MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED MARCH 31, 2020
DATED: MAY 6, 2020

This Management's Discussion and Analysis (MD&A) presents management's view of the financial condition, financial performance and cash flows of Great-West Lifeco Inc. (Lifeco or the Company) for the three months ended March 31, 2020 and includes a comparison to the corresponding period in 2019, to the three months ended December 31, 2019, and to the Company's financial condition as at December 31, 2019. This MD&A provides an overall discussion, followed by analysis of the performance of Lifeco's four major reportable segments: Canada, United States (U.S.), Europe and Capital and Risk Solutions. Effective January 1, 2020, as a result of strategic operational changes, the Company has divided the previously reported Europe segment into two separate reporting segments - Europe and Capital and Risk Solutions.

BASIS OF PRESENTATION AND SUMMARY OF ACCOUNTING POLICIES

The condensed consolidated interim unaudited financial statements of Lifeco, which are the basis for data presented in this report, have been prepared in accordance with International Financial Reporting Standards (IFRS) unless otherwise noted and are presented in millions of Canadian dollars unless otherwise indicated. This MD&A should be read in conjunction with the Company's condensed consolidated interim unaudited financial statements for the period ended March 31, 2020. Also refer to the 2019 Annual MD&A and audited consolidated financial statements in the Company's 2019 Annual Report.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A may contain forward-looking information. Forward-looking information includes statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" and other similar expressions or negative versions thereof. These statements include, without limitation, statements about the Company's operations, business, financial condition, expected financial performance (including revenues, earnings or growth rates), ongoing business strategies or prospects, and possible future actions by the Company, including statements made with respect to the expected benefits of acquisitions and divestitures, expected capital management activities and use of capital, expected dividend levels, expected cost reductions and savings, the impact of regulatory developments on the Company's business strategy and growth objectives and the expected impact of the current pandemic health event resulting from the novel coronavirus (COVID-19) and related economic and market impacts on the Company's business operations, financial results and financial condition. Forward-looking statements are based on expectations, forecasts, estimates, predictions, projections and conclusions about future events that were current at the time of the statements and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, economic factors and the financial services industry generally, including the insurance and mutual fund industries. They are not guarantees of future performance, and the reader is cautioned that actual events and results could differ materially from those expressed or implied by forward-looking statements. Whether or not actual results differ from forward-looking information may depend on numerous factors, developments and assumptions, including, without limitation, customer behaviour, the Company's reputation, market prices for products provided, sales levels, premium income, fee income, expense levels, mortality experience, morbidity experience, policy lapse rates, reinsurance arrangements, liquidity requirements, capital requirements, credit ratings, taxes, inflation, interest and foreign exchange rates, investment values, hedging activities, global equity and capital markets (including continued access to equity and debt markets), industry sector and individual debt issuers' financial conditions (including developments and volatility arising from the COVID-19 pandemic, particularly in certain industries that may comprise part of the Company's investment portfolio), business competition and other general economic, political and market factors in North America and internationally. Many of these assumptions are based on factors and events that are not within the control of the Company and there is no assurance that they will prove to be correct. Other important factors and assumptions that could cause actual results to differ materially from those contained in forward-looking statements include customer responses to new products, impairments of goodwill and other intangible assets, the Company's ability to execute strategic plans and changes to strategic plans, technological changes, breaches or failure of information systems and security (including cyber attacks), payments required under investment products, changes in local and international laws and regulations, changes in accounting policies and the effect of applying future accounting policy changes, unexpected judicial or regulatory proceedings, catastrophic events, continuity and availability of personnel and third party service providers, the Company's ability to complete strategic transactions and integrate acquisitions, unplanned material changes to the Company's facilities, customer and employee relations or credit arrangements, levels of administrative and operational efficiencies, and the severity, magnitude and impact of the COVID-19 pandemic (including the effects of the COVID-19 pandemic, and the effects of the governments' and other businesses' responses to the COVID-19 pandemic, on the economy and the Company's financial results, financial condition and operations). The reader is cautioned that the foregoing list of assumptions and factors is not exhaustive, and there may be other factors listed in other filings with securities regulators, including factors set out in the Company's 2019 Annual MD&A under "Risk Management and Control Practices" and "Summary of Critical Accounting Estimates" and in the Company's annual information form dated February 12, 2020 under "Risk Factors", which, along with other filings, is available for review at www.sedar.com. The reader is also cautioned to consider these and other factors, uncertainties and potential events carefully and not to place undue reliance on forward-looking information. Other than as specifically required by applicable law, the Company does not intend to update any forward-looking information whether as a result of new information, future events or otherwise.

CAUTIONARY NOTE REGARDING NON-IFRS FINANCIAL MEASURES

This MD&A contains some non-IFRS financial measures. Terms by which non-IFRS financial measures are identified include, but are not limited to, "base earnings", "base earnings (US$)", "base earnings per common share", "return on equity", "base return on equity", "core net earnings", "constant currency basis", "impact of currency movement", "premiums and deposits", "pre-tax operating margin", "sales", "assets under management" and "assets under administration". Non-IFRS financial measures are used to provide management and investors with additional measures of performance to help assess results where no comparable IFRS measure exists. However, non-IFRS financial measures do not have standard meanings prescribed by IFRS and are not directly comparable to similar measures used by other companies. Refer to the "Non-IFRS Financial Measures" section in this MD&A for the appropriate reconciliations of these non-IFRS financial measures to measures prescribed by IFRS as well as additional details on each measure.

CONSOLIDATED OPERATING RESULTS

Selected consolidated financial information
(in Canadian $ millions, except for per share amounts)

	As at or for the three months ended		
	March 31 2020	Dec. 31 2019	March 31 2019
Earnings			
Base earnings[(1)(4)]	**$ 543**	$ 831	$ 569
Net earnings - common shareholders	**342**	513	657
Per common share			
Basic:			
Base earnings[(1)(4)]	**0.585**	0.895	0.576
Net earnings	**0.369**	0.552	0.665
Diluted net earnings	**0.369**	0.552	0.665
Dividends paid	**0.438**	0.413	0.413
Book value	**22.34**	21.53	22.07
Base return on equity[(1)(2)(4)]	**13.4%**	13.3%	11.0%
Return on equity[(1)(2)]	**10.3%**	11.7%	13.5%
Total premiums and deposits[(1)]	**$ 46,365**	$ 39,096	$ 40,845
Fee and other income	**1,441**	1,515	1,479
Net policyholder benefits, dividends and experience refunds	**9,429**	10,003	8,987
Total assets per financial statements	**$ 436,903**	$ 451,167	$ 442,492
Proprietary mutual funds and institutional net assets[(1)]	**288,309**	320,548	304,230
Total assets under management[(1)]	**725,212**	771,715	746,722
Other assets under administration[(1)]	**798,847**	857,966	804,202
Total assets under administration[(1)]	**$1,524,059**	$1,629,681	$1,550,924
Total equity	**$ 26,441**	$ 25,543	$ 27,400
The Canada Life Assurance Company consolidated LICAT Ratio[(3)]	**133%**	135%	140%

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.
(2) Refer to the "Return on Equity" section of this document for additional details.
(3) The Life Insurance Capital Adequacy Test (LICAT) ratio is based on the consolidated results of The Canada Life Assurance Company, Lifeco's major Canadian operating subsidiary. Refer to the "Capital Management and Adequacy" section of this document for additional details.
(4) Effective the first quarter of 2020, the Company introduced an enhanced non-IFRS earnings measure. Base earnings (loss) are defined as net earnings excluding the impact of actuarial assumption changes and management actions, direct equity and interest rate market impacts on insurance contract liabilities net of hedging, and items that management believes are not indicative of the Company's underlying business results. These items would include restructuring costs, material legal settlements, material impairment charges related to goodwill and intangible assets, legislative tax changes and other tax impairments, and gains or losses related to the disposition of a business.

COVID-19 PANDEMIC IMPACTS

Beginning in January 2020, the outbreak of a virus known as COVID-19 and ensuing global pandemic have resulted in travel and border restrictions, self-imposed quarantine periods and physical distancing, supply chain disruptions, reduced consumer demand and significant market uncertainty. This has caused material disruption to businesses globally, resulting in an economic slowdown. Global financial markets have experienced material and rapid declines and continue to experience significant volatility. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

The duration and impact of the COVID-19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions. While, due to the evolving and highly uncertain nature of this event, it currently is not possible to estimate its impact precisely, the COVID-19 pandemic could adversely impact the Company's business, financial condition, results of operations, liquidity or prospects in a number of ways. The Company is monitoring the situation closely, including carrying out stress and scenario testing, and has implemented processes for the continuation of operations and to support the well-being of customers, employees and broader communities. The risks associated with COVID-19 (financial, operational and other risks) are being managed within Company's existing risk management framework. Service continuity plans are in operation across the Company, with a significant majority of employees working remotely to provide service to customers and maintain operations and technology functions. In addition, the Company has provided support to communities through financial donations across the geographic regions in which the Company operates.

Impact on Financial Results

Net Earnings
The pandemic conditions have impacted the Company's first quarter 2020 financial results. As a result of the decline in equity markets and interest rates since December 31, 2019, primarily driven by COVID-19, the Company's net earnings in the first quarter of 2020 were adversely impacted. Adverse impacts included the impact of increases in insurance contract liabilities in response to lower equity markets, segregated fund guarantees and related hedging ineffectiveness, lower fee income and unrealized losses on seed capital. These items are discussed in more detail in the "Net Earnings" section of this document.

Liquidity and Capital Position
The Company's capital position remains strong at March 31, 2020, with a LICAT ratio for Canada Life, Lifeco's major Canadian operating subsidiary, of 133% which is well above the Company's internal target range and the supervisory target.

The impact of equity market declines in the first quarter of 2020 resulted in a decrease of approximately 1.5 points to Canada Life's LICAT ratio. The movement of interest rates in the first quarter of 2020 increased the LICAT ratio by approximately 2 points. Refer to the "Capital Management and Adequacy" section of this document for additional details on the LICAT ratio.

The Company's liquidity requirements are largely self-funded, with short-term obligations being met by internal funds and maintaining levels of liquid investments adequate to meet anticipated liquidity needs. The Company holds cash, cash equivalents and short-term bonds at the Lifeco holding company level and with the Lifeco consolidated subsidiary companies. At March 31, 2020, the Company and its operating subsidiaries held cash, cash equivalents and short-term bonds of $7.8 billion including $0.9 billion held at the Lifeco holding company level. In addition, the Company maintains committed lines of credit with Canadian chartered banks for unanticipated liquidity needs, if required.

Other Impacts
Many areas of the credit markets exhibited extreme volatility in March with spreads widening in investment grade and high yield markets. Towards the end of the first quarter, some downgrades were seen across industries from the rating agencies, particularly to issuers in sectors most affected by economic shutdowns or perceived deterioration in future business models. The Company experienced limited impact from the downgrades in period; however, this is expected to have a larger impact in future periods depending on the length of the shutdowns and recovery of the economy.

Measurement Uncertainty

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. The results of the Company reflect management's judgments regarding the impact of prevailing market conditions related to global credit, equities, investment properties and foreign exchange. These estimates and judgments are more challenging in a period of uncertainty as is currently being experienced.

The estimation of actuarial liabilities relies upon investment credit ratings for fixed income investments. The Company's practice is to use independent third party credit ratings where available as an input to its internal credit rating process. Investment properties, which are primarily held in the U.K. and Canada, rely upon independent third party appraisals for their valuation which impact the estimation of actuarial liabilities. Independent appraisals for the portfolio occur over the year with management adjustments for material changes in the interim periods. Credit rating changes for fixed income investments and market values for investment properties may lag developments in the current environment. Subsequent credit rating adjustments and market value adjustments on investment properties will impact actuarial liabilities.

In March 2020, the Company announced a temporary suspension of contributions to and redemptions and transfers from its real estate segregated funds in Canada and Europe as the economic conditions caused by the current COVID-19 situation led to valuation uncertainty in the real estate industry. Management determined the need to temporarily suspend withdrawals and transfers-out from the funds in order to protect the long term interests of unitholders. In accordance with the terms applicable to the real estate investment funds, the suspension will remain in place until market conditions have stabilized enough to determine valuations with greater certainty and the Company is comfortable with the funds' liquidity position.

In addition, the fair value of portfolio investments, the valuation of goodwill and other intangible assets and the recoverability of deferred tax assets reflect management's judgement based on current expectations but could be impacted in the future depending on current market developments. Given the uncertainty surrounding the current environment, the actual financial results could differ from the estimates made in preparation of the financial statements.

Government and Regulatory Responses

Governments and central banks in the jurisdictions in which the Company's subsidiaries operate have announced and implemented measures to deal with the economic impacts of the COVID-19 pandemic, including emergency spending, interest rate cuts, wage subsidies and other supports for individuals and businesses. Prudential regulators of the Company's insurance subsidiaries have also taken steps to support initiatives by insurers to enhance liquidity for their customers and borrowers, including providing capital relief for loan and insurance premium payment deferrals.

Regulators are also increasing their oversight activities, focusing on how the business, capital strength and liquidity of regulated entities are impacted by the pandemic, and the overall level of regulatory engagement with the Company's regulated subsidiaries is higher. Dividends and distributions of capital to shareholders of banks and insurers have been an area of focus during the pandemic and several prudential regulators have provided specific guidance on the payment of dividends and other shareholder distributions during the crisis, including in Canada, the United Kingdom and Ireland where some of the Company's regulated subsidiaries operate.

On March 13, 2020 the Office of the Superintendent of Financial Institutions (OSFI) instructed Canadian banks and insurers to suspend share buybacks and not to increase dividend payments. The Company does not currently intend to increase dividend or engage in share repurchases.

In the United Kingdom, the Prudential Regulatory Authority (PRA) wrote to all insurance companies in March and April 2020 to remind them to manage their financial resources prudently to ensure they are able to meet their commitments to policyholders and maintain safety and soundness and to satisfy themselves that any dividends are prudent, consistent with their risk appetite and informed by a range of scenarios including very severe ones.

In Ireland, the Central Bank of Ireland (CBI) has urged insurers to postpone dividends until they can forecast their costs and future revenues with a greater degree of certainty, noting this is consistent with recent guidance of the European Insurance and Occupational Pensions Authority (EIOPA). Therefore, the CBI's position is that insurers and reinsurers authorized by it should not pay dividends at this time.

As a holding company, the Company's ability to pay dividends and, in part, its ability to deploy capital is dependent upon the Company receiving dividends from its operating subsidiaries. The Company's operating subsidiaries are subject to regulation in a number of jurisdictions, each of which maintains its own regime for determining the amount of capital that must be held in connection with the different businesses carried on by the operating subsidiaries. The requirements imposed by the regulators in any jurisdiction may change from time to time, and thereby impact the ability of the operating subsidiaries to pay dividends to the Company.

The declaration and payment of dividends by the Company in future periods remains in the discretion of its directors and will depend among other things on the Company's financial position, which will in turn depend on the duration of the COVID-19 pandemic and the severity and duration of the financial impacts. Although there can be no assurance, to the extent that the pandemic abates and the actions taken by governments lead to a sustained global financial recovery within a reasonable time, the Company expects that its ability to pay dividends at current levels will not be adversely impacted.

Outlook

Refer to Cautionary Note regarding Forward-looking Information and Cautionary Note regarding non-IFRS Financial Measures at the beginning of this document.

General market slowdown as a result of the outbreak impacted the Company's results in the last part of the first quarter and could continue to impact total Company sales, net cash flows and net earnings. If this market uncertainty is sustained, or leads to adverse impacts on claims or sales, it will continue to adversely impact the Company's performance. These impacts will depend on future developments, which are highly uncertain. The Company has governance structures and processes in place which support regular monitoring of the Company's capital position based on current market information. The Company's financial outlook for the year will depend on the duration and intensity of COVID-19 impacts. Earnings are expected to be lower in future periods if lower markets and interest rates persist, sales activity declines, premium income reduces and if higher disability incidence occurs.

Focus remains on supporting customers and employees through digital platforms to manage the challenges created by physical distancing. In recent years, the Company has invested in multiple digital platforms across its global groups enabling remote support for all aspects of the business.

Assets under administration declined in the first quarter of 2020 due to depressed market levels and, in some markets, elevated redemptions. The Company expects to see reduced sales opportunities given client and prospect concerns about the breadth and severity of the pandemic and its longer-term effect on businesses. Lower sales and net cash outflows may persist. If this occurs it will adversely impact asset and fee income levels. The reinsurance business, however, has a strong pipeline for new business and has currently not experienced any significant impacts from the COVID-19 pandemic.

In addition to the impact of future equity market levels and cash flows on asset values, as discussed in the previous "Measurement Uncertainty" section, the fair value of portfolio investments, the valuation of goodwill and other intangible assets and the recoverability of deferred tax assets which reflect management's judgement based on current expectations could be impacted in the future depending on market developments.

