk	**23**	**—**	**—**
Cash flow hedges			
Currency risk	**124**	**—**	**(2)**
Total of derivative financial instruments	**31,003**	**1,411**	**(775)**

	As at December 31, 2019		
	Notional amount	Fair value	
		Positive	Negative
	$	$	$
Derivative financial instruments not designated as hedge accounting	26,568	964	(425)
Net investment hedge	1,284	23	—
Fair value hedges			
Interest risk	1,002	14	(5)
Currency risk	17	1	—
Cash flow hedges			
Currency risk	77	1	(1)
Total of derivative financial instruments	28,948	1,003	(431)

Embedded Derivative Financial Instruments

The Company owns perpetual preferred shares with call options that 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 that 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 1 year as at September 30, 2020 (less than 2 years as at December 31, 2019). 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, 2020 and 2019, the Company did not recognize any ineffectiveness.

Fair Value Hedges

Interest rate risk hedging

The Company entered into a hedging relationship in order to reduce its exposure to interest rate risk related to financial assets classified as available for sale. The Company entered into interest rate swap contracts with maturities ranging from 1 year to 14 years as at September 30, 2020 (from 2 years to 15 years as at December 31, 2019).

The Company entered into 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 entered into interest rate swap contracts with maturities of less than 1 year to 8 years as at September 30, 2020 (less than 1 year to 9 years as at December 31, 2019).

For the nine months ended September 30, 2020, the Company has recognized a loss of $23 on the hedging instruments (loss of $17 for the nine months ended September 30, 2019) and a gain of $22 on the hedged items (gain of $16 for the nine months ended September 30, 2019). For the nine months ended September 30, 2020, the Company has recognized an ineffectiveness of $1 ($1 for the nine months ended September 30, 2019).

Currency rate risk hedging

The Company entered into 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 entered into forward contracts with maturities of less than 2 years as at September 30, 2020 (less than 2 years as at December 31, 2019).

For the nine months ended September 30, 2020 and 2019, the Company did not recognize any ineffectiveness.

Cash Flow Hedges

The Company entered into 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 entered into swap contracts that have maturities from 3 years to 9 years as at September 30, 2020 (from 4 years to 10 years as at December 31, 2019). For the nine months ended September 30, 2020 and 2019, the Company did not recognize any ineffectiveness.

9 › Segregated Funds Net Assets

	As at September 30, 2020	As at December 31, 2019
	$	$
Assets		
Cash and short-term investments	**1,267**	992
Bonds	**6,313**	5,509
Stocks	**22,445**	21,362
Mortgages	**24**	21
Investment properties	**16**	17
Derivative financial instruments	**9**	20
Other assets	**639**	285
Total assets	**30,713**	28,206
Liabilities		
Accounts payable and accrued expenses	**582**	338
Net assets	**30,131**	27,868

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

	Quarters ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
	$	$	**$**	$
Balance at beginning	**28,505**	26,389	**27,868**	23,781
Add:				
Amounts received from policyholders	**1,178**	1,048	**4,002**	3,071
Interest and dividends	**73**	113	**352**	393
Net realized gains	**373**	166	**586**	413
Net increase (decrease) in fair value	**700**	168	**(104)**	2,087
	30,829	27,884	**32,704**	29,745
Less:				
Amounts withdrawn by policyholders	**564**	785	**2,189**	2,409
Operating expenses	**134**	123	**384**	360
	698	908	**2,573**	2,769
Balance at end	**30,131**	26,976	**30,131**	26,976

10 › Debentures

Following the change in company structure (Note 1), the issued and outstanding debentures remain issued by the Company and are guaranteed by 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.

11 › Share Capital

The capital issued by the Company is the following:

	As at September 30, 2020		As at December 31, 2019	
	Number of shares	**Amount**	Number of shares	Amount
	(in thousands)	**$**	(in thousands)	$
Common shares				
Balance at beginning and at end	**108,575**	**1,655**	108,575	1,655
Preferred shares, Class A				
Balance at beginning and at end	**21,000**	**525**	21,000	525
Total of share capital		**2,180**		2,180

Stock Option Plan

Following the change in company structure (Note 1), 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			
	2020		2019		**2020**		2019	
	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	**671**	**6.18**	351	3.23
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	**3**	**0.30**	2	0.30	**6**	**0.90**	6	0.90
	6		5		**17**		17	
Total	**6**		86		**688**		368	

Dividends Declared and Not Recognized on Common Shares

A dividend of an amount of $510 was approved by the Board of Directors of the Company on November 4, 2020. This dividend was not recorded as a liability in these interim financial statements. This dividend will be paid, in part or in full, in the last quarter of 2020.

