

SUSTAINABLE GROWTH



Industrial Alliance Insurance and Financial Services Inc.

Management's Discussion and Analysis for the First Quarter of 2019

May 9, 2019



MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis for Industrial Alliance Insurance and Financial Services Inc. ("iA Insurance" or the "Company") is dated May 9, 2019. iA Financial Corporation Inc. ("iA Financial Corporation") became the parent company of iA Insurance on January 1, 2019, pursuant to a plan of arrangement (the "arrangement"). This Management's Discussion and Analysis should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2019 and 2018. It should also be read with the Management's Discussion and Analysis and the audited consolidated financial statements for the year ended December 31, 2018. The Rolling Nine Quarters Financial Information Package may contain additional data that complements the information in this Management's Discussion and Analysis.

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HIGHLIGHTS¹

Profitability – In the first quarter of 2019, iA Insurance recorded net income attributed to its sole common shareholder, iA Financial Corporation, of \$151.3 million, an increase of \$12.1 million over \$139.2 million a year earlier. This growth is mainly explained by increased revenues, essentially in net premiums and investment income.

Business growth – Total assets under management and administration grew 7% during the quarter to reach \$181.0 billion at March 31, 2019, an increase of 4% over \$173.9 billion a year earlier. Premiums and deposits totalled nearly \$3.0 billion for the quarter, slightly up from first quarter 2018 (+2%). In Canada, first quarter sales were good for Group Insurance, Group Savings and Retirement, segregated funds, car loans and iA Auto and Home. Individual Insurance sales were down year over year (-5% in minimum premiums) and mutual funds recorded net outflows. In US Operations, sales were particularly strong in both Individual Insurance and Dealer Services.

Financial position – The solvency ratio was 123% at March 31, 2019, compared to 120% a year earlier and 126% at the the end of the previous quarter. This is above the minimum required by regulatory authorities as well as the Company's target range of 110% to 116%.

Dividend – On February 14, 2019, the Board of Directors of iA Insurance approved a dividend of \$1.6578 per common share to be paid in the first quarter of 2019 to its sole common shareholder, iA Financial Corporation, for a total of \$180 million. After quarter-end, a dividend totalling \$90 million was authorized by the Board of Directors to be paid by iA Insurance in the second quarter to its sole shareholder, iA Financial Corporation.

Litigation – The Company is involved in litigation with a third party, Ituna Investment LP (Ituna), which was seeking to use insurance contracts for purposes not originally intended. The application was heard by the Court of Queen's Bench for Saskatchewan in September 2018. Subsequent to this application, the government of Saskatchewan published new regulations limiting the amount of premiums an insurer may receive or accept for deposit in life insurance policy side accounts. These regulations are consistent with the position taken by the Company. On March 15, 2019, the Saskatchewan Court of Queen's Bench dismissed, in its entirety, the application commenced by Ituna against the Company. Ituna indicated on April 15 that it would appeal the decision. The Company has always maintained that the position taken by Ituna was legally unfounded. The Company will respond to the appeal with the same conviction.

Board of Directors – The Company's annual meeting will be held on Thursday, May 9, 2019. At the meeting, two new director nominees will be proposed for election by the sole shareholder and the participating policyholders to replace those not seeking another term.

After quarter-end – On April 11, 2019, iA Insurance announced its intention to redeem, on May 16, 2019, its 2.80% subordinated debentures due May 16, 2024, with a nominal value of \$250 million. This redemption is expected to decrease the solvency ratio of iA Insurance by 4 percentage points in the second quarter.

¹ This section presents non-IFRS measures. See "Non-IFRS Financial Information" at the end of this document.

ANALYSIS ACCORDING TO THE FINANCIAL STATEMENTS

The following analysis should be read in conjunction with Note 13 *Segmented Information* in the Company's unaudited interim condensed consolidated financial statements.

Consolidated Income Statements			
(In millions of dollars)	First quarter		
	2019	2018	Variation
Revenues			
Net premiums	2,354.8	2,186.5	168.3
Investment income	2,162.0	(49.4)	2,211.4
Other revenues	410.4	435.0	(24.6)
Total	4,927.2	2,572.1	2,355.1
Less: policy benefits and expenses	4,719.0	2,393.8	2,325.2
Income before income taxes	208.2	178.3	29.9
Less: income taxes	50.5	34.8	15.7
Net income	157.7	143.5	14.2
Less: net income attributed to participating policyholders	0.7	0.5	0.2
Net income attributed to shareholders	157.0	143.0	14.0
Less: preferred share dividends issued by a subsidiary	5.7	3.8	1.9
Net income attributed to common shareholders	151.3	139.2	12.1

Revenues

The following table presents the composition of revenues by line of business.