The Company's asset liability management strategy is designed to mitigate interest rate risk, however while the Company has limited sensitivity to interest rates, a prolonged period of low interest rates may adversely impact the profitability of certain products the Company provides, and repricing actions have been, and will continue to be, undertaken as necessary.

For a further description of the Company's sensitivity to equity market and interest rate fluctuations, including expanded sensitivity disclosures as a result of current market conditions, refer to note 6 "Financial Instruments Risk Management", in the Company's condensed consolidated interim unaudited financial statements for the period ended March 31, 2020.

The impact of the pandemic on mortality is also uncertain at this time. Changes to mortality and longevity rates impact the Company's results. The Company manages risks of changes to mortality and longevity rates by issuing a diversified range of insurance and annuity products along with using reinsurance and capital market solutions.

The shutdown of non-essential health service providers, such as dentists, and physical distancing are expected to result in lower claims for group customers. The Company has responded in Canada and Ireland with premium reductions or rebates to reflect the change in environment. Starting in April 2020, in Canada, premiums are being lowered to compensate plan sponsors and members for this new environment. In Ireland, premiums for health customers will be reduced in response to the government making all private hospitals available for public use during the pandemic. Physical distancing and self-isolation requirements, as well as the restrictions on business and social activities and the adverse economic environment resulting from the pandemic, may cause disability claims experience to increase in future periods.

As a result of the COVID-19 pandemic, the Company's principal subsidiaries may face increased costs associated with claims under their policies and/or an increased number of customers experiencing difficulty paying premiums. Further, from an operational perspective, the Company and its principal subsidiaries' employees, sales associates, brokers and distribution partners, as well as the workforce of vendors, services providers and counterparties with which the Company does business, may also be adversely affect by the COVID-19 pandemic or efforts to mitigate the pandemic, including government-mandated shutdowns, requests or orders for employees to work remotely, and other physical distancing measures, which could result in an adverse impact on the Company and its principal subsidiaries' ability to conduct their respective businesses, including its principal subsidiaries' ability to sell its products, including products that are traditionally sold in person.

While governmental and non-governmental organizations are engaging in efforts to combat the spread and severity of COVID-19 and related public health issues, these measures may not be effective. It is not possible to predict how legal and regulatory responses to concerns about COVID-19 and related public health issues, including the possible extension of insurance coverage beyond policy language, will impact the Company and its principal subsidiaries' businesses. The extent to which COVID-19 impacts the Company and its principal subsidiaries' businesses, results of operations, financial condition, liquidity or prospects will depend on future developments which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and the actions taken to contain or treat its impact.

The Company's businesses are well-diversified. This diversity, combined with business strength and experience, puts the Company in a strong position to manage the current environment and leverage opportunities for the future. Lifeco's strategies are equally resilient and flexible, positioning the Company to manage through the recovery and continue to identify and pursue opportunities, including organic growth and acquisition activities, while supporting customers and employees in a new environment.

NET EARNINGS

Consolidated net earnings of Lifeco include the net earnings of The Canada Life Assurance Company (Canada Life) and its operating subsidiary, Irish Life Group Limited (Irish Life); Great-West Life & Annuity Insurance Company (GWL&A) and Putnam Investments, LLC (Putnam); together with Lifeco's Corporate operating results.

Effective January 1, 2020, as a result of strategic operational changes, the Company has divided the previously reported Europe segment into two separate reporting segments - Europe and Capital and Risk Solutions. The Company's other reportable segments - Canada, United States and Lifeco Corporate - are unchanged. Comparative figures have been reclassified to reflect the new composition of the reportable segments.

Effective the first quarter of 2020, the Company introduced an enhanced non-IFRS earnings measure to reflect management's view of the operating performance of the Company. The measure - base earnings (loss) - is being adopted to enhance comparability of results between reporting periods and in anticipation of the implementation of accounting changes related to IFRS 17, *Insurance Contracts,* on January 1, 2023. Refer to the "Non-IFRS Financial Measures" section in this MD&A for additional details.

Base earnings and Net earnings - common shareholders

	For the three months ended		
	March 31 2020	Dec. 31 2019	March 31 2019
Base earnings[1]			
Canada	**$ 273**	$ 274	$ 257
United States	**17**	89	81
Europe	**132**	317	163
Capital and Risk Solutions	**119**	157	74
Lifeco Corporate	**2**	(6)	(6)
Lifeco base earnings[1]	**$ 543**	$ 831	$ 569
Items excluded from base earnings[2]			
Actuarial assumption changes and management actions[1][2]	**$ (52)**	$ (78)	$ 129
Market-related impact[1][2]	**(149)**	(13)	(41)
Revaluation of a deferred tax asset[2]	**—**	(199)	—
Restructuring costs[2]	**—**	(36)	—
Net gain on Scottish Friendly transaction[2]	**—**	8	—
Items excluded from Lifeco base earnings[2]	**$ (201)**	$ (318)	$ 88
Net earnings - common shareholders			
Canada	**$ 151**	$ 188	$ 283
United States	**5**	(121)	81
Europe	**91**	335	194
Capital and Risk Solutions	**93**	117	105
Lifeco Corporate	**2**	(6)	(6)
Lifeco net earnings - common shareholders	**$ 342**	$ 513	$ 657

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.
(2) Items excluded from base earnings, a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional information.

The information in the table above is a summary of results of the Company's net earnings and base earnings. Additional commentary is included in the "Segmented Operating Results" section.

Base earnings

Base earnings for the first quarter of 2020 of $543 million ($0.585 per common share) decreased by $26 million compared to $569 million ($0.576 per common share) a year ago. Base earnings were negatively impacted by approximately $65 million due to a decline in the market value of seed capital investments held in the U.S. Asset Management and Canada Corporate business units and lower fee income relative to expectations due to the impact of a decline in the equity market levels since December 31, 2019. These items were partially offset by higher earnings in the Capital and Risk Solutions segment due to business growth.

Base earnings for the first quarter of 2020 decreased by $288 million from $831 million in the previous quarter, primarily due to the same reasons discussed for the in-quarter results. In addition, the fourth quarter of 2019 included the positive impact of the resolution of an outstanding issue with a foreign tax authority in the Europe segment which did not recur.

Net earnings

Lifeco's net earnings for the three month period ended March 31, 2020 of $342 million ($0.369 per common share) decreased by $315 million or 48% compared to $657 million ($0.665 per common share) a year ago. The decrease was primarily due to unfavourable basis changes and market related impacts due to significant market declines and volatility in the first quarter of 2020 driven by the COVID-19 pandemic.

Lifeco's net earnings for the three month period ended March 31, 2020 of $342 million decreased by $171 million compared to the previous quarter as the first quarter of 2020 had unfavourable basis changes and market related impacts, while the fourth quarter of 2019 included the negative impact of the revaluation of a deferred tax asset and restructuring costs related to the Company's U.S. Asset Management business unit.

Actuarial Assumption Changes and Management Actions

During the first quarter of 2020, the Company updated economic assumptions related to in-quarter market impacts which had a negative impact of $98 million partially offset by updates to modeling refinements, other economic assumptions and updates to annuity mortality assumptions which had a positive impact of $46 million resulting in a net negative impact of $52 million on net earnings. This compares to a positive impact to net earnings of $129 million for the same quarter last year and a negative impact of $78 million for the previous quarter.

In Canada, net earnings were negatively impacted by $94 million, and included negative $98 million related to updated economic assumptions for products with long-tail cash flows, driven by the significant equity market decline in the quarter. In Europe, net earnings were positively impacted by $38 million, primarily due to modeling refinements and updated economic and morbidity assumptions. In Capital and Risk Solutions, net earnings were positively impacted by $4 million.

Market-Related Impacts

Equity market impacts have been significant in the period driven by declines in market levels since December 31, 2019. In the regions where the Company operates, average equity market levels in the first quarter of 2020 were higher in Canada, the U.S. and broader Europe and lower in the U.K. compared to the same period in 2019; however, ended the quarter at significantly lower market levels compared to December 31, 2019. Comparing the first quarter of 2020 to the first quarter of 2019, average equity market levels were up by 4% in Canada (as measured by S&P TSX), 13% in the U.S. (measured by S&P 500) and 7% in broader Europe (measured by EURO STOXX 50) and down 3% in the U.K. (measured by FTSE 100). The major equity indices finished the first quarter of 2020 down by 22% in Canada, 20% in the U.S., 25% in the U.K. and 26% in broader Europe, compared to December 31, 2019.

In countries where the Company operates, government treasury rates for the most part declined, while there was an increase in corporate spreads during the quarter.

In addition to the $98 million negative impact included in actuarial assumption changes, market-related impacts were $149 million in the first quarter of 2020 reflecting the unfavourable impacts of a decline in equity markets and interest rates in-period which impacted the value of segregated fund and variable annuity guarantees, including related hedging ineffectiveness, as well as the valuation of insurance contract liabilities which are supported by equities and real estate. Of the $149 million total impact, $68 million related to legacy blocks segregated fund guarantee business.

In order to mitigate the Company's exposure to interest rate fluctuations, the Company follows disciplined processes for matching asset and liability cash flows. As a result, the impact of changing interest rates is mostly mitigated in the current period, including the impact of changes in fair values of bonds backing insurance contract liabilities recorded through profit or loss which was mostly offset by a corresponding change in the insurance contract liabilities.

For a further description of the Company's sensitivity to equity market and interest rate fluctuations, refer to "Financial Instruments Risk Management", note 6 to the Company's condensed consolidated interim unaudited financial statements for the period ended March 31, 2020.

Foreign Currency

The average currency translation rate for the first quarter of 2020 increased for the U.S. dollar and decreased for the British pound and the euro compared to the first quarter of 2019. The overall impact of currency movement on the Company's net earnings for the three months ended March 31, 2020 was a decrease of $2 million compared to translation rates a year ago.

From December 31, 2019 to March 31, 2020, the market rates at the end of the reporting period used to translate U.S. dollar, euro and British pound assets and liabilities to the Canadian dollar increased. The movements in end-of-period exchange rates resulted in unrealized foreign exchange gains from the translation of foreign operations, including related hedging activities, of $705 million in-quarter recorded in other comprehensive income.

Throughout this document, a number of terms are used to highlight the impact of foreign exchange on results, such as: "constant currency basis", "impact of currency movement" and "effect of currency translation fluctuations". These non-IFRS measures have been calculated using the average or period-end rates, as appropriate, in effect at the date of the comparative period. These non-IFRS measures provide useful information as they facilitate the comparability of results between periods.

Translation rates for the reporting period and comparative periods are detailed in the "Translation of Foreign Currency" section.

INCOME TAXES

The Company's effective income tax rate is generally lower than the statutory income tax rate of 26.75% due to benefits related to non-taxable investment income and lower income tax in foreign jurisdictions.

In the first quarter of 2020, the Company had an effective income tax rate of negative 3.5%, down from 16.0% in the first quarter of 2019. The decrease in the effective income tax rate for the first quarter of 2020 was mainly due to changes in certain tax estimates, primarily related to a favourable tax item, in the U.K. within the Europe segment, driven by market movements which contributed a 12.0 point decrease. In addition, an increase in the amount of income subject to lower rates in foreign jurisdictions contributed to the remaining decrease.

In the first quarter of 2020, the Company had an effective income tax rate of negative 3.5%, down from 21.6% in the fourth quarter of 2019. The decrease in the effective income tax rate for the first quarter of 2020 was mainly due to changes in certain tax estimates, primarily related to a favourable tax item, in the U.K. within the Europe segment, driven by market movements which contributed a 10.8 point decrease. In addition, included in the fourth quarter of 2019 was a deferred tax asset revaluation, partially offset by the resolution of an outstanding issue with a foreign tax authority, which increased the effective income tax rate in the fourth quarter of 2019 by 14.9 points.

Refer to note 14 in the Company's condensed consolidated interim unaudited financial statements for the period ended March 31, 2020 for further details.

The Company recognizes deferred income tax assets based on the probability that the entity will have taxable profits and/or tax planning opportunities available to allow the deferred income tax asset to be utilized. As at March 31, 2020, the Company has recognized a deferred income tax asset of $1,185 million on tax loss carryforwards. While $283 million pertains to losses with no expiry, $27 million pertains to losses expiring in 2024, $314 million to losses expiring between 2026 and 2030, $411 million to losses expiring between 2031 and 2035 and $150 million to losses expiring between 2036 and 2040. Included in the deferred income tax asset balance is $767 million (US$548 million) from one of the Company's subsidiaries with a history of losses. $337 million (US$241 million) of this $767 million (US$548 million) deferred tax asset balance relates to certain restricted losses with an expiry between 2029 and 2034.

Given the market declines resulting from COVID-19, the Company carried out a review of the recoverability of the deferred income tax asset and concluded that no change in the valuation is required at this time. The Company will continue to monitor market conditions resulting from COVID-19 to determine if any valuation adjustments may be required in the future.

PREMIUMS AND DEPOSITS AND SALES

Premiums and deposits[1]	For the three months ended		
	March 31 2020	Dec. 31 2019	March 31 2019
Canada	**$ 6,888**	$ 7,229	$ 6,644
United States	**24,411**	19,480	17,836
Europe	**10,460**	7,925	11,906
Capital and Risk Solutions	**4,606**	4,462	4,459
Total premiums and deposits[1]	**$ 46,365**	$ 39,096	$ 40,845

Sales[1][2]	For the three months ended		
	March 31 2020	Dec. 31 2019	March 31 2019
Canada	**$ 3,632**	$ 3,609	$ 3,180
United States	**53,231**	31,781	75,848
Europe	**9,668**	6,566	11,181
Total sales[1]	**$ 66,531**	$ 41,956	$ 90,209

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.
(2) Sales is not a relevant measure for the Capital and Risk Solutions segment due to the nature of operations.

The information in the table above is a summary of results for the Company's total premiums and deposits and sales. Additional commentary regarding premiums and deposits and sales is included in the "Segmented Operating Results" section.

NET INVESTMENT INCOME

Net investment income

	For the three months ended		
	March 31 2020	Dec. 31 2019	March 31 2019
Investment income earned (net of investment properties expenses)	**$ 1,318**	$ 1,388	$ 1,478
Net allowances for credit losses on loans and receivables	**(9)**	(2)	(3)
Net realized gains	**48**	119	11
Regular investment income	**1,357**	1,505	1,486
Investment expenses	**(43)**	(43)	(36)
Regular net investment income	**1,314**	1,462	1,450
Changes in fair value through profit or loss	**(3,388)**	(1,766)	4,365
Net investment income	**$ (2,074)**	$ (304)	$ 5,815

Net investment income in the first quarter of 2020, which includes changes in fair value through profit or loss, decreased by $7,889 million compared to the same quarter last year. The changes in fair value in the first quarter of 2020 were a decrease of $3,388 million compared to an increase of $4,365 million for the first quarter of 2019. In the first quarter of 2020, the net decrease to fair values was primarily due to an increase in corporate bond yields across all geographies and a decline in Canadian equity markets. In the first quarter of 2019, the net increase to fair values was primarily due to a decline in bond yields across all geographies and an increase in Canadian equity markets.

Regular net investment income in the first quarter of 2020 of $1,314 million, which excludes changes in fair value through profit or loss, decreased by $136 million compared to the same quarter last year. The decrease was primarily due to lower interest on bond and mortgage investments relating to U.S. segment assets transferred under the indemnity reinsurance agreement with Protective Life in the second quarter of 2019. Net realized gains include gains on available-for-sale securities of $39 million for the first quarter of 2020 compared to $5 million for the same quarter last year.
Net investment income in the first quarter of 2020 decreased by $1,770 million compared to the previous quarter, primarily due to a decrease in fair values of $3,388 million in the first quarter of 2020 compared to a decrease of $1,766 million in the previous quarter. The net decrease to fair values during the first quarter was primarily due to an increase in corporate bond yields across all geographies and a decline in Canadian equity markets. The net decrease to fair values in the previous quarter was primarily due to an increase in corporate bond yields across all geographies.

Credit Markets

In the first quarter of 2020, the Company experienced net charges on impaired investments, including dispositions, which negatively impacted common shareholders' net earnings by $2 million ($10 million negative impact in the first quarter of 2019). Changes in credit ratings in the Company's fixed income portfolio resulted in a net increase in provisions for future credit losses in insurance contract liabilities, which negatively impacted common shareholders' net earnings by $19 million ($14 million positive impact in the first quarter of 2019), primarily due to downgrades of various corporate bond holdings.

The pandemic impacted credit markets late in the first quarter of 2020, resulting in relatively limited credit and impairment activity prior to the quarter end. As economic and market impacts continue to develop, it could lead to adverse impacts on credit ratings and impairment activity, which will in turn adversely impact the Company's results.

FEE AND OTHER INCOME

In addition to providing traditional risk-based insurance products, the Company also provides certain products on a fee-for-service basis. The most significant of these products are segregated funds and mutual funds, for which the Company earns investment management fees on assets managed and other fees, as well as administrative services only (ASO) contracts, under which the Company provides group benefit plan administration on a cost-plus basis.