12 › Accumulated Other Comprehensive Income

	Bonds	Stocks	Currency translation	Hedging	Total
	$	$	$	$	$
Balance as at December 31, 2019	**73**	**(8)**	**73**	**(61)**	**77**
Unrealized gains (losses)	**101**	**(3)**	**—**	**—**	**98**
Income taxes on unrealized gains (losses)	**(26)**	**1**	**—**	**—**	**(25)**
Other	**—**	**—**	**37**	**(33)**	**4**
Income taxes on other	**—**	**—**	**—**	**5**	**5**
	75	**(2)**	**37**	**(28)**	**82**
Realized losses (gains)	**(19)**	**(2)**	**—**	**—**	**(21)**
Income taxes on realized losses (gains)	**4**	**1**	**—**	**—**	**5**
	(15)	**(1)**	**—**	**—**	**(16)**
Balance as at September 30, 2020	**133**	**(11)**	**110**	**(89)**	**143**
Balance as at December 31, 2018	6	(10)	135	(108)	23
Unrealized gains (losses)	110	1	—	—	111
Income taxes on unrealized gains (losses)	(28)	—	—	—	(28)
Other	—	—	(62)	56	(6)
Income taxes on other	—	—	—	(9)	(9)
	82	1	(62)	47	68
Realized losses (gains)	(20)	1	—	—	(19)
Income taxes on realized losses (gains)	5	—	—	—	5
	(15)	1	—	—	(14)
Balance as at December 31, 2019	73	(8)	73	(61)	77
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

13 › 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 shareholder 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, 2020, the Company maintains a ratio that satisfies the regulatory requirements.

	September 30, 2020
	$
Available capital, surplus allowance and eligible deposits	**9,215**
Base solvency buffer	**7,442**
Total ratio	**124%**

In the Company's consolidated financial statements as at December 31, 2019, the solvency ratio was 126% and the Company maintained a ratio that satisfied the regulatory requirements.

14 › General Expenses

Impairment of Goodwill

As at March 31, 2020, following the effects of the COVID-19 pandemic described in Note 2, the Company reviewed the financial projections of PPI Management Inc. Further to this review, an impairment test was performed with respect to PPI Management Inc. operations included in the Individual Insurance CGU. This led the Company to recognize an impairment of goodwill of $24. 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 cash flow projections before tax covering a five-year period.

During the quarter ended September 30, 2019, 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.

15 › 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			
	2020		2019		**2020**		2019	
	$	**%**	$	%	**$**	**%**	$	%
Income before income taxes	**274**		241		**581**		690	
Income tax expense at Canadian statutory tax rate	**72**	**27**	64	27	**154**	**27**	184	27
Increase (decrease) in income taxes due to:								
Differences in tax rates on income not subject to tax in Canada	**(2)**	**(1)**	(1)	—	**(3)**	**(1)**	(3)	—
Tax-exempt investment income	**(21)**	**(8)**	(14)	(6)	**(50)**	**(8)**	(24)	(4)
Non-deductible (non-taxable) portion of the change in fair value of investment properties	**—**	**—**	(1)	—	**7**	**1**	(2)	—
Adjustments of previous years	**—**	**—**	—	—	**(11)**	**(2)**	(1)	—
Variation in tax rates	**—**	**—**	—	—	**(1)**	**—**	(4)	(1)
Other	**1**	**—**	4	1	**8**	**1**	6	1
Income tax expense (recovery) and effective income tax rate	**50**	**18**	52	22	**104**	**18**	156	23

16 › 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, 2020						
	Individual		Group				
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	Total
	$	$	$	$	$	$	$
Revenues							
Net premiums	412	933	411	1,168	156	91	3,171
Investment income	257	(32)	42	71	14	42	394
Other revenues	27	370	15	26	36	(52)	422
	696	1,271	468	1,265	206	81	3,987
Operating expenses							
Gross benefits and claims on contracts	178	480	281	341	145	14	1,439
Ceded benefits and claims on contracts	(51)	—	(13)	(7)	(86)	28	(129)
Net transfer to segregated funds	—	381	—	241	—	—	622
Increase (decrease) in insurance contract liabilities	269	15	17	652	1	(4)	950
Increase (decrease) in investment contract liabilities	—	—	3	—	—	—	3
Decrease (increase) in reinsurance assets	(37)	—	3	1	11	4	(18)
Commissions, general and other expenses	221	325	143	28	127	(10)	834
Financing charges	3	1	8	—	—	—	12
	583	1,202	442	1,256	198	32	3,713
Income before income taxes and allocation of other activities	113	69	26	9	8	49	274
Allocation of other activities	31	7	3	2	6	(49)	—
Income before income taxes	144	76	29	11	14	—	274
Income taxes	27	—	14	7	2	—	50
Net income	117	76	15	4	12	—	224
Net income attributed to participating policyholders	(4)	—	—	—	—	—	(4)
Net income attributed to shareholders	121	76	15	4	12	—	228

