

Co-operators Life Insurance Company

Sources of Earnings

2019



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Co-operators Life Insurance Company

(Consolidated)

For the year ended December 31, 2019

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. The Sources of Earnings analysis is not designed for property and casualty (P&C) insurance so it is reported in this category in its entirety.

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

2019

\$ millions	Individual Insurance	Group Insurance	Wealth Management	Travel Insurance	Credit Insurance	P&C Insurance	Life Surplus	Total
Expected profit on in-force business	26.1	16.9	8.9	3.2	8.7	-	-	63.8
Impact of new business	2.9	-	(4.7)	-	6.6	-	-	4.8
Experience gains and losses	6.4	(3.5)	9.1	(7.0)	0.9	-	-	5.9
Management actions and changes in assumptions	(32.6)	(1.5)	(0.7)	-	1.1	-	-	(33.7)
Other	(0.3)	(0.2)	(0.8)	(2.8)	0.1	-	-	(4.0)
Earnings on Surplus	-	-	-	-	-	-	69.1	69.1
Operating income (loss) before income taxes	2.5	11.7	11.8	(6.6)	17.4	-	69.1	105.9
Income tax expense (recovery)	(4.3)	2.6	2.5	(1.0)	-	-	20.7	20.5
Net operating income (loss)	6.8	9.1	9.3	(5.6)	17.4	-	48.4	85.4
Net transfer to shareholders	(0.8)	-	(0.1)	-	-	-	0.9	-
Net income (loss)	6.0	9.1	9.2	(5.6)	17.4	-	49.3	85.4
Net income by account								
Participating account net income	17.3	-	1.9	-	-	-	47.9	67.1
Non-controlling interest net income (loss)	-	-	-	-	-	-	(0.3)	(0.3)
Shareholder account net income (loss)	(11.3)	9.1	7.3	(5.6)	17.4	-	1.7	18.6

Experience gains were primarily due to equity, expense, and mortality gains in wealth management, as well as equity and mortality gains in individual insurance. These gains were partially offset by morbidity losses from travel insurance and expense experience losses in group insurance.

Losses due to management actions and assumption changes were primarily the result of lapse and reinvestment assumption changes in individual insurance.

SOURCES OF EARNINGS ANALYSIS

2018

\$ millions	Individual Insurance	Group Insurance	Wealth Management	Travel Insurance	Credit Insurance	P&C Insurance	Life Surplus	Total
Expected profit on in-force business	28.4	15.7	7.5	2.4	8.5	-	-	62.5
Impact of new business	4.5	-	(4.3)	-	5.2	-	-	5.4
Experience gains and losses	(36.0)	(10.3)	6.8	(8.6)	3.8	-	-	(44.3)
Management actions and changes in assumptions	(4.7)	-	0.8	-	3.9	-	-	(0.0)
Other	(0.1)	(0.9)	(0.7)	-	0.8	2.4	146.6	148.1
Earnings on Surplus	-	-	-	-	-	-	2.4	2.4
Operating income (loss) before income taxes	(7.9)	4.5	10.1	(6.2)	22.2	2.4	149.0	174.1
Income tax expense (recovery)	(6.7)	0.2	2.7	(1.7)	8.2	-	34.4	37.1
Net operating income (loss)	(1.2)	4.3	7.4	(4.5)	14.0	2.4	114.6	137.0
Net transfer to shareholders	-	-	-	-	-	-	-	-
Net income (loss)	(1.2)	4.3	7.4	(4.5)	14.0	2.4	114.6	137.0
Net income by account								
Participating account net income	(9.3)	-	1.2	-	-	-	8.9	0.8
Non-controlling interest net income (loss)	1.7	0.4	0.2	-	3.8	0.7	(0.9)	5.9
Shareholder account net income (loss)	6.4	3.9	6.0	(4.5)	10.2	1.7	106.6	130.3

Experience losses are primarily due to equity losses in individual insurance, expenses in group insurance, and unfavourable morbidity experience in travel insurance. Losses are partially offset by net gains in wealth management and credit insurance.

Management actions and assumption changes consist of gains from changes to mortality, expense and reinvestment assumptions, as well as valuation model refinements. These gains are partially offset by the strengthening of individual insurance lapse assumptions.

Included under Life Surplus Other is a one-time gain of \$82.4 million from the sale of a subsidiary to a related party. The P&C subsidiary was sold effective April 1, 2018. The remainder of this balance relates to a one-time gain of \$64.2 million from a contribution of business to a joint venture.