Fee and other income

	For the three months ended		
	March 31 2020	Dec. 31 2019	March 31 2019
Canada			
Segregated funds, mutual funds and other	**$ 390**	$ 404	$ 371
ASO contracts	**50**	53	51
	440	457	422
United States			
Segregated funds, mutual funds and other	**665**	679	659
Europe			
Segregated funds, mutual funds and other	**333**	377	395
Capital and Risk Solutions			
Reinsurance and other	**3**	2	3
Total fee and other income	**$ 1,441**	$ 1,515	$ 1,479

The information in the table above is a summary of gross fee and other income for the Company. Additional commentary regarding fee and other income is included in the "Segmented Operating Results" section.

NET POLICYHOLDER BENEFITS, DIVIDENDS AND EXPERIENCE REFUNDS

Net policyholder benefits, dividends and experience refunds

	For the three months ended		
	March 31 2020	Dec. 31 2019	March 31 2019
Canada	**$ 2,232**	$ 2,514	$ 2,426
United States	**1,523**	1,187	1,208
Europe	**855**	1,546	865
Capital and Risk Solutions	**4,819**	4,756	4,488
Total	**$ 9,429**	$ 10,003	$ 8,987

Net policyholder benefits, dividends and experience refunds include life and health claims, policy surrenders, maturities, annuity payments, segregated fund guarantee payments, policyholder dividends and experience refund payments. The amounts do not include benefit payments for ASO contracts, segregated funds or mutual funds.

For the three months ended March 31, 2020, net policyholder benefits, dividends and experience refunds were $9.4 billion, an increase of $0.4 billion from the same period last year, driven by higher net policyholder benefits. The increase in benefit payments was primarily due to new reinsurance agreements, partially offset by lower volumes relating to existing business in the Capital and Risk Solutions business segment.

Net policyholder benefits, dividends and experience refunds decreased by $0.6 billion compared to the previous quarter, primarily due to lower net policyholder benefits. The decrease in benefit payments was primarily due to lower surrender benefits in Europe as a result of the sale of a heritage block of individual policies to Scottish Friendly in the fourth quarter of 2019 as well as lower surrender and health benefits in Canada. The decrease was partially offset by an increase in surrender benefits in the U.S.

CONSOLIDATED FINANCIAL POSITION

ASSETS

Assets under administration[1]

	March 31, 2020				
	Canada	**United States**	**Europe**	**Capital and Risk Solutions**	**Total**
Assets					
Invested assets	**$ 80,916**	**$ 35,923**	**$ 48,429**	**$ 6,290**	**$ 171,558**
Goodwill and intangible assets	**5,570**	**2,127**	**2,954**	**—**	**10,651**
Other assets	**4,174**	**19,956**	**8,946**	**9,041**	**42,117**
Investments on account of segregated fund policyholders	**76,611**	**30,392**	**105,574**	**—**	**212,577**
Total assets	**167,271**	**88,398**	**165,903**	**15,331**	**436,903**
Proprietary mutual funds and institutional net assets[1]	**6,184**	**228,058**	**54,067**	**—**	**288,309**
Total assets under management[1]	**173,455**	**316,456**	**219,970**	**15,331**	**725,212**
Other assets under administration[1]	**16,379**	**732,379**	**50,089**	**—**	**798,847**
Total assets under administration[1]	**$ 189,834**	**$ 1,048,835**	**$ 270,059**	**$ 15,331**	**$ 1,524,059**
	December 31, 2019				
	Canada	United States	Europe	Capital and Risk Solutions	Total
Assets					
Invested assets	$ 81,179	$ 32,768	$ 48,845	$ 5,995	$ 168,787
Goodwill and intangible assets	5,560	1,990	2,834	—	10,384
Other assets	3,953	19,421	8,465	9,135	40,974
Investments on account of segregated fund policyholders	85,612	31,433	113,977	—	231,022
Total assets	176,304	85,612	174,121	15,130	451,167
Proprietary mutual funds and institutional net assets[1]	6,986	257,301	56,261	—	320,548
Total assets under management[1]	183,290	342,913	230,382	15,130	771,715
Other assets under administration[1]	17,118	792,110	48,738	—	857,966
Total assets under administration[1]	$ 200,408	$ 1,135,023	$ 279,120	$ 15,130	$ 1,629,681

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

Total assets under administration at March 31, 2020 decreased by $105.6 billion to $1.5 trillion compared to December 31, 2019, primarily due to the impact of market movement, partially offset by the impact of currency movement. The increase in the Europe segment's other assets under administration was primarily due to the acquisitions of Conexim Advisors Limited and Acumen & Trust DAC by the Irish business unit during the first quarter of 2020, which added $1.4 billion and $1.3 billion, respectively, in assets under administration as at March 31, 2020.

INVESTED ASSETS

The Company manages its general fund assets to support the cash flow, liquidity and profitability requirements of the Company's insurance and investment products. The Company follows prudent and conservative investment policies, so that assets are not unduly exposed to concentration, credit or market risks. Within the framework of the Company's policies, the Company implements strategies and reviews and adjusts them on an ongoing basis considering liability cash flows and capital market conditions. The majority of investments of the general fund are in medium-term and long-term fixed-income investments, primarily bonds and mortgages, reflecting the characteristics of the Company's liabilities.

Bond portfolio – It is the Company's policy to acquire primarily investment grade bonds subject to prudent and well-defined investment policies. Modest investments in below investment grade rated securities may occur while not changing the overall discipline and conservative approach to the investment strategy. The total bond portfolio, including short-term investments, was $116.2 billion or 68% of invested assets at March 31, 2020 compared to $115.0 billion or 68% at December 31, 2019. The overall quality of the bond portfolio remained high, with 99% of the portfolio rated investment grade and 79% rated A or higher. Bond credit ratings reflect bond rating agency activity up to March 31, 2020. Management continues to closely monitor bond rating agency activity and general market conditions as the pandemic continues.

Bond portfolio quality

	March 31, 2020		December 31, 2019	
AAA	**$ 21,386**	**18 %**	$ 22,083	19%
AA	**33,045**	**28**	33,272	29
A	**38,380**	**33**	37,233	32
BBB	**22,809**	**20**	21,922	19
BB or lower	**592**	**1**	518	1
Total	**$ 116,212**	**100 %**	$ 115,028	100%

Mortgage portfolio – It is the Company's practice to acquire high quality commercial mortgages meeting strict underwriting standards and diversification criteria. The Company has a well-defined risk-rating system, which it uses in its underwriting and credit monitoring processes for commercial loans. Residential loans are originated by the Company's mortgage specialists in accordance with well-established underwriting standards and are well diversified across each geographic region, including specific diversification requirements for non-insured mortgages. Equity release mortgages are originated in the Europe segment following well-defined lending criteria and held in both the Canada and Europe segments. Equity release mortgages are loans provided to seniors who want to continue living in their homes while accessing some of the underlying equity value in their homes. Loans are typically repaid when the borrower dies or moves into long-term care.

Mortgage portfolio

	March 31, 2020				December 31, 2019	
Mortgage loans by type	**Insured**	**Non-insured**	**Total**		Total	
Single family residential	**$ 564**	**$ 1,512**	**$ 2,076**	**8%**	$ 2,069	9%
Multi-family residential	**3,455**	**3,622**	**7,077**	**28**	7,004	29
Equity release	**—**	**1,433**	**1,433**	**6**	1,314	5
Commercial	**251**	**14,232**	**14,483**	**58**	13,881	57
Total	**$ 4,270**	**$ 20,799**	**$ 25,069**	**100%**	$ 24,268	100%

The total mortgage portfolio was $25.1 billion or 15% of invested assets at March 31, 2020, compared to $24.3 billion or 14% of invested assets at December 31, 2019. The increase in the mortgage portfolio was primarily related to net commercial mortgage originations and the impact of currency movement as the U.S. dollar strengthened against the Canadian dollar. Total insured loans were $4.3 billion or 17% of the mortgage portfolio.

The current market environment has led to a small number of mortgage deferral requests subsequent to March 31, 2020. Management is closely monitoring and evaluating these requests which are currently not material but may impact the Company's performance going forward.

Provision for future credit losses

As a component of insurance contract liabilities, the total actuarial provision for future credit losses is determined consistent with the Canadian Institute of Actuaries' Standards of Practice and includes provisions for adverse deviation.

At March 31, 2020, the total actuarial provision for future credit losses in insurance contract liabilities was $2,628 million compared to $2,575 million at December 31, 2019, an increase of $53 million, primarily due to the impact of currency movement, ratings changes and normal business activity.

The aggregate of impairment provisions of $50 million ($51 million at December 31, 2019) and actuarial provision for future credit losses in insurance contract liabilities of $2,628 million ($2,575 million at December 31, 2019) represents 1.8% of bond and mortgage assets, including funds held by ceding insurers, at March 31, 2020 (1.8% at December 31, 2019).

Energy Sector Related Exposures

Holdings of Energy Sector related Bonds, Mortgages and Investment Properties

	March 31, 2020					December 31, 2019
	Canada	**U.S.**	**Europe**	**Capital and Risk Solutions**	**Total**	Total
Bonds[1][2][3]	**$ 2,112**	**$ 1,069**	**$ 690**	**$ 421**	**$ 4,292**	$ 4,407
Mortgages[4]	**1,924**	**413**	**39**	**—**	**2,376**	2,389
Investment properties	**462**	**—**	**—**	**—**	**462**	456
Total	**$ 4,498**	**$ 1,482**	**$ 729**	**$ 421**	**$ 7,130**	$ 7,252

(1) Energy sector bond holdings are a sub-category of certain industry sectors presented in note 9(a)(ii) in the Company's December 31, 2019 annual consolidated financial statements.
(2) Amortized cost of these bonds is $4,417 million at March 31, 2020 and $4,133 million at December 31, 2019.
(3) Includes certain funds held by ceding insurers with a carrying value of $175 million and an amortized cost of $177 million at March 31, 2020.
(4) Includes $587 million of insured mortgages at March 31, 2020 and $615 million at December 31, 2019.

At March 31, 2020, the Company's holdings of energy sector related investments, including funds held by ceding insurers, were $7.1 billion ($7.3 billion at December 31, 2019). This included direct exposure of bond holdings of $4.3 billion ($4.4 billion at December 31, 2019), or 2.4% of invested assets including funds held by ceding insurers, and indirect exposure of commercial mortgages and investment properties of $2.8 billion ($2.9 billion at December 31, 2019), or 1.6% of invested assets including funds held by ceding insurers.

At March 31, 2020, the Company's energy sector related bond holdings were well diversified across multiple sub-sectors and were high quality with approximately 98% rated investment grade (100% at December 31, 2019). 60% of the portfolio was invested in Midstream and Refining entities and 40% in Integrated, Independent, Oil Field Services and Government Agency entities.

In addition, the Company's indirect exposure of energy sector related commercial mortgages and investment properties were concentrated in certain geographic regions where the economy is more dependent upon the energy sector and were well diversified across property type - Multi-family (39%), Industrial/Other (25%), Retail (19%) and Office (17%). Over 84% of the total portfolio was concentrated in the province of Alberta, with the remainder primarily in the state of Texas. The weighted average loan-to-value ratio of the commercial mortgages was 66% at March 31, 2020 (66% at December 31, 2019).

In March 2020, Moody's Investors Service and S&P Global Ratings revised their forecasts for crude oil downward for the remainder of 2020, due to decreased demand resulting from the COVID-19 pandemic. Hydrocarbon price assumptions are a key input into cash flow forecasts and the resulting issuer and sector credit risk profile, particularly for the Integrated, Independent and Oil Field Services sub-sectors. Increases to provisions for future credit losses as a result of ratings downgrades specific to the energy sector were modest and there were no impairment charges incurred on energy sector holdings in the first quarter of 2020.

United Kingdom property related exposures

Holdings of United Kingdom Mortgages and Investment Properties

	March 31, 2020							December 31, 2019
	Multi-family residential	**Retail & shopping centres**	**Office buildings**	**Industrial**	**Equity release**	**Other**	**Total**	Total
Mortgages	**$ 703**	**$ 1,527**	**$ 1,353**	**$ 878**	**$ 1,433**	**$ 564**	**$ 6,458**	$ 6,223
Investment properties	**—**	**884**	**644**	**775**	**—**	**345**	**2,648**	2,726
Total	**$ 703**	**$ 2,411**	**$ 1,997**	**$ 1,653**	**$ 1,433**	**$ 909**	**$ 9,106**	$ 8,949

At March 31, 2020, the Company's holdings of property related investments in the U.K. were $9.1 billion, or 5.3% of invested assets, compared to $8.9 billion at December 31, 2019. The $0.2 billion increase from December 31, 2019 was primarily due to originations of equity release mortgages and the impact of currency movement, as the British pound strengthened against the Canadian dollar. These holdings remain well diversified across property type - Industrial/Other (28%), Retail (26%), Office (22%), Equity Release (16%) and Multi-family (8%). Of the Retail sector holdings, 48% relate to warehouse/distribution and other retail, 29% relate to shopping centres and department stores and 23% relate to grocery retail sub-categories.

DERIVATIVE FINANCIAL INSTRUMENTS

During the first quarter of 2020, there were no major changes to the Company's policies and procedures with respect to the use of derivative financial instruments. The Company’s derivative transactions are generally governed by International Swaps and Derivatives Association, Inc. (ISDA) Master Agreements, which provide for legally enforceable set-off and close-out netting of exposure to specific counterparties in the event of an early termination of a transaction, which includes, but is not limited to, events of default and bankruptcy. In the event of an early termination, the Company is permitted to set off receivables from a counterparty against payables to the same counterparty, in the same legal entity, arising out of all included transactions. The Company’s ISDA Master Agreements may include Credit Support Annex provisions, which require both the pledging and accepting of collateral in connection with its derivative transactions.

At March 31, 2020, total financial collateral, including initial margin and overcollateralization, received on derivative assets was $471 million ($156 million at December 31, 2019) and pledged on derivative liabilities was $1,741 million ($634 million at December 31, 2019). Collateral received on derivative assets increased, primarily driven by the impact of the U.S. dollar strengthening against the British pound on cross-currency swaps that pay British pounds and receive U.S. dollars. Collateral pledged on derivative liabilities increased, primarily driven by the impact of the U.S. dollar strengthening against the Canadian dollar on cross-currency swaps that pay U.S. and receive Canadian dollars.

During the three month period ended March 31, 2020, the outstanding notional amount of derivative contracts increased by $5.9 billion to $27.5 billion, primarily due to an increase in forward settling mortgage backed security transactions (“to-be-announced-securities”) and regular hedging activities.

The Company’s exposure to derivative counterparty credit risk, which reflects the current fair value of those instruments in a gain position, increased to $929 million at March 31, 2020 from $451 million at December 31, 2019. The increase was primarily driven by the impact of the U.S. dollar strengthening against the British pound on cross-currency swaps that pay British pounds and receive U.S. dollars. There were no changes to derivative counterparty ratings during the first quarter of 2020 and all had investment grade ratings as of March 31, 2020. Refer to "Financial Instruments Risk Management", note 9 in the Company's 2019 Annual audited consolidated financial statements for details of the Company's derivative counterparties' ratings.

LIABILITIES

Total liabilities

	March 31 2020	December 31 2019
Insurance and investment contract liabilities	**$ 178,379**	$ 176,177
Other general fund liabilities	**19,506**	18,425
Investment and insurance contracts on account of segregated fund policyholders	**212,577**	231,022
Total	**$ 410,462**	$ 425,624

Total liabilities decreased by $15.2 billion to $410.5 billion at March 31, 2020 from December 31, 2019.

Investment and insurance contracts on account of segregated fund policyholders decreased by $18.4 billion, primarily due to the impact of net market value losses and investment income of $25.3 billion, partially offset by the impact of currency movement of $7.0 billion. Insurance and investment contract liabilities increased by $2.2 billion, primarily due to the weakening of the Canadian dollar against the euro, British pound and U.S. dollar and the impact of new business, partially offset by fair value adjustments. Other general fund liabilities increased by $1.1 billion, primarily due to an increase in derivative financial instruments, partially offset by lower accounts payable.

Insurance and investment contract liabilities represent the amounts that, together with estimated future premiums and investment income, will be sufficient to pay estimated future benefits, dividends and expenses on policies in-force. Insurance and investment contract liabilities are determined using generally accepted actuarial practices, according to standards established by the Canadian Institute of Actuaries. Also, refer to the "Summary of Critical Accounting Estimates" section of the 2019 Annual MD&A for further details.

Segregated Fund and Variable Annuity Guarantees

The Company offers retail segregated fund products, unitized with profits (UWP) products and variable annuity products that provide for certain guarantees that are tied to the market values of the investment funds.

Guaranteed minimum withdrawal benefit (GMWB) products offered by the Company provide income guarantees and in addition, may provide death and maturity guarantees. The Company has a hedging program in place to manage certain risks associated with options embedded in its GMWB products. At March 31, 2020, the amount of GMWB products in-force in Canada, the U.S., Ireland and Germany were $3,142 million ($3,332 million at December 31, 2019). The decrease in market value was primarily due to declines in equity markets in the quarter.