	Quarter ended September 30, 2019						
	Individual		Group				
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	Total
	$	$	$	$	$	$	$
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

	Nine months ended September 30, 2020						
	Individual		Group				
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	Total
	$	$	$	$	$	$	$
Revenues							
Net premiums	1,203	2,785	1,183	2,155	444	251	8,021
Investment income	2,738	223	150	300	160	120	3,691
Other revenues	84	1,116	43	78	103	(146)	1,278
	4,025	4,124	1,376	2,533	707	225	12,990
Operating expenses							
Gross benefits and claims on contracts	605	1,376	846	999	402	39	4,267
Ceded benefits and claims on contracts	(178)	—	(39)	(20)	(237)	74	(400)
Net transfer to segregated funds	—	1,229	—	605	—	—	1,834
Increase (decrease) in insurance contract liabilities	2,766	419	49	838	197	(3)	4,266
Increase (decrease) in investment contract liabilities	—	—	25	—	—	—	25
Decrease (increase) in reinsurance assets	(76)	—	7	3	(49)	3	(112)
Commissions, general and other expenses	669	996	405	82	359	(21)	2,490
Financing charges	11	2	24	—	—	2	39
	3,797	4,022	1,317	2,507	672	94	12,409
Income before income taxes and allocation of other activities	228	102	59	26	35	131	581
Allocation of other activities	87	15	8	4	17	(131)	—
Income before income taxes	315	117	67	30	52	—	581
Income taxes	47	26	15	6	10	—	104
Net income	268	91	52	24	42	—	477
Net income attributed to participating policyholders	4	—	—	—	—	—	4
Net income attributed to shareholders	264	91	52	24	42	—	473

	Nine months ended September 30, 2019						
	Individual		Group				
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	Total
	$	$	$	$	$	$	$
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

Segmented Premiums

	Quarter ended September 30, 2020						
	Individual		**Group**				
	Insurance	**Wealth Management**	**Insurance**	**Savings and Retirement**	**US Operations**	**Other**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Gross premiums							
Invested in general fund	**514**	**209**	**442**	**666**	**290**	**34**	**2,155**
Invested in segregated funds	**—**	**724**	**—**	**508**	**—**	**—**	**1,232**
	514	**933**	**442**	**1,174**	**290**	**34**	**3,387**
Premiums ceded							
Invested in general fund	**(102)**	**—**	**(31)**	**(6)**	**(134)**	**57**	**(216)**
Net premiums	**412**	**933**	**411**	**1,168**	**156**	**91**	**3,171**

	Quarter ended September 30, 2019						
	Individual		Group				
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	Total
	$	$	$	$	$	$	$
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

	Nine months ended September 30, 2020						
	Individual		**Group**				
	Insurance	**Wealth Management**	**Insurance**	**Savings and Retirement**	**US Operations**	**Other**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Gross premiums							
Invested in general fund	**1,494**	**589**	**1,271**	**786**	**827**	**86**	**5,053**
Invested in segregated funds	**—**	**2,196**	**—**	**1,389**	**—**	**—**	**3,585**
	1,494	**2,785**	**1,271**	**2,175**	**827**	**86**	**8,638**
Premiums ceded							
Invested in general fund	**(291)**	**—**	**(88)**	**(20)**	**(383)**	**165**	**(617)**
Net premiums	**1,203**	**2,785**	**1,183**	**2,155**	**444**	**251**	**8,021**

	Nine months ended September 30, 2019						
	Individual		Group				
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	Total
	$	$	$	$	$	$	$
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

Segmented Assets and Liabilities

	As at September 30, 2020						
	Individual		Group				
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	Total
	$	$	$	$	$	$	$
Assets							
Invested assets	**25,880**	**2,426**	**1,977**	**4,834**	**1,247**	**7,867**	**44,231**
Segregated funds net assets	**—**	**17,738**	**—**	**12,393**	**—**	**—**	**30,131**
Reinsurance assets	**(626)**	**—**	**224**	**129**	**1,654**	**(141)**	**1,240**
Other	**113**	**1,166**	**—**	**—**	**45**	**3,362**	**4,686**
Total assets	**25,367**	**21,330**	**2,201**	**17,356**	**2,946**	**11,088**	**80,288**
Liabilities							
Insurance contract liabilities and investment contract liabilities	**24,241**	**2,274**	**2,265**	**4,978**	**2,015**	**(99)**	**35,674**
Liabilities related to segregated funds net assets	**—**	**17,738**	**—**	**12,393**	**—**	**—**	**30,131**
Other	**624**	**53**	**7**	**14**	**—**	**8,240**	**8,938**
Total liabilities	**24,865**	**20,065**	**2,272**	**17,385**	**2,015**	**8,141**	**74,743**

