



Sources of Earnings

Co-operators Life Insurance Company (Consolidated)

For the year ended December 31, 2022

CO-OPERATORS LIFE INSURANCE COMPANY – SOURCES OF EARNINGS

This is an alternative presentation of life insurance net income, in a different format from the traditional GAAP income statement presentation. It is an analysis of the difference between actual income and the income that would have been reported had all the actuarial assumptions at the start of the year been realized during the year.

The terminologies used in the sources of earnings analysis are described below.

Expected Profit on In-force Business - The expected income based on business in-force at the beginning of the year and on the achievement of the best estimate assumptions.

Impact of New Business - The impact on income from new business written during the year.

Experience Gains and Losses - The impact on income from differences between our actual experience during the year compared to the assumptions made for our actuarial liabilities at the start of the year. It includes the impact of foreign currency rate changes.

Management Actions and Changes in Assumptions - The impact on income from management's actions, changes in actuarial assumptions, changes to margin levels in actuarial liabilities, changes to actuarial methodologies and error corrections made during the year.

Other - Any other variance from expected profit on in-force business not included in the above categories.

Earnings on Surplus - Surplus income is the result of investment gains or losses on the assets backing the surplus account, less certain corporate expenses not attributable to any single line of business.

SOURCES OF EARNINGS ANALYSIS

2022

\$ millions	Individual Insurance	Group Insurance	Wealth Management	Travel Insurance	Credit Insurance	Life Surplus	Total
Expected profit on in-force business	31.4	15.2	12.1	1.5	6.6	-	66.8
Impact of new business	(1.0)	-	(2.8)	-	(1.9)	-	(5.7)
Experience gains and losses	(12.3)	(19.4)	6.0	(3.5)	(3.7)	-	(32.9)
Management actions and changes in assumptions	30.6	4.4	(4.0)	-	(10.1)	-	20.9
Other	(6.5)	(2.0)	-	(0.7)	0.4	-	(8.8)
Earnings on Surplus	-	-	-	-	-	20.2	20.2
Operating income (loss) before income taxes	42.2	(1.8)	11.3	(2.7)	(8.7)	20.2	60.5
Income tax expense (recovery)	7.3	(1.0)	2.6	(0.5)	(2.4)	(1.7)	4.3
Net operating income (loss)	34.9	(0.8)	8.7	(2.2)	(6.3)	21.9	56.2
Net transfer to shareholders	(0.4)	-	(0.1)	-	-	0.5	-
Net income (loss)	34.5	(0.8)	8.6	(2.2)	(6.3)	22.4	56.2
Net income (loss) by account							
Participating account net income	8.0	-	3.0	-	-	15.5	26.5
Non-controlling interest net loss	-	-	-	-	-	(0.3)	(0.3)
Shareholder account net income (loss)	26.5	(0.8)	5.6	(2.2)	(6.3)	7.2	30.0

Equity markets faced downward pressure resulting in experience losses in individual insurance. Group insurance saw experience losses on expenses offset by experience gains from claims.

Actuarial model refinements in individual insurance led to assumption change gains. These gains were partially offset by assumption change losses on Creditor due to an expense assumption change.

SOURCES OF EARNINGS ANALYSIS

2021

\$ millions	Individual Insurance	Group Insurance	Wealth Management	Travel Insurance	Credit Insurance	Life Surplus	Total
Expected profit on in-force business	31.2	16.9	12.4	1.6	8.4	-	70.5
Impact of new business	(3.5)	-	(3.7)	-	5.0	-	(2.2)
Experience gains and losses	61.1	(4.3)	12.2	3.9	(15.3)	-	57.6
Management actions and changes in assumptions	(228.4)	1.5	0.6	-	1.2	-	(225.1)
Other	0.9	0.2	-	(3.7)	0.7	-	(1.9)
Earnings on Surplus	-	-	-	-	-	78.6	78.6
Operating income (loss) before income taxes	(138.7)	14.3	21.5	1.8	(0.0)	78.6	(22.5)
Income tax expense (recovery)	(39.9)	3.2	5.4	1.4	(0.2)	16.0	(14.1)
Net operating income (loss)	(98.8)	11.1	16.1	0.4	0.2	62.6	(8.4)
Net transfer to shareholders	(2.4)	-	(0.1)	-	-	2.5	-
Net income (loss)	(101.2)	11.1	16.0	0.4	0.2	65.1	(8.4)
Net income (loss) by account							
Participating account net income (loss)	(4.0)	-	4.9	-	(0.5)	56.7	57.1
Non-controlling interest net loss	-	-	-	-	-	(0.5)	(0.5)
Shareholder account net income (loss)	(97.2)	11.1	11.1	0.4	0.7	8.8	(65.0)

A rebound in interest rates in 2021 led to significant experience gains in individual insurance, as well as wealth management. Reducing this gain was an experience loss from Creditor due to expense losses from lower sales, as well as profit share payouts.

The large management action and assumption change loss was due to a significant lapse assumption change in individual insurance. Two key industry studies were released that gave insight into lapses at durations for which our products don't have experience yet. Our rates were changed to reflect the industry's experience.