Segregated fund and variable annuity guarantee exposure

		March 31, 2020			
		Investment deficiency by benefit type			
	Market Value	Income	Maturity	Death	Total[1]
Canada	$ 28,981	$ 21	$ 56	$ 630	$ 630
United States	10,130	104	—	12	116
Europe	9,336	25	16	1,252	1,252
Capital and Risk Solutions[2]	770	575	1	—	575
Total	**$ 49,217**	**$ 725**	**$ 73**	**$ 1,894**	**$ 2,573**

(1) A policy can only receive a payout from one of the three trigger events (income election, maturity or death). Total deficiency measures the point-in-time exposure assuming the most costly trigger event for each policy occurred on March 31, 2020.
(2) Capital and Risk Solutions exposure is to markets in Canada and the U.S.

Investment deficiency at March 31, 2020 increased by $1,588 million to $2,573 million compared to December 31, 2019. The increase was primarily due to declines in equity markets and higher value of variable annuity guarantees driven by lower interest rates in the U.S. The investment deficiency measures the point-in-time exposure to a trigger event (i.e., income election, maturity or death) assuming it occurred on March 31, 2020 and does not include the impact of the Company's hedging program for GMWB products. The actual cost to the Company will depend on the trigger event having occurred and the market values at that time. The actual claims before tax associated with these guarantees were $8 million in-quarter ($5 million for the first quarter of 2019) with the majority arising in the Capital and Risk Solutions segment related to a legacy block of business.

LIFECO CAPITAL STRUCTURE

In establishing the appropriate mix of capital required to support the operations of the Company and its subsidiaries, management utilizes a variety of debt, equity and other hybrid instruments considering both the short and long-term capital needs of the Company.

DEBENTURES AND OTHER DEBT INSTRUMENTS

At March 31, 2020, debentures and other debt instruments increased by $228 million to $6,221 million compared to December 31, 2019, primarily due to the impact of currency movement. The Company has a $500 million aggregate principal amount of debentures maturing on August 13, 2020.

SHARE CAPITAL AND SURPLUS

Share capital outstanding at March 31, 2020 was $8,360 million, which comprises $5,646 million of common shares, $2,464 million of non-cumulative First Preferred Shares, $213 million of 5-year rate reset First Preferred Shares and $37 million of floating rate First Preferred Shares.

The Company commenced a normal course issuer bid (NCIB) on January 22, 2020 for one year to purchase and cancel up to 20,000,000 of its common shares at market prices in order to mitigate the dilutive effect of stock options granted under the Company's Stock Option Plan and for other capital management purposes. During the three months ended March 31, 2020, the Company did not purchase any common shares under the current NCIB (2019 - nil). As a result of the COVID-19 pandemic impacts on markets, on March 13, 2020, OSFI instructed Canadian banks and insurers to suspend share buybacks until further notice.

LIQUIDITY AND CAPITAL MANAGEMENT AND ADEQUACY

LIQUIDITY

The Company's liquidity requirements are largely self-funded, with short-term obligations being met by internal funds and maintaining levels of liquid investments adequate to meet anticipated liquidity needs. The Company holds cash, cash equivalents and short-term bonds at the Lifeco holding company level and with the Lifeco consolidated subsidiary companies. At March 31, 2020, the Company and its operating subsidiaries held cash, cash equivalents and short-term bonds of $7.8 billion ($8.9 billion at December 31, 2019) and other liquid assets and marketable securities of $86.8 billion ($86.6 billion at December 31, 2019). Included in the cash, cash equivalents and short-term bonds at March 31, 2020 was $0.9 billion ($0.7 billion at December 31, 2019) held at the Lifeco holding company level which includes cash at Great-West Lifeco U.S. LLC, the Company's U.S. holding company. In addition, the Company maintains committed lines of credit with Canadian chartered banks for unanticipated liquidity needs, if required.

The Company does not have a formal common shareholder dividend policy. Dividends on outstanding common shares of the Company are declared and paid at the sole discretion of the Board of Directors of the Company. The decision to declare a dividend on the common shares of the Company takes into account a variety of factors including the level of earnings, adequacy of capital and availability of cash resources.

As a holding company, the Company's ability to pay dividends and, in part, its ability to deploy capital is dependent upon the Company receiving dividends from its operating subsidiaries. The Company's operating subsidiaries are subject to regulation in a number of jurisdictions, each of which maintains its own regime for determining the amount of capital that must be held in connection with the different businesses carried on by the operating subsidiaries. The requirements imposed by the regulators in any jurisdiction may change from time to time, and thereby impact the ability of the operating subsidiaries to pay dividends to the Company. Refer to "COVID-19 Pandemic Impact, Government and Regulatory Responses" section for additional discussion of the impact of the current environment.

CASH FLOWS

Cash flows

	For the three months ended March 31	
	2020	2019
Cash flows relating to the following activities:		
Operations	**$ 1,930**	$ 809
Financing	**(467)**	(405)
Investment	**(711)**	(43)
	752	361
Effects of changes in exchange rates on cash and cash equivalents	**255**	(48)
Increase (decrease) in cash and cash equivalents in the period	**1,007**	313
Cash and cash equivalents, beginning of period	**4,628**	4,168
Cash and cash equivalents, end of period	**$ 5,635**	$ 4,481

The principal source of funds for the Company on a consolidated basis is cash provided by operating activities, including premium income, net investment income and fee income. These funds are used primarily to pay policy benefits, policyholder dividends and claims, as well as operating expenses and commissions. Cash flows generated by operations are mainly invested to support future liability cash requirements. Cash flows related to financing activities include the issuance and repayment of capital instruments, and associated dividends and interest payments.

In the first quarter of 2020, cash and cash equivalents increased by $1.0 billion from December 31, 2019. Cash flows provided by operations during the first quarter of 2020 were $1.9 billion, an increase of $1.1 billion compared to the first quarter of 2019. Cash flows used in financing were $0.5 billion, primarily used for the payments of dividends to common and preferred shareholders of $0.4 billion. For the three months ended March 31, 2020, cash flows were used by the Company to acquire an additional $0.7 billion of investment assets.

COMMITMENTS/CONTRACTUAL OBLIGATIONS

Commitments/contractual obligations have not changed materially from December 31, 2019.

CAPITAL MANAGEMENT AND ADEQUACY

At the holding company level, the Company monitors the amount of consolidated capital available and the amounts deployed in its various operating subsidiaries. The amount of capital deployed in any particular company or country is dependent upon local regulatory requirements, as well as the Company's internal assessment of capital requirements in the context of its operational risks and requirements and strategic plans. The Company's practice is to maintain the capitalization of its regulated operating subsidiaries at a level that will exceed the relevant minimum regulatory capital requirements in the jurisdictions in which they operate. The capitalization decisions of the Company and its operating subsidiaries also give consideration to the impact such actions may have on the opinions expressed by various credit rating agencies that provide financial strength and other ratings to the Company.

In Canada, the Office of the Superintendent of Financial Institutions (OSFI) has established a capital adequacy measurement for life insurance companies incorporated under the Insurance Companies Act (Canada) and their subsidiaries, known as the Life Insurance Capital Adequacy Test (LICAT).

The LICAT ratio compares the regulatory capital resources of a company to its required capital. The required capital is calibrated so that a life insurer can both withstand severe stress events and support the continuity of existing business. The LICAT guideline uses a risk-based approach for measuring specific life insurer risks and for aggregating the results to calculate the amount of a life insurer's capital requirements.

OSFI has established a Supervisory Target Total Ratio of 100%, and a Supervisory Minimum Total Ratio of 90%. The internal target range of the LICAT ratio for Lifeco's major Canadian operating subsidiary is 110% to 120% (on a consolidated basis).

Canada Life's consolidated LICAT ratio at March 31, 2020 was 133% (The Great-West Life Assurance Company consolidated LICAT ratio of 135% at December 31, 2019). The 2 point decrease was a result of dividends paid to Lifeco, in addition to market impacts and regular business activity in the quarter. Equity market declines in the first quarter of 2020 resulted in a decrease of approximately 1.5 points to the total LICAT ratio of Canada Life, primarily driven by higher LICAT capital requirements for segregated funds with guarantees. The movement of interest rates in the first quarter of 2020 increased the LICAT ratio by approximately 2 points. The LICAT ratio does not take into account any impact from $0.9 billion of liquidity at the Lifeco holding company level at March 31, 2020 ($0.7 billion at December 31, 2019).

The following provides a summary of the LICAT information and ratios for Canada Life:

LICAT Ratio	**March 31 2020**	Dec. 31 2019
Tier 1 Capital	**$ 11,483**	$ 11,952
Tier 2 Capital	**4,340**	3,637
Total Available Capital	**15,823**	15,589
Surplus Allowance & Eligible Deposits	**12,942**	12,625
Total Capital Resources	**$ 28,765**	$ 28,214
Required Capital	**$ 21,673**	$ 20,911
Total Ratio (OSFI Supervisory Target = 100%)[1]	**133%**	135%

(1) Total Ratio (%) = (Total Capital Resources / Required Capital).

COVID-19 OSFI Regulatory Measures
OSFI is providing capital relief for insurance companies due to the COVID-19 economic environment.

OSFI announced that loan payment deferrals for up to six months will not increase capital requirements on mortgages, leases, and other loans. Deferrals for up to six months for premium payments will also not result in increased capital requirements.

OSFI introduced a temporary smoothing calculation to address potential volatility in the interest rate requirement for participating insurance products. The temporary smoothing calculation averages the participating interest rate risk requirements over the trailing six quarters, thereby reducing unwarranted volatility. The smoothing methodology is optional for the first quarter but mandatory for the second quarter LICAT reporting. The Company did not adopt the smoothing methodology in its results for this reporting period.

OSFI Regulatory Capital Initiatives
The Company will continue to work with OSFI, the Canadian Institute of Actuaries, and other industry participants, as the LICAT guideline further evolves to allow for any future development including adaptations relating to the IFRS 17 accounting standard and developments relating to Segregated Fund Guarantee Risk requirements.

The International Accounting Standards Board (IASB) has issued IFRS 17, *Insurance Contracts*, which will replace IFRS 4, *Insurance Contracts* with an effective date of January 1, 2023. IFRS 17 includes new requirements for the recognition, measurement, presentation and disclosure of insurance contracts the Company issues and reinsurance contracts it holds. The new standard is expected to have a significant impact for insurers related to the timing of earnings recognition and on the presentation and disclosure of results. Adoption of the standard is expected to lead to further review and possible amendments to the OSFI LICAT Guideline. Refer to the "Accounting Policies - International Financial Reporting Standards" section for further details.

RETURN ON EQUITY (ROE)[1]

Base Return on Equity[1]	March 31 2020	Dec. 31 2019	March 31 2019
Canada	**17.2 %**	16.8 %	14.8 %
U.S. Financial Services	**9.9 %**	11.4 %	10.4 %
U.S. Asset Management (Putnam)	**(0.5)%**	1.2 %	(1.7)%
Europe	**11.9 %**	12.9 %	8.7 %
Capital and Risk Solutions	**36.9 %**	33.2 %	34.3 %
Total Lifeco Base Earnings Basis[1]	**13.4 %**	13.3 %	11.0 %

Return on Equity[1]	March 31 2020	Dec. 31 2019	March 31 2019
Canada	**13.2 %**	15.0 %	17.2 %
U.S. Financial Services	**3.4 %**	5.1 %	10.9 %
U.S. Asset Management (Putnam)	**(12.0)%**	(9.7)%	(1.7)%
Europe	**14.2 %**	16.5 %	13.2 %
Capital and Risk Solutions	**31.0 %**	31.9 %	38.0 %
Total Lifeco Net Earnings Basis	**10.3 %**	11.7 %	13.5 %

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

The Company reported base return on equity of 13.4% at March 31, 2020, compared to 13.3% at December 31, 2019 and 11.0% at March 31, 2019. The Company reported return on equity of 10.3% at March 31, 2020, compared to 11.7% at December 31, 2019 and 13.5% at March 31, 2019.

RATINGS

Lifeco maintains ratings from five independent ratings companies. Credit ratings are intended to provide investors with an independent measure of the credit quality of the securities of a corporation and are indicators of the likelihood of payment and the capacity of a corporation to meet its obligations in accordance with the terms of each obligation. In the first quarter of 2020, the credit ratings for Lifeco and its major operating subsidiaries were unchanged (set out in table below). The Company continued to receive strong ratings relative to its North American peer group resulting from its conservative risk profile, stable net earnings and consistent dividend track record. These ratings are not a recommendation to buy, sell or hold the securities of the Company or its subsidiaries and do not address market price or other factors that might determine suitability of a specific security for a particular investor. The ratings also may not reflect the potential impact of all risks on the value of securities and are subject to revision or withdrawal at any time by the rating agency.

Lifeco's operating companies are assigned a group rating from each rating agency. This group rating is predominantly supported by the Company’s leading position in the Canadian insurance market and competitive positions in the U.S. and European markets. Each of Lifeco's operating companies benefits from the strong implicit financial support and collective ownership by Lifeco. There were no changes to the Company's group credit ratings in first quarter of 2020.

Rating agency	Measurement	Lifeco	Canada Life	Irish Life	GWL&A
A.M. Best Company	Financial Strength		A+		A+
DBRS Morningstar	Issuer Rating	A (high)	AA		
	Financial Strength		AA		NR
	Senior Debt	A (high)			
	Subordinated Debt		AA (low)		
Fitch Ratings	Insurer Financial Strength		AA	AA	AA
	Senior Debt	A			
	Subordinated Debt		A+		
Moody's Investors Service	Insurance Financial Strength		Aa3		Aa3
Standard & Poor's Ratings Services	Insurer Financial Strength		AA		AA
	Senior Debt	A+			
	Subordinated Debt		AA-		

Effective January 1, 2020, Great-West Life, London Life, Canada Life and their holding companies, Canada Life Financial Corporation and London Insurance Group Inc., amalgamated into a single life insurance company, The Canada Life Assurance Company. The ratings of the affected companies were updated to reflect the Company’s current corporate structure and are consistent with existing ratings.

SEGMENTED OPERATING RESULTS

The consolidated operating results of Lifeco, including the comparative figures, are presented on an IFRS basis after capital allocation. Consolidated operating results for Lifeco comprise the net earnings of Canada Life and its operating subsidiaries, Irish Life; GWL&A and Putnam; together with Lifeco's Corporate results.

Effective January 1, 2020, as a result of strategic operational changes, the Company has divided the previously reported Europe segment into two separate reporting segments - Europe and Capital and Risk Solutions. The Company’s other reportable segments - Canada, United States and Lifeco Corporate - are unchanged. Comparative figures have been reclassified to reflect the new composition of the reportable segments.

CANADA

The Canada segment of Lifeco includes the operating results of the Canadian businesses operated by Canada Life, together with an allocation of a portion of Lifeco's corporate results. There are two primary business units included in this segment. Through the Individual Customer business unit, the Company provides life, disability and critical illness insurance products as well as wealth savings and income products to individual clients. Through the Group Customer business unit, the Company provides life, accidental death and dismemberment, critical illness, health and dental protection, creditor insurance as well as retirement savings and income products and other specialty products to group clients in Canada.

Selected consolidated financial information - Canada

	For the three months ended		
	March 31 2020	Dec. 31 2019	March 31 2019
Premiums and deposits[1]	**$ 6,888**	$ 7,229	$ 6,644
Sales[1]	**3,632**	3,609	3,180
Fee and other income	**440**	457	422
Base earnings[1]	**$ 273**	$ 274	$ 257
Items excluded from base earnings[2]			
Actuarial assumption changes and management actions[1][2]	**(94)**	(82)	28
Market-related impact[1][2]	**(28)**	(4)	(2)
Net earnings	**$ 151**	$ 188	$ 283
Total assets	**$ 167,271**	$ 176,304	$ 169,102
Proprietary mutual funds and institutional net assets[1]	**6,184**	6,986	6,676
Total assets under management[1]	**173,455**	183,290	175,778
Other assets under administration[1]	**16,379**	17,118	16,736
Total assets under administration[1]	**$ 189,834**	$ 200,408	$ 192,514

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.
(2) Items excluded from base earnings, a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional information.

DEVELOPMENTS AND OUTLOOK

- **COVID-19 Pandemic Impacts**

  The Canada segment remains focused on supporting customers, communities and employees by providing Canadians with protection and wealth management solutions for their financial, physical and mental well-being during this unprecedented time. Products, services and support are being delivered digitally to promote physical distancing and help keep customers, advisors and employees safe. Financial assistance is being provided to plan sponsors and members to help maintain and extend coverage for employees, and to the communities through donations to support crisis relief efforts. On March 23, 2020, to support COVID-19 related crisis relief efforts in the communities, Canada Life, together with its affiliate IGM Financial and parent company Power Corporation of Canada announced a $1 million joint contribution. The funding will support immediate needs of local and national foodbanks, which are struggling to cope with increased demand in Canada. It will provide resources to other pressing needs of vulnerable people, utilizing the unique expertise of United Way and Centraide du Grand Montréal. It will also assist with the pressures faced by small businesses across Canada.