	As at December 31, 2019						
	Individual		Group				
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	Total
	$	$	$	$	$	$	$
Assets							
Invested assets	23,113	1,880	1,881	3,998	1,058	7,567	39,497
Segregated funds net assets	—	16,392	—	11,476	—	—	27,868
Reinsurance assets	(702)	—	233	132	1,491	(124)	1,030
Other	121	866	—	—	38	2,951	3,976
Total assets	22,532	19,138	2,114	15,606	2,587	10,394	72,371
Liabilities							
Insurance contract liabilities and investment contract liabilities	21,470	1,839	2,199	4,142	1,744	(99)	31,295
Liabilities related to segregated funds net assets	—	16,392	—	11,476	—	—	27,868
Other	342	37	5	5	—	7,060	7,449
Total liabilities	21,812	18,268	2,204	15,623	1,744	6,961	66,612

17 › Basic Earnings Per Common Share

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

	Quarters ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Net income attributed to common shareholder	**222**	184	**456**	516
Weighted average number of outstanding shares (in millions of units)	**109**	109	**109**	109
Basic earnings per share (in dollars)	**2.04**	1.69	**4.20**	4.75

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.

18 › Post-Employment Benefits

The Company maintains several funded and unfunded defined benefit plans that 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			
	2020		2019	
	Pension plans	**Other plans**	Pension plans	Other plans
	$	**$**	$	$
Current service cost	**16**	**1**	11	1
Net interest	**2**	**—**	2	—
Components of the cost of defined benefits recognized in the net income	**18**	**1**	13	1
Remeasurement of net liabilities (assets) as defined benefits[1]				
Rate of return on assets (excluding amounts included in the net interest above)	**(18)**	**—**	(19)	—
Actuarial losses on financial assumption changes	**36**	**2**	34	2
Losses (gains) on components of the cost of defined benefits recognized in other comprehensive income	**18**	**2**	15	2
Total of defined benefit cost components	**36**	**3**	28	3

[1] Changes in financial assumptions and assumptions on rate of return on assets, which represent market-based assumptions, are reviewed on a quarterly basis. All other assumptions are reviewed on an annual basis.

	Nine months ended September 30			
	2020		2019	
	Pension plans	**Other plans**	Pension plans	Other plans
	$	**$**	$	$
Current service cost	**46**	**3**	33	2
Net interest	**6**	**1**	6	1
Administrative expense	**1**	**—**	1	—
Components of the cost of defined benefits recognized in the net income	**53**	**4**	40	3
Remeasurement of net liabilities (assets) as defined benefits[1]				
Rate of return on assets (excluding amounts included in the net interest above)	**(37)**	**—**	(153)	—
Actuarial losses (gains) on financial assumption changes	**130**	**3**	242	5
Losses (gains) on components of the cost of defined benefits recognized in other comprehensive income	**93**	**3**	89	5
Total of defined benefit cost components	**146**	**7**	129	8

[1] Changes in financial assumptions and assumptions on rate of return on assets, which represent market-based 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			
	2020		2019	
	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	**18**	**2**	15	2
Income taxes on remeasurement of post-employment benefits	**(4)**	**(1)**	(3)	(1)
Total of other comprehensive income	**14**	**1**	12	1

	Nine months ended September 30			
	2020		2019	
	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	**93**	**3**	89	5
Income taxes on remeasurement of post-employment benefits	**(24)**	**(1)**	(23)	(1)
Total of other comprehensive income	**69**	**2**	66	4

19 › Commitments

Investment Commitments

In the normal course of the Company's business, 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. As at September 30, 2020, there were $783 ($803 as at December 31, 2019) of outstanding commitments, of which the estimated disbursements will be $60 ($65 as at December 31, 2019) in 30 days, $342 ($314 as at December 31, 2019) in 31 to 365 days and $381 ($424 as at December 31, 2019) in more than one year.

Financing Agreement

The Company has a financing agreement with iA Financial Corporation for an amount of $80 ($80 as at December 31, 2019), 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, 2020, the balance of these letters is $7 ($7 as at December 31, 2019).

Lines of Credit

As at September 30, 2020, the Company had operating lines of credit totalling $56 ($56 as at December 31, 2019). As at September 30, 2020 and 2019, 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.

20 › Event After the Reporting Period

Subsequent to the end of the third quarter, the Company has signed or is in the process of signing new reinsurance agreements (in Canada and the United States) that will have an impact on its fourth quarter financial results. The full impact of these agreements will be assessed during the quarter and disclosed with the Company's financial results as at December 31, 2020.

21 › 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.