  In Individual Customer, customers can apply for insurance through SimpleProtect, a digital application that simplifies the policy application and approval process. In the current situation where paramedical services are temporarily unavailable in Canada, age and amount limits have been adapted for no medical underwriting while still staying within the Company’s risk tolerances. However, larger case insurance sales are expected to be affected for a period of time, with some time-delay as policy issuance typically happens a few weeks after a medical exam.

In Group Customer, investment continues in digital solutions such as Dialogue, a virtual health care solution that will give more than one million Canadians easier access to high-quality health care, and Workplace Strategies for Mental Health providing guidance on managing stress for employers and their employees. As many health professionals have suspended services, claim levels will be materially lower for a period of time. Starting in April, premiums are being lowered to compensate plan sponsors and members for this new environment. Physical distancing and self-isolation requirements, as well as the restrictions on business and social activities and the adverse economic environment resulting from the pandemic, may cause disability claims experience to increase in future periods. Pricing of disability coverage will be adjusted over time as experience emerges.

On March 20, 2020, Canada Life announced a temporary suspension of contributions to and redemptions and transfers from its real estate segregated funds, as the economic conditions caused by the current COVID-19 pandemic have impacted the global property market and made it difficult to value the properties with the same degree of certainty as usual. In accordance with the terms of the Information Folder governing the Funds, management determined the need for this suspension to protect the long term interests of unitholders. In accordance with the terms applicable to the real estate investment funds, the suspension will remain in place until market conditions have stabilized enough to determine valuations with greater certainty and the Company is comfortable with the funds' liquidity position. The Company, through its general account, has established a process to facilitate hardship and certain other withdrawals, including minimum registered retirement income fund payments.

- On January 1, 2020, the Company amalgamated its three Canadian life insurance companies, The Great-West Life Assurance Company, London Life Insurance Company and The Canada Life Assurance Company, and their holding companies, Canada Life Financial Corporation and London Insurance Group Inc., into a single life insurance company, The Canada Life Assurance Company. This amalgamation creates operating efficiencies and simplifies the Company's capital structure to allow for more efficient use of capital, although it is not expected to have a material financial impact.
- Effective January 2, 2020, the Company launched its new Canada Life participating life insurance product. This new product is available to advisors in all channels and supported by the amalgamated Canada Life participating account.

BUSINESS UNITS - CANADA

INDIVIDUAL CUSTOMER

OPERATING RESULTS

	For the three months ended		
	March 31 2020	Dec. 31 2019	March 31 2019
Premiums and deposits[1]	**$ 2,672**	$ 3,110	$ 2,508
Sales[1]	**2,902**	2,718	2,357
Fee and other income	**246**	258	237
Base earnings[1]	**$ 138**	$ 143	$ 125
Items excluded from base earnings[2]			
Actuarial assumption changes and management actions[1][2]	**(98)**	(52)	1
Market-related impact[1][2]	**(28)**	(4)	(2)
Net earnings	**$ 12**	$ 87	$ 124

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.
(2) Items excluded from base earnings, a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional information.

Premiums and deposits

Premiums and deposits for the first quarter of 2020 increased by $0.2 billion to $2.7 billion compared to the same quarter last year, primarily due to an increase in participating life insurance premiums and proprietary mutual fund deposits.

Premiums and deposits for the first quarter of 2020 decreased by $0.4 billion compared to the previous quarter, primarily due to a decrease in segregated fund deposits and participating life insurance premiums. Segregated fund deposits in the previous quarter included an increase in transfers of business from Great-West Life and London Life to Canada Life, due to the move to a single brand and the launch of the new Canada Life segregated fund shelf.

Sales

Sales for the first quarter of 2020 increased by $0.5 billion to $2.9 billion compared to the same quarter last year, primarily due to higher segregated fund and third party mutual fund sales.

Sales for the first quarter of 2020 increased by $0.2 billion compared to the previous quarter, primarily due to higher proprietary and third party mutual fund sales, partially offset by a decrease in segregated fund sales.

For the individual wealth investment fund business, net cash outflows for the first quarter of 2020 were $165 million compared to $360 million for the same quarter last year and $299 million for the previous quarter.

Fee and other income

Fee and other income for the first quarter of 2020 increased by $9 million to $246 million compared to the same quarter last year, primarily due to higher average assets under management and an increase in distributor fees.

Fee and other income for the first quarter of 2020 decreased by $12 million compared to the previous quarter, primarily due to lower average assets under administration and a decrease in distributor fees.

Base earnings

In the first quarter of 2020, base earnings increased by $13 million to $138 million compared to the same quarter last year. The increase was primarily due to higher contributions from investment experience and favourable mortality experience, partially offset by less favourable impact of new business and morbidity experience.

Base earnings for the first quarter of 2020 decreased by $5 million compared to the previous quarter, primarily due to lower net fee income and less favourable impact of new business, partially offset by higher contributions from investment experience and favourable mortality experience.

Net earnings

Net earnings for the first quarter of 2020 decreased by $112 million to $12 million compared to the same quarter last year, primarily due to unfavourable contributions from insurance contract liability basis changes related to updated economic assumptions for products with long-tail cash flows, driven by the significant equity market decline in the quarter, as well as other market-related impacts. Other market-related impacts were primarily driven by the impact of the equity market declines and volatility in-quarter on segregated fund guarantees and their related hedging ineffectiveness.

Net earnings for the first quarter of 2020 decreased by $75 million compared to the previous quarter, primarily due to the same reasons discussed for the in-quarter results.

For the first quarter of 2020, net earnings attributable to the participating account were $11 million compared to a net loss of $8 million for the same quarter last year. The increase in net earnings was primarily due to favourable impact of new business, driven by sales of the new Canada Life participating product launched in January 2020.

For the first quarter of 2020, net earnings attributable to the participating account increased by $41 million compared to the previous quarter, primarily due to favourable impact of new business. In addition, the fourth quarter of 2019 included unfavourable contributions from insurance contract liability basis changes.

GROUP CUSTOMER

OPERATING RESULTS

	For the three months ended		
	March 31 2020	Dec. 31 2019	March 31 2019
Premiums and deposits[1]	**$ 4,216**	$ 4,119	$ 4,136
Sales[1]	**730**	891	823
Fee and other income	**179**	184	170
Base earnings[1]	**$ 143**	$ 144	$ 124
Items excluded from base earnings[2]			
Actuarial assumption changes and management actions[1][2]	**4**	(30)	27
Net earnings	**$ 147**	$ 114	$ 151

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.
(2) Items excluded from base earnings, a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional information.

Premiums and deposits
Premiums and deposits for the first quarter of 2020 increased by $0.1 billion to $4.2 billion compared to the same quarter last year, primarily due to higher large group insurance premiums and higher premiums from single premium group annuities (SPGAs).

Premiums and deposits for the first quarter of 2020 increased by $0.1 billion compared to the previous quarter, primarily due to higher segregated fund deposits, partially offset by lower ASO deposits for group insurance and lower premiums from SPGAs.

Sales
Sales for the first quarter of 2020 of $0.7 billion decreased by $0.1 billion compared to the same quarter last year, primarily due to lower large group insurance sales and lower segregated fund deposits. Sales of large cases can be highly variable from quarter to quarter.

Sales for the first quarter of 2020 decreased by $0.2 billion compared to the previous quarter, primarily due to lower SPGA sales and lower segregated fund deposits.

For the group wealth segregated fund business, net cash outflows for the first quarter of 2020 were $98 million, compared to net cash inflows of $400 million for the same quarter last year and net cash inflows of $122 million for the previous quarter.

Fee and other income
Fee and other income for the first quarter of 2020 increased by $9 million to $179 million compared to the same quarter last year, primarily due to higher average assets under management driven by higher average equity market levels compared to the first quarter of 2019.

Fee and other income for the first quarter of 2020 decreased by $5 million compared to the previous quarter, primarily due to lower average assets under management driven by lower average equity market levels and lower ASO fee income.

Base earnings
In the first quarter of 2020, base earnings increased by $19 million to $143 million compared to the same quarter last year, primarily due to favourable mortality experience, partially offset by unfavourable morbidity experience.

Base earnings for the first quarter of 2020 of $143 million were comparable to the previous quarter, as lower contributions from investment income and lower net fee income were offset by more favourable mortality experience.

Net earnings
Net earnings in the first quarter of 2020 decreased by $4 million to $147 million compared to the same quarter last year, primarily due to lower contributions from insurance contract liability basis changes.

Net earnings for the first quarter of 2020 increased by $33 million compared to the previous quarter, primarily due to higher contributions from insurance contract liability basis changes. Insurance contract liability basis changes in the fourth quarter of 2019 include the impact of updates to mortality assumptions and refinements to certain investment related assumptions.

CANADA CORPORATE
Canada Corporate consists of items not associated directly with or allocated to the Canadian business units.

For the first quarter of 2020, Canada Corporate had a net loss of $8 million compared to net earnings of $8 million for the same quarter last year, primarily due to lower net investment income. The first quarter of 2019 included unrealized gains on seed capital which were not repeated.

In the first quarter of 2020, the net loss was $8 million compared to $13 million in the previous quarter, primarily due to higher net investment income on seed capital.

UNITED STATES
The United States operating results for Lifeco include the results of GWL&A (which operates primarily as 'Empower Retirement'), Putnam and the results of the insurance businesses in the United States branch of Canada Life, together with an allocation of a portion of Lifeco's corporate results.

Through its Financial Services business unit, and specifically the Empower Retirement brand, the Company provides an array of financial security products, including employer-sponsored defined contribution plans, administrative and recordkeeping services, individual retirement accounts, fund management as well as investment and advisory services. Following the close of the reinsurance transaction with Protective Life in the second quarter of 2019, Financial Services also includes a retained block of life insurance, predominately participating policies, which are now administered by Protective Life, as well as a closed retrocession block of life insurance.

Following the close of the reinsurance transaction with Protective Life in the second quarter of 2019, the Reinsured Insurance & Annuity Business, which was previously reflected in Financial Services, is reported as a separate business unit. The Reinsured Insurance & Annuity Business unit reflects substantially all of the individual life insurance and annuity business which was sold, through indemnity reinsurance, to Protective Life effective June 1, 2019. These products include life insurance, annuity and executive benefits, which are no longer offered by the U.S. segment.

Through its Asset Management business unit, the Company provides investment management, certain administrative functions, distribution and related services, through a broad range of investment products.

TRANSLATION OF FOREIGN CURRENCY

Foreign currency assets and liabilities are translated into Canadian dollars at the market rate at the end of the financial period. All income and expense items are translated at an average rate for the period.

Impact of currency movement is a non-IFRS financial measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

Selected consolidated financial information - United States

	For the three months ended		
	March 31 2020	Dec. 31 2019	March 31 2019
Premiums and deposits[1][3]	**$ 24,411**	$ 19,480	$ 17,836
Sales[1][3]	**53,231**	31,781	75,848
Fee and other income[3]	**665**	679	659
Base earnings[1][3]	**$ 17**	$ 89	$ 81
Items excluded from base earnings[2]			
Actuarial assumption changes and management actions[1][2]	**—**	25	—
Market-related impact[1][2]	**(12)**	—	—
Revaluation of a deferred tax asset[2]	**—**	(199)	—
Restructuring costs[2]	**—**	(36)	—
Net earnings - common shareholders[3]	**$ 5**	$ (121)	$ 81
Base earnings (US$)[1][3]	**$ 13**	$ 68	$ 61
Items excluded from base earnings (US$)[2]			
Actuarial assumption changes and management actions (US$)[2]	**—**	19	—
Market-related impact (US$)[2]	**(9)**	—	—
Revaluation of a deferred tax asset (US$)[2]	**—**	(151)	—
Restructuring costs (US$)[2]	**—**	(28)	—
Net earnings (US$) - common shareholders[3]	**$ 4**	$ (92)	$ 61
Total assets	**$ 88,398**	$ 85,612	$ 87,439
Proprietary mutual funds and institutional net assets[1]	**228,058**	257,301	247,725
Total assets under management[1]	**316,456**	342,913	335,164
Other assets under administration[1]	**732,379**	792,110	742,238
Total assets under administration[1]	**$ 1,048,835**	$ 1,135,023	$ 1,077,402

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.
(2) Items excluded from base earnings, a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional information.
(3) Included in the United States segment are the results of the Reinsured Insurance & Annuities business unit, which reflects substantially all of the individual life insurance and annuity business which was sold, through indemnity reinsurance, to Protective Life effective June 1, 2019. Following the sale there were no additional sales, fee and other income and net earnings related to this business unit and premiums and deposits primarily relate to deposits received on separate accounts, with the economics ceded to Protective Life, resulting in no net earnings impact. The following table includes the results for the Reinsured Insurance & Annuity business unit:

	March 31 2020	Dec. 31 2019	March 31 2019
Premiums and deposits	**$ 53**	$ 347	$ 514
Sales	**—**	—	321
Fee and other income	**—**	—	45
Net earnings - common shareholders	**—**	—	33
Net earnings - common shareholders (US$)	**—**	—	25

Net earnings - common shareholders

	For the three months ended		
	March 31 2020	Dec. 31 2019	March 31 2019
Base earnings[1]			
Financial Services[2]	**$ 56**	$ 75	$ 53
Asset Management	**(42)**	18	(4)
U.S. Corporate	**3**	(4)	(1)
Reinsured Insurance & Annuity Business [2]	**—**	—	33
Base earnings[1]	**$ 17**	$ 89	$ 81
Items excluded from base earnings[3]			
Actuarial assumption changes and management actions[1][3]	**$ —**	$ 25	$ —
Market-related impact[1][3]	**(12)**	—	—
Revaluation of a deferred tax asset[3][4]	**—**	(199)	—
Restructuring costs[3]	**—**	(36)	—
Net earnings - common shareholders	**$ 5**	$ (121)	$ 81
Base earnings (US$)[1]			
Financial Services (US$)[2]	**$ 42**	$ 57	$ 40
Asset Management (US$)	**(31)**	13	(3)
U.S. Corporate (US$)	**2**	(2)	(1)
Reinsured Insurance & Annuity Business (US$)[2]	**—**	—	25
Base earnings (US$)[2]	**$ 13**	$ 68	$ 61
Items excluded from base earnings (US$)[3]			
Actuarial assumption changes and management actions (US$)[3]	**$ —**	$ 19	$ —
Market-related impact (US$)[3]	**(9)**	—	—
Revaluation of a deferred tax asset (US$)[3][4]	**—**	(151)	—
Restructuring costs (US$)[3]	**—**	(28)	—
Net earnings (US$) - common shareholders	**$ 4**	$ (92)	$ 61

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.
(2) Reinsured Insurance & Annuity Business reflects business transferred to Protective Life Insurance on June 1, 2019. Comparative figures have been adjusted to reflect current presentation.
(3) Items excluded from base earnings, a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional information.
(4) The revaluation of a deferred tax asset of $199 million (US$151 million) and restructuring costs of $36 million (US$28 million) are included in the U.S. Corporate results.

DEVELOPMENTS

- The Coronavirus Aid, Relief and Economic Security Act (the CARES Act) was enacted on March 27, 2020. Under the CARES Act, the Federal government authorized broad based economic relief and support for individuals and businesses, including changes to distribution and loan rules from employer retirement plans and IRAs which are similar to the relief offered in prior disaster relief laws. The Company has implemented the distribution and loan changes. The CARES Act will not prevent the Company from executing on its overall business strategy and growth objectives. Federal regulatory agencies including the Internal Revenue Service and U.S. Department of Labor are expected to issue further interpretive guidance on the CARES Act and the Company will evaluate any such guidance accordingly.

- On June 5, 2019, the Securities and Exchange Commission adopted and released Regulation Best Interest (the SEC Rule). The SEC Rule establishes a new standard of conduct requiring broker-dealers to satisfy a higher standard of care and disclosure when recommending securities and investment strategies, including rollovers and account recommendations, to retail clients and retirement plan participants. The SEC Rule does not apply to discussions with plan sponsors. The SEC Rule is effective June 30, 2020 and the Company is prepared to fully comply with the SEC Rule by that date. In addition to the SEC Rule, on February 1, 2020, Massachusetts adopted its own broker-dealer conduct rule to be enforced beginning on September 1, 2020 (the MA Rule). The Company has evaluated the MA Rule and will be in compliance with the MA Rule at the same time as the SEC Rule. Management does not expect that either the SEC Rule or the MA Rule will prevent the Company from executing on its overall business strategy and growth objectives. Other states may adopt similar conduct rules in the future and the Company will evaluate those rules accordingly.

BUSINESS UNITS – UNITED STATES

FINANCIAL SERVICES

DEVELOPMENTS AND OUTLOOK

- **COVID-19 Pandemic Impacts**

  Empower Retirement has committed US$250,000 to support local COVID-19 relief efforts in high-needs sectors such as food insecurities, blood shortages, medical efforts, and elderly and homeless populations.

  Empower Retirement operations and technology functions maintained execution during this period of market disruption, enabling nearly full work at home capabilities across the entire enterprise, including associates in North America and India. Call volumes and web traffic reached heightened levels but are not currently outside of capacity. For the most part, retirement investors have not engaged in reactive selling with a significant majority of Empower Retirement plan participants making no change to their investments at this time. The Company saw increased levels of interest in advisory and financial wellness offerings.

  Empower Retirement and others in the retirement industry lobbied for, and received, relief from federal government regulators to help individuals who needed to access their retirement savings in the event of financial hardships. Following the law's passage, Empower Retirement implemented new processes to support these needs and waived some fees for such disbursements.

- Empower Retirement participant accounts have grown to 9.6 million at March 31, 2020, up from 9.4 million at December 31, 2019.
- Empower Retirement assets under administration were US$583 billion at March 31, 2020, down from US$673 billion at December 31, 2019, primarily due to lower end of period equity market levels.
- In a survey published by Pensions & Investments in April 2020, Empower Retirement had the highest asset growth rate and the second highest participant growth rate in the U.S. retirement services industry based on September 2019 data.

OPERATING RESULTS

	For the three months ended		
	March 31 2020	Dec. 31 2019	March 31 2019
Premiums and deposits[1][2][3]	**$ 4,708**	$ 3,150	$ 2,772
Sales[1][2][4]	**33,581**	15,798	60,977
Fee and other income[2]	**374**	376	329
Base earnings[1][2]	**$ 56**	$ 75	$ 53
Items excluded from base earnings[5]			
Actuarial assumption changes and management actions[1][5]	**—**	25	—
Market-related impact[1][5]	**(12)**	—	—
Net earnings - common shareholders[2][6]	**$ 44**	$ 100	$ 53
Premiums and deposits (US$)[1][2][3]	**$ 3,514**	$ 2,386	$ 2,083
Sales (US$)[1][2][4]	**25,060**	11,968	45,847
Fee and other income (US$)[2]	**279**	285	247
Base earnings (US$)[1][2]	**$ 42**	$ 57	$ 40
Items excluded from base earnings (US$)[1][5]			
Actuarial assumption changes and management actions (US$)[1][5]	**—**	19	—
Market-related impact (US$)[5]	**(9)**	—	—
Net earnings - common shareholders (US$)[2][6]	**$ 33**	$ 76	$ 40

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.
(2) The operating results of Financial Services have been restated for comparative periods to reflect the impact of the reinsurance transaction with Protective Life, which closed on June 1, 2019.
(3) For the three months ended March 31, 2020, premiums and deposits included US$33 million relating to the retained policies (US$43 million for the three months ended March 31, 2019 and US$54 million for the three months ended December 31, 2019).
(4) For the three months ended March 31, 2020, sales included US$0.3 billion relating to Putnam managed funds sold on the Empower Retirement platform (US$0.3 billion for the three months ended March 31, 2019 and US$0.3 billion for the three months ended December 31, 2019).
(5) Items excluded from base earnings, a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional information.
(6) For the three months ended March 31, 2020, net earnings included US$3 million relating to the retained policies (net earnings of US$12 million for the three months ended March 31, 2019 and a net loss of US$19 million for the three months ended December 31, 2019).

Premiums and deposits

Premiums and deposits for the first quarter of 2020 of US$3.5 billion increased by US$1.4 billion compared to the same quarter last year, primarily due to higher premiums transferred in from assets under administration and higher deposits from existing Empower Retirement participants.

Premiums and deposits for the first quarter of 2020 increased by US$1.1 billion compared to the previous quarter, primarily due to the same reasons discussed for the in-quarter results.

Sales

Sales in the first quarter of 2020 of US$25.1 billion decreased by US$20.8 billion compared to the same quarter last year. Included in sales for the first quarter of 2019 was one large sale relating to a new client with approximately 200,000 participants. Excluding the impact of this sale, Empower Retirement had increased sales across all plan sizes. Large plan sales can be highly variable from period to period and tend to be lower margin; however, these sales contribute to lowering overall unit costs.

Sales in the first quarter of 2020 increased by US$13.1 billion compared to the previous quarter, primarily due to an increase in Empower Retirement large plan sales.

Fee and other income
Fee income is derived primarily from assets under management, assets under administration, shareholder servicing fees, administration and recordkeeping services and investment advisory services. Generally, fees are earned based on assets under management, assets under administration or the number of plans and participants for which services are provided.

Fee and other income for the first quarter of 2020 of US$279 million increased by US$32 million compared to the same quarter last year, primarily due to higher average equity markets and growth in participants.

Fee and other income for the first quarter of 2020 decreased by US$6 million compared to the previous quarter, primarily due to mix of business and lower average equity markets.

Base earnings
Base earnings for the first quarter of 2020 increased by US$2 million to US$42 million compared to the same quarter last year, primarily due to net business growth and higher contributions from investment experience, partially offset by less favourable mortality experience.

Base earnings for the first quarter of 2020 decreased by US$15 million compared to the previous quarter, primarily due to lower contributions from investment experience, partially offset by net business growth.

Net earnings
Net earnings for the first quarter of 2020 decreased by US$7 million to US$33 million compared to the same quarter last year, primarily due to market volatility creating hedge ineffectiveness losses related to guaranteed lifetime withdrawal benefits.

Net earnings for the first quarter of 2020 decreased by US$43 million compared to the previous quarter, primarily due to market volatility creating hedge ineffectiveness losses related to guaranteed lifetime withdrawal benefits. In addition, the fourth quarter of 2019 included the positive impact of a valuation adjustment on an employee pension plan.

ASSET MANAGEMENT

DEVELOPMENTS AND OUTLOOK

- **COVID-19 Pandemic Impacts**
  At Putnam and across the broader asset management industry, client channels saw reduced gross sales and elevated redemptions given concerns about the breadth and severity of the pandemic and its longer-term effect on an array of economic factors, including corporate earnings. On the investment management front, Putnam's work on risk profiles and portfolio construction has led to solid relative performance across asset classes, which are expected to position the Company well for an eventual market recovery. Activity levels remain high on the distribution side, with a focus on value-add service and communications with clients.
- During the first quarter of 2020, ending and average assets under management (AUM) declined from December 31, 2019 due to depressed market levels and greater outflows. The majority of the US$4.9 billion in mutual fund net outflows were from Putnam's ultra-short duration fixed income fund which was largely a result of the freeze in credit markets prior to the emergency monetary stimulus programs rolled-out globally by central banks. Putnam's AUM for the three months ended March 31, 2020 were US$172.4 billion, a decrease of US$5.6 billion compared to the previous quarter. For the three months ended March 31, 2020, sales increased US$3.7 billion compared to the same quarter last year, driven by a US$2.3 billion increase in mutual fund sales.
- Putnam continues to sustain strong investment performance relative to its peers. As of March 31, 2020, approximately 86% and 83% of Putnam's fund assets performed at levels above the Lipper median on a three-year and five-year basis, respectively. Additionally, two of Putnam's mutual funds received 2020 Lipper Fund Awards in recognition of consistently strong risk-adjusted performance relative to their peers over periods of three or more years.

OPERATING RESULTS

	For the three months ended		
	March 31 2020	Dec. 31 2019	March 31 2019
Sales[1]	**$ 19,650**	$ 15,983	$ 14,550
Fee income			
Investment management fees	**199**	206	198
Performance fees	**(2)**	2	(6)
Service fees	**37**	37	37
Underwriting & distribution fees	**57**	58	56
Fee income	**$ 291**	$ 303	$ 285
Core net earnings[1]	**$ (32)**	$ 28	$ 8
Less: Financing and other expenses[1]	**(10)**	(10)	(12)
Net earnings (loss)[2]	**$ (42)**	$ 18	$ (4)
Sales (US$)[1]	**$ 14,664**	$ 12,108	$ 10,940
Fee income (US$)			
Investment management fees (US$)	**149**	155	149
Performance fees (US$)	**(2)**	2	(4)
Service fees (US$)	**28**	28	28
Underwriting & distribution fees (US$)	**43**	44	42
Fee income (US$)	**$ 218**	$ 229	$ 215
Core net earnings (US$)[1]	**$ (24)**	$ 21	$ 6
Less: Financing and other expenses (US$)[1]	**(7)**	(8)	(9)
Net earnings (loss) (US$)[2]	**$ (31)**	$ 13	$ (3)
Pre-tax operating margin[1]	**(16.1)%**	7.2%	6.6%
Average assets under management (US$)[1]	**$ 172,403**	$ 178,023	$ 168,049

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.
(2) For the Asset Management business unit, there were no differences between net earnings and base earnings in the periods presented.

Sales

Sales in the first quarter of 2020 increased by US$3.7 billion to US$14.7 billion compared to the same quarter last year, due to an increase in mutual fund sales of US$2.3 billion and an increase in institutional sales of US$1.4 billion.

Sales in the first quarter of 2020 increased by US$2.6 billion compared to the previous quarter, due to a US$1.4 billion increase in mutual fund sales and a US$1.2 billion increase in institutional sales.

Fee income

Fee income is derived primarily from investment management fees, performance fees, transfer agency and other service fees, as well as underwriting and distribution fees. Generally, fees are earned based on AUM and may depend on financial markets, the relative performance of Putnam's investment products, the number of retail accounts and sales. Performance fees are generated on certain mutual funds and institutional portfolios and are generally based on a rolling 36-month performance period for mutual funds and a 12-month performance period for institutional portfolios. Performance fees on mutual funds are symmetric, and as a result, can be positive or negative.

Fee income for the first quarter of 2020 increased by US$3 million to US$218 million compared to the same quarter last year, primarily due to improved mutual fund performance fees.

Fee income for the first quarter of 2020 decreased by US$11 million compared to the prior quarter. The decrease was primarily due to lower investment management fees, driven by lower average AUM, and lower institutional performance fees.

Core earnings and Net earnings

The core net loss for the first quarter of 2020 was US$24 million compared to core net earnings of US$6 million for the same quarter last year. The core net loss increased by US$30 million primarily due to lower net investment income on seed capital driven by the decline in markets during the first quarter of 2020. In the first quarter of 2020, the net loss, including financing and other expenses, was US$31 million compared to US$3 million for the same quarter last year. Financing and other expenses for the first quarter of 2020 decreased by US$2 million to US$7 million compared to the same quarter last year.

The core net loss for the first quarter of 2020 was US$24 million compared to core net earnings of US$21 million for the previous quarter. The core net loss increased by US$45 million due to the same reasons discussed for the in-quarter results as well as lower fee income, driven by lower average AUM and performance fees, and higher operating expenses. The net loss, including financing and other expenses, for the first quarter of 2020 was US$31 million compared to net earnings of US$13 million for the previous quarter. Financing and other expenses for the first quarter of 2020 decreased by US$1 million compared to the previous quarter.

ASSETS UNDER MANAGEMENT[(1)]

Assets under management (US$)[(1)]	For the three months ended		
	March 31 2020	Dec. 31 2019	March 31 2019
Beginning assets	**$ 181,724**	$ 174,191	$ 160,200
Sales - Mutual funds	**9,211**	7,798	6,860
Redemptions - Mutual funds	**(14,091)**	(6,316)	(6,859)
Net asset flows - Mutual funds	**(4,880)**	1,482	1
Sales - Institutional	**5,453**	4,310	4,080
Redemptions - Institutional	**(11,707)**	(5,587)	(6,096)
Net asset flows - Institutional	**(6,254)**	(1,277)	(2,016)
Net asset flows - Total	**(11,134)**	205	(2,015)
Impact of market/performance	**(21,678)**	7,328	12,395
Ending assets	**$ 148,912**	$ 181,724	$ 170,580
Average assets under management			
Mutual funds	**86,356**	86,824	79,484
Institutional assets	**86,047**	91,199	88,565
Total average assets under management	**$ 172,403**	$ 178,023	$ 168,049

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

Average AUM for the three months ended March 31, 2020 were US$172.4 billion, an increase of US$4.4 billion compared to the same quarter last year, primarily due to the cumulative impact of positive markets over the twelve month period. Net asset outflows for the first quarter of 2020 were US$11.1 billion compared to US$2.0 billion in the same quarter last year. In-quarter mutual fund net asset outflows were US$4.9 billion and institutional net asset outflows were US$6.3 billion. Within the institutional category, Putnam's valuation oriented quantitative manager has been experiencing outflows for several quarters. While their performance in this category has been comparable to peers, this style of investing has been in outflows across the industry. During these same time periods, Putnam's active institutional mandates have experienced positive flows.

Average AUM for the three months ended March 31, 2020 decreased by US$5.6 billion compared to the previous quarter, primarily due to the impact of markets and net asset outflows.

UNITED STATES CORPORATE

U.S. Corporate consists of items not associated directly with or allocated to the United States business units, including the impact of certain non-continuing items related to the U.S. segment.

In the first quarter of 2020, net earnings were US$2 million compared to a net loss of US$1 million for the same quarter last year, primarily due to higher net investment income.

In the first quarter of 2020, net earnings were US$2 million compared to a net loss of US$181 million compared to the previous quarter. The fourth quarter of 2019 included the impact of a revaluation of a deferred tax asset of US$151 million and restructuring costs of US$28 million both related to the Asset Management business unit. Excluding these items, net earnings increased by US$4 million primarily due to lower operating expenses.

EUROPE

The Europe segment comprises three distinct business units: United Kingdom, Ireland and Germany, together with an allocation of a portion of Lifeco's corporate results.

The core products offered in the U.K. are bulk and individual payout annuities, equity release mortgages, investments (including life bonds, retirement drawdown and pension), individual protection and group insurance. These products are distributed through independent financial advisors and employee benefit consultants.

The core products offered by Irish Life in Ireland are savings and investments, individual and group life insurance, health insurance and pension products. These products are distributed through independent brokers, a direct sales force and tied agent bank branches. Irish Life Health offers individual and corporate health plans, distributed through independent brokers and direct channels. Irish Life Investment Managers (ILIM) is one of the Company's fund management operations in Ireland with approximately €85 billion of assets under management. In addition to managing assets on behalf of companies in the Lifeco group, ILIM also manages assets for a wide range of institutional and retail clients, occupational defined benefit and defined contribution pension schemes, large multinational corporations, charities and domestic companies.

The German business unit offers pension, lifetime GMWB and individual protection products that are distributed through independent brokers and multi-tied agents.

TRANSLATION OF FOREIGN CURRENCY

Foreign currency assets and liabilities are translated into Canadian dollars at the market rate at the end of the financial period. All income and expense items are translated at an average rate for the period.

Impact of currency movement is a non-IFRS financial measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

Selected consolidated financial information - Europe

	For the three months ended		
	March 31 2020	Dec. 31 2019	March 31 2019
Premiums and deposits[(1)]	**$ 10,460**	$ 7,925	$ 11,906
Sales[(1)]	**9,668**	6,566	11,181
Fee and other income	**333**	377	395
Base earnings[(1)]	**$ 132**	$ 317	$ 163
Items excluded from base earnings[(2)]			
Actuarial assumption changes and management actions[(1)(2)]	**38**	19	70
Market-related impact[(1)(2)]	**(79)**	(9)	(39)
Net gain on Scottish Friendly transaction[(2)]	**—**	8	—
Net earnings	**$ 91**	$ 335	$ 194
Total assets	**$ 165,903**	$ 174,121	$ 170,077
Proprietary mutual funds and institutional net assets[(1)]	**54,067**	56,261	49,829
Total assets under management[(1)]	**219,970**	230,382	219,906
Other assets under administration[(1)]	**50,089**	48,738	45,228
Total assets under administration[(1)(3)]	**$ 270,059**	$ 279,120	$ 265,134

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.
(2) Items excluded from base earnings, a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional information.
(3) At March 31, 2020, total assets under administration excludes $7.1 billion of assets managed for other business units within the Lifeco group of companies ($8.4 billion at December 31, 2019 and $8.4 billion at March 31, 2019).

DEVELOPMENTS AND OUTLOOK

- **COVID-19 Pandemic Impacts**

  The European businesses in the U.K., Ireland and Germany remain focused on supporting customers, communities and employees by providing pensions, protection and wealth management solutions for their financial, physical and mental well-being during this unprecedented time. Products, services and support are being delivered digitally to promote physical distancing and help keep customers, advisors and employees safe.

  In response to the COVID-19 global pandemic, all European businesses have made charitable contributions to organizations supporting the health services and key workers including providing accommodation for health staff, supporting isolated patients and family carers and providing emergency beds and isolation rooms for those accessing homeless services.

  In April 2020, Irish Life announced a reduction in health insurance premiums. The reduction will be applied retrospectively to premiums paid by customers for April, May and June and will be offset against premiums due in the following months. The premium reduction will be in place for the three months when the private hospitals will operate as part of the public health system following temporary changes as a result of the COVID-19 pandemic.

  On March 20, 2020, Canada Life U.K. and Irish Life announced deferral periods of up to 6 months for redemptions and transfers from their Real Estate Unit Linked Life and Pension Funds, as the economic conditions caused by the current COVID-19 pandemic have impacted the global property market and made it difficult to value the properties with the same degree of certainty as usual. In accordance with the property fund terms and conditions management determined the need for this deferral period to protect the long term interests of all fund unitholders. In accordance with the fund terms and conditions the deferral will remain in place until market conditions have stabilized enough to determine valuations with greater certainty and the Company is comfortable with the funds' liquidity position. All the European businesses have established processes in place to facilitate hardship, death claims and certain other withdrawals as required.

- On January 31, 2020, the U.K. left the European Union (EU) and entered a transition arrangement that will last until the end of 2020. The Company's U.K. and other European businesses have taken the necessary steps to handle the immediate impacts of Brexit and will continue to monitor any further steps that may become necessary as the U.K. and the EU negotiate their future relationship.
- As of March 31, 2020, £14 million of pre-tax annualized expense reductions have been achieved relating to the U.K. restructuring program, comparable to December 31, 2019. The Company remains on track to achieve targeted annual expense reductions of £20 million pre-tax by the end of the fourth quarter 2020; however, there could be a delay in the event of a prolonged COVID-19 lockdown in the U.K. The expense reductions are expected to come from various sources, including systems and process improvements and a reduction in headcount.
- On February 3, 2020, Irish Life, through its subsidiary Invesco Limited, completed the acquisition of Acumen & Trust DAC, an Irish financial services consultancy firm expanding into the areas of employee benefits consulting and individual financial advice.
- On February 10, 2020, Irish Life announced the sale of Irish Progressive Services International Limited, a wholly owned subsidiary whose principal activity is the provision of outsourced administration services for life assurance companies, to the FNZ Group. The necessary regulatory approvals have been submitted to the relevant authorities and the transaction is expected to be completed in the second quarter of 2020, subject to regulatory approval. The Company expects to recognize a gain related to this transaction, although it is not expected to have a material impact on the Company's financial results.
- On March 2, 2020, Irish Life acquired Conexim Advisors Limited (Conexim), which provides access to funds, equities, bonds and exchange traded funds across all major markets through an independent platform. Conexim provides its services through financial advisors who provide financial and investment advice to individual and corporate clients. The transaction is not expected to have a material impact on the Company's financial results.

BUSINESS UNITS – EUROPE

UNITED KINGDOM

OPERATING RESULTS

	For the three months ended		
	March 31 2020	Dec. 31 2019	March 31 2019
Premiums and deposits[1]	**$ 1,028**	$ 957	$ 1,233
Sales[1]	**1,102**	1,027	1,216
Fee and other income	**39**	63	56
Base earnings[1]	**$ 72**	$ 233	$ 96
Items excluded from base earnings[2]			
Actuarial assumption changes and management actions[1][2]	**22**	(9)	65
Market-related impact[1][2]	**(3)**	(18)	(39)
Net earnings	**$ 91**	$ 206	$ 122

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.
(2) Items excluded from base earnings, a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional information.

Premiums and deposits
Premiums and deposits for the first quarter of 2020 decreased by $0.2 billion to $1.0 billion compared to the same quarter last year, primarily due to lower payout annuity sales.

Premiums and deposits for the first quarter of 2020 increased by $0.1 billion compared to the previous quarter, primarily due to higher group premiums and higher individual annuity sales, partially offset by lower wealth management sales.

Sales

Sales for the first quarter of 2020 of $1.1 billion decreased by $0.1 billion compared to the same period last year, primarily due to lower bulk and individual annuity sales, partially offset by higher equity release mortgage sales.

Sales for the first quarter of 2020 increased by $0.1 billion compared to the previous quarter, primarily due to higher individual annuity and equity release mortgage sales.

Fee and other income

Fee and other income for the first quarter of 2020 decreased by $17 million to $39 million compared to the same quarter last year, primarily due to lower management fees as a result of the unit-linked policies sold to Scottish Friendly in the fourth quarter of 2019.

Fee and other income for the first quarter of 2020 decreased by $24 million compared to the previous quarter, primarily due to the same reasons discussed for the in-quarter results.

Base earnings

Base earnings for the first quarter of 2020 decreased by $24 million to $72 million compared to the same quarter last year, primarily due to lower impact of new business and unfavourable investment experience partially offset by favourable mortality experience.

Base earnings for the first quarter of 2020 decreased by $161 million compared to the previous quarter, primarily due to unfavourable investment experience and the impact of changes to certain tax estimates partially offset by favourable mortality and morbidity experience. Included in the fourth quarter of 2019 was the resolution of an outstanding issue with a foreign tax authority.

Net earnings

Net earnings for the first quarter of 2020 decreased by $31 million to $91 million compared to the same quarter last year. The decrease was primarily due to the same reasons discussed for base earnings as well as lower contributions from insurance contract liability basis changes related to equity release mortgages basis review and Group Health protection changes, partially offset by the favourable impact of changes to certain tax estimates driven by equity market impacts.

Net earnings for the first quarter of 2020 decreased by $115 million compared to the previous quarter, primarily due to the same reasons discussed for base earnings partially offset by higher contributions from insurance contract liability basis changes related to equity release mortgages basis review and Group Health protection changes and the favourable impact of changes to certain tax estimates driven by equity market impacts.

IRELAND

OPERATING RESULTS

	For the three months ended		
	March 31 2020	Dec. 31 2019	March 31 2019
Premiums and deposits[1][2]	**$ 9,142**	$ 6,602	$ 10,410
Sales[1][2]	**8,480**	5,393	9,888
Fee and other income	**189**	229	235
Base earnings[1]	**$ 27**	$ 52	$ 31
Items excluded from base earnings[3]			
Actuarial assumption changes and management actions[1][3]	**16**	27	4
Market-related impact[1][3]	**(59)**	9	(2)
Net earnings	**$ (16)**	$ 88	$ 33

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.
(2) For the three months ended March 31, 2020, premiums and deposits and sales exclude $0.6 billion of assets managed for other business units within the Lifeco group of companies ($0.2 billion for the three months ended March 31, 2019 and $0.1 billion three months ended December 31, 2019).
(3) Items excluded from base earnings, a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional information.

Premiums and deposits
Premiums and deposits for the first quarter of 2020 decreased by $1.3 billion to $9.1 billion compared to the same quarter last year, primarily due to the arrangement with NN Investment Partners that was entered into in the first quarter of 2019 and the impact of currency movement, partially offset by higher pension sales.

Premiums and deposits for the first quarter of 2020 increased by $2.5 billion compared to the previous quarter, primarily due to higher fund management and pension sales as well as the impact of currency movement.

Sales
Sales for the first quarter of 2020 decreased by $1.4 billion to $8.5 billion compared to the same period last year, primarily due to the same reasons discussed for premiums and deposits for the same period.

Sales for the first quarter of 2020 increased by $3.1 billion compared to the previous quarter, primarily due to the same reasons discussed for premiums and deposits for the same period.

Fee and other income
Fee and other income for the first quarter of 2020 decreased by $46 million to $189 million compared to the same quarter last year, primarily due to a new reinsurance treaty.

Fee and other income for the first quarter of 2020 decreased by $40 million compared to the previous quarter, primarily due to the same reasons discussed for the in-quarter results.

Base earnings
Base earnings for the first quarter of 2020 decreased by $4 million to $27 million compared to the same quarter last year, primarily due to higher expenses, lower contributions from investment experience and unfavourable mortality experience, partially offset by favourable health claims experience.

Base earnings for the first quarter of 2020 decreased by $25 million compared to the previous quarter, primarily due to lower contributions from investment experience as well as lower impact of new business and higher expenses.

Net earnings
The net loss for the first quarter of 2020 was $16 million compared to net earnings of $33 million for the same quarter last year, primarily due to unfavourable market impacts related to unhedged market movements, partially offset by higher contributions from insurance contract liability basis changes. Market impacts are primarily driven by the impact of the equity market declines and volatility and lower interest rates in-quarter on segregated fund guarantees and their related hedging ineffectiveness.

The net loss for the first quarter of 2020 was $16 million compared to net earnings of $88 million for the previous quarter, primarily due to the same reasons discussed for base earnings as well as unfavourable equity market impacts related to unhedged market movements and lower contributions from insurance contract liability basis changes.

GERMANY

OPERATING RESULTS

	For the three months ended		
	March 31 2020	Dec. 31 2019	March 31 2019
Premiums and deposits[1]	**$ 290**	$ 366	$ 263
Sales[1]	**86**	146	77
Fee and other income	**105**	109	104
Base earnings[1]	**$ 36**	$ 34	$ 37
Items excluded from base earnings[2]			
Actuarial assumption changes and management actions[1][2]	**—**	1	1
Market-related impact[1][2]	**(17)**	—	2
Net earnings	**$ 19**	$ 35	$ 40

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional information.
(2) Items excluded from base earnings, a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional information.

Premiums and deposits
Premiums and deposits for the first quarter of 2020 increased by $27 million to $290 million compared to the same quarter last year, primarily due to higher pension sales.

Premiums and deposits for the first quarter of 2020 decreased by $76 million compared to the previous quarter, primarily due to lower pension sales. Pension sales in Germany are seasonal and are typically higher in the fourth quarter.

Sales
Sales for the first quarter of 2020 of $86 million increased by $9 million compared to the same period last year, primarily due to the same reasons discussed for premiums and deposits for the same period.

Sales for the first quarter of 2020 decreased by $60 million compared to the previous quarter, primarily due to the same reasons discussed for premiums and deposits for the same period.

Fee and other income
Fee and other income for the first quarter of 2020 increased by $1 million to $105 million compared to the same quarter last year, primarily due to higher management fees on segregated fund assets.

Fee and other income for the first quarter of 2020 decreased by $4 million compared to the previous quarter, primarily due to lower management fees on segregated fund assets.

Base earnings
Base earnings for the first quarter of 2020 of $36 million were comparable to the same quarter last year.

Base earnings for the first quarter of 2020 increased by $2 million compared to the previous quarter, primarily due to higher contributions from investment experience, partially offset by lower business volumes.

Net earnings
Net earnings for the first quarter of 2020 decreased by $21 million to $19 million compared to the same quarter last year. The decrease was primarily driven by unfavourable equity market impacts related to variable annuity guarantees and included related hedge ineffectiveness.

Net earnings for the first quarter of 2020 decreased by $16 million compared to the previous quarter, primarily due to the same reasons discussed for the in-quarter results.

EUROPE CORPORATE
The Europe Corporate account consists of items not associated directly with or allocated to the Europe business units and the impact of certain non-continuing items.

In the first quarter of 2020, Europe Corporate had a net loss of $3 million compared to $1 million in the same quarter last year, primarily due to higher expenses.

The net loss for the three months ended March 31, 2020 was $3 million compared to net earnings of $6 million for the previous quarter. The fourth quarter of 2019 results included a net gain on the Scottish Friendly transaction of $8 million. Excluding this item, the net loss for the three months ended March 31, 2020 was $3 million compared to $2 million for the previous quarter, primarily due to the same reasons discussed for the in-quarter results.

CAPITAL AND RISK SOLUTIONS
The Capital and Risk Solutions segment of Lifeco includes the operating results of the reinsurance business unit which operates primarily in the U.S., Barbados and Ireland, together with an allocation of a portion of Lifeco's corporate results. Capital and Risk Solutions Corporate consists of items not associated directly with or allocated to the Reinsurance business unit as well as the results for the legacy international businesses.

TRANSLATION OF FOREIGN CURRENCY
Foreign currency assets and liabilities are translated into Canadian dollars at the market rate at the end of the financial period. All income and expense items are translated at an average rate for the period.

Impact of currency movement is a non-IFRS financial measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

Selected consolidated financial information - Capital and Risk Solutions

	For the three months ended		
	March 31, 2020	Dec. 31 2019	March 31, 2019
Premiums and deposits[1]	**$ 4,606**	$ 4,462	$ 4,459
Fee and other income	**3**	2	3
Base earnings[1]	**$ 119**	$ 157	$ 74
Items excluded from base earnings[2]			
Actuarial assumption changes and management actions[1][2]	**4**	(40)	31
Market-related impact[1][2]	**(30)**	—	—
Net earnings	**$ 93**	$ 117	$ 105
Total assets	**$ 15,331**	$ 15,130	$ 15,874
Proprietary mutual funds and institutional net assets[1]	**—**	—	—
Total assets under management[1]	**15,331**	15,130	15,874
Other assets under administration[1]	**—**	—	—
Total assets under administration[1]	**$ 15,331**	$ 15,130	$ 15,874

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.
(2) Items excluded from base earnings, a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional information.

DEVELOPMENTS AND OUTLOOK

- **COVID-19 Pandemic Impacts**

  The Capital and Risk Solutions segment finished 2019 with a strong new business pipeline and has not seen a material impact as a result of the COVID-19 pandemic in the first quarter. In 2020, Capital and Risk Solutions will continue to focus on meeting market demand for life reinsurance involving capital solutions in the U.S. and Europe.

  In Europe, low interest rates and the associated financial impact on reserve and capital positions under Solvency II is a key market dynamic. Capital and Risk Solutions continues to help European clients and other affiliated companies meet these capital challenges through innovative reinsurance solutions. Demand for longevity reinsurance remains very strong and will remain a focus for 2020.

  While it is too soon to assess the longer-term impacts of COVID-19, at this point, Capital and Risk Solutions does not expect a material change in new business expectations for fiscal 2020. Market volatility and increased mortality rates may impact results throughout the year.

BUSINESS UNITS – CAPITAL AND RISK SOLUTIONS

REINSURANCE

OPERATING RESULTS

	For the three months ended		
	March 31 2020	Dec. 31 2019	March 31 2019
Premiums and deposits[1]	**$ 4,601**	$ 4,456	$ 4,454
Fee and other income	**3**	2	3
Base earnings[1]	**$ 120**	$ 162	$ 74
Items excluded from base earnings[2]			
Actuarial assumption changes and management actions[1][2]	**4**	(34)	31
Market-related impact[1][2]	**(30)**	—	—
Net earnings	**$ 94**	$ 128	$ 105

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.
(2) Items excluded from base earnings, a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional information.

Premiums and deposits
Reinsurance premiums can vary significantly from period to period depending on the terms of underlying treaties. For certain life reinsurance transactions, premiums will vary based on the form of the transaction. Treaties where insurance contract liabilities are assumed on a proportionate basis will typically have significantly higher premiums than treaties where claims are not incurred by the reinsurer until a threshold is exceeded. Earnings are not directly correlated to premiums received.

Premiums and deposits for the first quarter of 2020 of $4.6 billion increased by $0.1 billion compared to the same quarter last year and to the previous quarter, primarily due to new reinsurance agreements, partially offset by lower volumes relating to existing business.

Fee and other income
Fee and other income for the first quarter of 2020 of $3 million was comparable to the previous quarter and to the same quarter last year.

Base earnings
Base earnings for the first quarter of 2020 increased by $46 million to $120 million compared to the same quarter last year. The increase was primarily due to favourable impacts from new business and higher business volumes, partially offset by less favourable claims experience in the life business.

Base earnings for the first quarter of 2020 decreased by $42 million compared to the previous quarter, primarily due to less favourable initial impacts from new business, partially offset by higher business volumes and favourable claims experience in the annuity business.

Net earnings
Net earnings for the first quarter of 2020 decreased by $11 million to $94 million compared to the same quarter last year. The decrease was primarily due to lower contributions from insurance contract liability basis changes and an increase in actuarial liabilities on a legacy block of business with investment performance guarantees reflecting negative market related experience during the first quarter of 2020, in addition to the base earnings impacts.

Net earnings for the first quarter of 2020 decreased by $34 million compared to the previous quarter, primarily due to negative market related experience in legacy guaranteed products partially offset by higher contributions from insurance contract liability basis changes, in addition to the base earnings impacts.

CAPITAL AND RISK SOLUTIONS CORPORATE

The net loss for the three months ended March 31, 2020 of $1 million was comparable to the same quarter last year.

For the three months ended March 31, 2020, Capital and Risk Solutions Corporate had a net loss of $1 million compared to $11 million for the previous quarter. Included in the fourth quarter of 2019 were negative contributions from insurance contract liability basis changes associated with the legacy international business.

LIFECO CORPORATE OPERATING RESULTS

The Lifeco Corporate segment includes operating results for activities of Lifeco that are not associated with the major business units of the Company.

For the three months ended March 31, 2020, net earnings of $2 million increased by $8 million compared to the same period last year and the previous quarter, primarily due to higher net investment income and lower operating expenses.

RISK MANAGEMENT AND CONTROL PRACTICES

The Company’s Enterprise Risk Management (ERM) Framework facilitates the alignment of business strategy with risk appetite, informs and improves the deployment of capital; and supports the identification, mitigation and management of exposure to risk and potential losses. The Company’s Risk Function is responsible for establishing and maintaining the Risk Appetite Framework (RAF), the supporting risk policies and risk limit structure, and provides independent risk oversight across the Company’s operations. The Board of Directors is ultimately responsible for the Company's risk governance and associated risk policies. These include the ERM Policy, which establishes the guiding principles of risk management, and the RAF, which reflects the levels and types of risk that the Company is willing to accept to achieve its business objectives. During the first quarter of 2020, there were no significant changes to the Company's risk management and control practices. Refer to the Company's 2019 Annual MD&A for a detailed description of the Company's risk management and control practices.

ACCOUNTING POLICIES

INTERNATIONAL FINANCIAL REPORTING STANDARDS

Due to the evolving nature of IFRS, there are a number of IFRS changes impacting the Company in 2020, as well as standards that could impact the Company in future reporting periods. The Company actively monitors future IFRS changes proposed by the International Accounting Standards Board (IASB) to assess if the changes to the standards may have an impact on the Company's results or operations.

The Company adopted the narrow scope amendments to International Financial Reporting Standards (IFRS) for IFRS 3, *Business Combinations*; IAS 1, *Presentation of Financial Statements;* IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*; IAS 39, *Financial Instruments: Recognition and Measurement* and IFRS 7, *Financial Instruments: Disclosures*, effective January 1, 2020. The adoption of these narrow scope amendments did not have a significant impact on the Company’s financial statements.

For a further description of the impact of the accounting policy change, refer to note 2 of the Company's condensed consolidated interim unaudited financial statements for the period ended March 31, 2020.

On June 26, 2019, the IASB issued an exposure draft covering targeted amendments to IFRS 17, *Insurance Contracts*. On March 17, 2020, the IASB deferred the effective date of the standard by one year until January 1, 2023. In addition, the IASB extended to January 1, 2023 the exemption for insurers to apply the financial instruments standard, IFRS 9, *Financial Instruments*, keeping the alignment of the effective dates for IFRS 9 and IFRS 17. The IASB is planning to issue the final amendments to IFRS 17 in mid-2020.

IFRS 17 will affect how the Company accounts for its insurance contracts and how it reports financial performance in the Consolidated Statements of Earnings, in particular the timing of earnings recognition for insurance contracts. As a result of the new valuation methodologies required under IFRS 17, the Company expects its insurance contract liabilities to increase upon adoption. The adoption of IFRS 17 will also have a significant impact on how insurance contract results are presented and disclosed in the consolidated financial statements and on regulatory and tax regimes that are dependent upon IFRS accounting values. The Company is also actively monitoring potential impacts on regulatory capital and the associated ratios and disclosures. The Company continues to assess all these impacts through its global implementation plan.

There have been no other significant changes to the future accounting policies that could impact the Company, in addition to the disclosure in the December 31, 2019 Annual MD&A.

OTHER INFORMATION

NON-IFRS FINANCIAL MEASURES

The Company uses several non-IFRS measures to measure overall performance of the Company and to assess each of its business units. A financial measure is considered a non-IFRS measure for Canadian securities law purposes if it is presented other than in accordance with generally accepted accounting principles used for the Company's consolidated financial statements. The consolidated financial statements of the Company have been prepared in compliance with IFRS as issued by the IASB. Non-IFRS measures do not have a standardized meaning under IFRS and may not be comparable to similar financial measures presented by other issuers.

Base earnings and base earnings per common share

Base earnings (loss) and financial measures based on base earnings (loss), including base earnings per common share and base return on equity, are non-IFRS financial measures. Base earnings reflect management’s view of the operating performance of the Company and provides an alternate measure to understand the underlying business performance compared to IFRS net earnings. Base earnings (loss) exclude:

- The impact of actuarial assumption changes and management actions;
- The net earnings impact related to the direct equity market and interest rate market impacts on insurance contract liabilities, net of hedging, which includes:
    - the impact of hedge ineffectiveness related to segregated fund guarantee liabilities that are hedged and the performance of the related hedge assets;
    - the impact on segregated fund guarantee liabilities not hedged;
    - the impact on general fund equity and investment properties supporting insurance contract liabilities;
    - other market impacts on insurance contract liabilities and deferred tax liabilities, arising from the difference between actual and expected market movements; and
- Certain items that management believes are not indicative of the Company's underlying business results including restructuring costs, material legal settlements, material impairment charges related to goodwill and intangible assets, impact of substantially enacted income tax rate changes and other tax impairments and gains or losses related to the disposition of a business.

Base earnings

	For the three months ended		
	March 31 2020	Dec. 31 2019	March 31 2019
Base earnings	**$ 543**	$ 831	$ 569
Items excluded from Lifeco base earnings:			
Actuarial assumption changes and management actions	**(52)**	(78)	129
Market-related impacts	**(149)**	(13)	(41)
Revaluation of a deferred tax asset(1)	**—**	(199)	—
Restructuring costs(2)	**—**	(36)	—
Net gain on Scottish Friendly transaction(3)	**—**	8	—
Net earnings - common shareholders	**$ 342**	$ 513	$ 657
Base earnings per common share - basic	**$ 0.585**	$ 0.895	$ 0.576
Items excluded from Lifeco base earnings:			
Actuarial assumption changes and management actions	**(0.056)**	(0.084)	0.131
Market-related impacts	**(0.160)**	(0.014)	(0.042)
Revaluation of a deferred tax asset(1)	**—**	(0.215)	—
Restructuring costs(2)	**—**	(0.039)	—
Net gain on Scottish Friendly transaction(3)	**—**	0.009	—
Net earnings per common share - basic	**$ 0.369**	$ 0.552	$ 0.665

(1) Item excluded from base earnings for the three months ended December 31, 2019 was the impact of the revaluation of a deferred tax of $199 million (US$151 million) related to the Asset Management business unit and is included in Corporate business unit of the U.S. segment.
(2) Item excluded from base earnings for the three months ended December 31, 2019 was $36 million (US$28 million) of restructuring costs relating to the Asset Management business unit and is included in Corporate business unit of the U.S. segment.
(3) Item excluded from base earnings for the three months ended December 31, 2019 was a net gain of $8 million on the sale of a heritage block of individual policies to Scottish Friendly and is included in the Corporate business unit of the Europe segment.

Return on equity (ROE)

The Company has a capital allocation methodology, which allocates financing costs in proportion to allocated capital. For the Canadian, European and Capital and Risk Solutions segments (essentially Canada Life), this allocation method generally tracks the regulatory capital requirements, while for U.S. Financial Services and U.S. Asset Management (Putnam), it tracks the financial statement carrying value of the business units. Total leverage capital is consistently allocated across all business units in proportion to total capital resulting in a debt-to-equity ratio in each business unit mirroring the consolidated Company.

The capital allocation methodology allows the Company to calculate comparable ROE for each business unit. These ROEs are therefore based on the capital the business unit has been allocated and the financing charges associated with that capital. IFRS does not prescribe the calculation of ROE and therefore a comparable measure under IFRS is not available. To determine ROE and base ROE, respectively, net earnings (loss) and base net earnings (loss) for the trailing four quarters are divided by the average common shareholders' equity over the trailing four quarters. This measure provides an indicator of business unit profitability.

Premiums and deposits
Total premiums and deposits include premiums on risk-based insurance and annuity products net of ceded reinsurance (as defined under IFRS), premium equivalents on self-funded group insurance ASO contracts, deposits on individual and group segregated fund products as well as deposits on proprietary mutual funds and institutional accounts. This measure provides an indicator of top-line growth.

Premiums and deposits

	For the three months ended		
	March 31 2020	Dec. 31 2019	March 31 2019
Amounts reported in the financial statements			
Net premium income (Life insurance, guaranteed annuities and insured health products)	**$ 10,906**	$ 9,478	$ 9,595
Policyholder deposits (segregated funds):			
Individual products	**4,226**	5,446	3,632
Group products	**2,068**	1,913	2,094
Premiums and deposits reported in the financial statements	**$ 17,200**	$ 16,837	$ 15,321
Self-funded premium equivalents (ASO contracts)	**812**	841	811
Proprietary mutual funds and institutional deposits	**28,353**	21,418	24,713
Total premiums and deposits	**$ 46,365**	$ 39,096	$ 40,845

Assets under management (AUM) and assets under administration (AUA)
Assets under management and assets under administration are non-IFRS measures that provide an indicator of the size and volume of the Company's overall business.

Assets under management include internally and externally managed funds where the Company has oversight of the investment policies. Services provided in respect of assets under management include the selection of investments, the provision of investment advice and discretionary portfolio management on behalf of clients.

Other assets under administration includes assets where the Company only provides administration services for which the Company earns fees and other income. These assets are beneficially owned by the clients and the Company does not direct the investing activities. Services provided relating to assets under administration include recordkeeping, safekeeping, collecting investment income, settling of transactions or other administrative services. Administrative services are an important aspect of the overall business of the Company and should be considered when comparing volumes, size and trends.

Assets under administration

	March 31 2020	Dec. 31 2019	March 31 2019
Total assets per financial statements	**$ 436,903**	$ 451,167	$ 442,492
Proprietary mutual funds and institutional net assets	**288,309**	320,548	304,230
Total assets under management	**725,212**	771,715	746,722
Other assets under administration	**798,847**	857,966	804,202
Total assets under administration	**$ 1,524,059**	$ 1,629,681	$ 1,550,924

Sales
Sales is a non-IFRS measure for which there is no comparable measure in IFRS and is an indicator of new business growth. Sales are measured according to product type:

- For risk-based insurance and annuity products, sales include 100% of single premium and annualized premiums expected in the first twelve months of the plan.

- Group insurance and ASO sales reflect annualized premiums and premium equivalents for new policies and new benefits covered or expansion of coverage on existing policies.
- For individual wealth management products, sales include deposits on segregated fund products, proprietary mutual funds and institutional accounts as well as deposits on non-proprietary mutual funds.
- For group wealth management products, sales include assets transferred from previous plan providers and the expected annual contributions from the new plan.

Impact of currency movement

Items impacting the Company's Consolidated Statements of Earnings, such as income and benefits and expenses and net earnings, are translated into Canadian dollars at an average rate for the period. For items impacting the Company's Consolidated Balance Sheets, such as assets and liabilities, period end rates are used for currency translation purposes.

Throughout this document a number of terms are used to highlight the impact of foreign exchange on results, such as: "constant currency basis", "impact of currency movement", and "effect of currency translation fluctuations". These measures highlight the impact of changes in currency translation rates on Canadian dollar equivalent IFRS results and have been calculated using the average or period end rates, as appropriate, in effect at the date of the comparative period. These measures provide useful information as it facilitates the comparability of results between periods.

Pre-tax operating margin

For the Company's Asset Management business unit in the U.S. segment, this ratio provides measure of the profitability of the business unit. It is based on the business unit's pre-tax core net earnings (loss) divided by the sum of fee income and net investment income. There is no directly comparable IFRS measure.

Core net earnings (loss)

For its Asset Management business unit in the U.S segment, the Company discloses core net earnings (loss), which is a measure of the business unit's performance. Core net earnings (loss) includes the impact of dealer commissions and software amortization and excludes the impact of certain corporate financing charges and allocations, certain tax adjustments and other non-recurring transactions.

Core net earnings[(1)]

	For the three months ended		
	March 31 2020	Dec. 31 2019	March 31 2019
Core net earnings	**$ (32)**	$ 28	$ 8
Less: Financing and other expenses	**(10)**	(10)	(12)
Net earnings (loss)	**$ (42)**	$ 18	$ (4)
Core net earnings (US$)	**$ (24)**	$ 21	$ 6
Less: Financing and other expenses (US$)	**(7)**	(8)	(9)
Net earnings (loss) (US$)	**$ (31)**	$ 13	$ (3)

(1) For the Asset Management business unit, there were no differences between net earnings and base earnings in the periods presented

DISCLOSURE CONTROLS AND PROCEDURES

The Company’s disclosure controls and procedures are designed to provide reasonable assurance that information relating to the Company which is required to be disclosed in reports filed under provincial and territorial securities legislation is: (a) recorded, processed, summarized and reported within the time periods specified in the provincial and territorial securities legislation, and (b) accumulated and communicated to the Company's senior management, including the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company’s internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company’s management is responsible for establishing and maintaining effective internal control over financial reporting. All internal control systems have inherent limitations and may become ineffective because of changes in conditions. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

There have been no changes during the three month period ended March 31, 2020 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

TRANSACTIONS WITH RELATED PARTIES

Related party transactions have not changed materially from December 31, 2019.

QUARTERLY FINANCIAL INFORMATION

Quarterly financial information (in $ millions, except per share amounts)	**2020**	2019				2018		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Total revenue[1]	**$ 10,273**	$ 10,689	$ 14,374	$ 2,746	$ 16,889	$ 11,699	$ 12,027	$ 10,613
Common shareholders								
Base earnings								
Total	**$ 543**	$ 831	$ 677	$ 614	$ 569	$ 630	$ 509	$ 652
Basic - per share	**0.585**	0.895	0.729	0.654	0.576	0.638	0.515	0.659
Diluted - per share	**0.585**	0.894	0.728	0.653	0.576	0.638	0.515	0.658
Net earnings								
Total	**$ 342**	$ 513	$ 730	$ 459	$ 657	$ 710	$ 689	$ 831
Basic - per share	**0.369**	0.552	0.786	0.489	0.665	0.719	0.697	0.839
Diluted - per share	**0.369**	0.552	0.785	0.489	0.665	0.719	0.697	0.839

(1) Revenue includes the changes in fair value through profit or loss on investment assets, an initial premium ceded to Protective Life ($13,889 million for the three months ended June 30, 2019) and a ceding commission received from Protective Life ($1,080 million for the three months ended June 30, 2019) related to the sale, via indemnity reinsurance, of the individual life insurance and annuity business.

(2) Base earnings attributable to common shareholders and base earnings per common share are non-IFRS measures of earnings performance. The following items were excluded from base earnings in each quarter:

Items excluded from base earnings	**2020**	2019				2018		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Actuarial assumption changes and management actions	**$ (52)**	$ (78)	$ 81	$ 38	$ 129	$ 83	$ 203	$ 209
Market-related impact	**(149)**	(13)	(28)	6	(41)	(3)	33	(22)
Net charge on the sale, via indemnity reinsurance, of the U.S. individual life insurance and annuity	**—**	—	—	(199)	—	—	—	—
Restructuring costs	**—**	(36)	—	—	—	—	(56)	—
Revaluation of a deferred tax asset	**—**	(199)	—	—	—	—	—	—
Net gain on Scottish Friendly transaction	**—**	8	—	—	—	—	—	—
Tax legislative changes	**—**	—	—	—	—	—	—	5
Legal accrual	**—**	—	—	—	—	—	—	(13)
Total	**$ (201)**	$ (318)	$ 53	$ (155)	$ 88	$ 80	$ 180	$ 179

Lifeco's consolidated net earnings attributable to common shareholders were $342 million for the first quarter of 2020 compared to $657 million reported a year ago. On a per share basis, this represents $0.369 per common share ($0.369 diluted) for the first quarter of 2020 compared to $0.665 per common share ($0.665 diluted) a year ago.

Total revenue for the first quarter of 2020 was $10,273 million and comprises premium income of $10,906 million, regular net investment income of $1,314 million, a negative change in fair value through profit or loss on investment assets of $3,388 million and fee and other income of $1,441 million.

TRANSLATION OF FOREIGN CURRENCY

Through its operating subsidiaries, Lifeco conducts business in multiple currencies. The four primary currencies are the Canadian dollar, U.S. dollar, British pound and the euro. Throughout this document, foreign currency assets and liabilities are translated into Canadian dollars at the market rate at the end of the reporting period. All income and expense items are translated at an average rate for the period. The rates employed are:

Translation of foreign currency **Period ended**	**Mar. 31 2020**	Dec. 31 2019	Sept. 30 2019	June 30 2019	Mar. 31 2019
United States dollar					
Balance sheet	**$ 1.40**	$ 1.30	$ 1.32	$ 1.31	$ 1.34
Income and expenses	**$ 1.34**	$ 1.32	$ 1.32	$ 1.34	$ 1.33
British pound					
Balance sheet	**$ 1.74**	$ 1.72	$ 1.63	$ 1.66	$ 1.74
Income and expenses	**$ 1.72**	$ 1.70	$ 1.63	$ 1.72	$ 1.73
Euro					
Balance sheet	**$ 1.55**	$ 1.46	$ 1.44	$ 1.49	$ 1.50
Income and expenses	**$ 1.48**	$ 1.46	$ 1.47	$ 1.50	$ 1.51

Additional information relating to Lifeco, including Lifeco's most recent consolidated financial statements, CEO/CFO certification and Annual Information Form are available at www.sedar.com.