Revenues by Line of Business							
(In millions of dollars)	First quarter						
	Individual Insurance	Individual Wealth Management	Group Insurance	Group Savings and Retirement	US Operations	Other	Total
Net premiums	387.8	720.1	396.7	660.3	114.8	75.1	2,354.8
<i>Variation vs. 2018</i>	<i>(4.0)</i>	<i>(7.2)</i>	<i>22.3</i>	<i>140.5</i>	<i>13.3</i>	<i>3.4</i>	<i>168.3</i>
Investment income	1,826.5	24.8	65.6	154.0	51.8	39.3	2,162.0
<i>Variation vs. 2018</i>	<i>1,961.7</i>	<i>0.7</i>	<i>44.9</i>	<i>127.9</i>	<i>74.8</i>	<i>1.4</i>	<i>2,211.4</i>
Other revenues	29.0	354.1	14.4	24.5	17.5	(29.1)	410.4
<i>Variation vs. 2018</i>	<i>(3.2)</i>	<i>(18.0)</i>	<i>0.3</i>	<i>1.9</i>	<i>0.6</i>	<i>(6.2)</i>	<i>(24.6)</i>
Total	2,243.3	1,099.0	476.7	838.8	184.1	85.3	4,927.2
<i>Variation vs. 2018</i>	<i>1,954.5</i>	<i>(24.5)</i>	<i>67.5</i>	<i>270.3</i>	<i>88.7</i>	<i>(1.4)</i>	<i>2,355.1</i>

Net premiums – The \$168.3 million increase over the first quarter of 2018 is mainly explained by:

- Premium growth from major contracts in Group Savings and Retirement.
- Net premium growth in Group Insurance and US Operations.

Other factors that can cause premiums to fluctuate from one quarter to another are generally as follows:

- The tendency of clients to concentrate their deposits in registered retirement savings products during the first 60 days of the year.
- Stock market behaviour and the signing of new agreements with large groups in the group business lines.

Note that net premiums include amounts invested by insureds in the Company's segregated funds, but do not include those invested by clients in mutual funds.

Investment income – The \$2,211.4 million increase in investment income compared to first quarter 2018 is mainly due to the increase in the fair value of bond investments and derivatives resulting from the variation in interest rates in the first quarter of 2019 versus first quarter 2018. It is also explained by an increase in the fair value of the equity portfolio attributable to the markets.

Note that investment income mostly fluctuates based on variations in the fair value of investments due to changes in interest rates, stock markets and issuer spreads, particularly for bonds, equities and derivatives. Investment income also varies based on interest income, dividends, rental income from real estate and realized profits and losses on the disposition of available-for-sale assets.

From an accounting standpoint, the majority of stocks and bonds are classified as “Designated at fair value through profit or loss” and are used as underlying assets for the provisions for future policy benefits. The variation in the fair value of these assets is therefore reflected in the increase (decrease) in insurance contract liabilities.

Other revenues – Other revenues represent fees earned from the management of segregated funds and mutual funds, income from administrative services only (ASO) contracts, and fee income from the Company's brokerage subsidiaries and assets managed for third parties. Other revenues decreased \$24.6 million in the first quarter of 2019 versus first quarter 2018 due to the variation in stock markets observed at the end of 2018, which affected assets managed for third parties in the individual wealth segment.

Policy Benefits and Expenses

Policy benefits and expenses increased by \$2,325.2 million in the first quarter of 2019 compared to the same period in 2018. The main items contributing to this increase are as follows.

Increased expenses from:

- An increase in insurance contract liabilities. The variation in this liability during a given period reflects a number of factors, including the variation in the fair value and the return on assets matched to the provisions for future policy benefits, the variation in net policy premiums and benefits, net transfers to segregated funds and the variation in the provisions for future policy benefits due to assumption changes.
- An increase in net policy benefits reflecting the normal course of business. Net policy benefits include benefits paid due to death, disability, illness, claims or contract terminations, as well as annuity payments.

The increase in policy benefits and expenses was mitigated by a decrease in the following expenses:

- A positive variation in reinsurance assets in 2019 versus the previous year. This item is generally influenced by the same factors that influence the variation in insurance contract liabilities.
- A decrease in net transfers to segregated funds compared to 2018 in the individual wealth and group savings business lines.

Income Taxes

For the first quarter of 2019, the Company recorded an income tax expense of \$50.5 million, compared to \$34.8 million in 2018. These amounts represent the Company's tax expense net of adjustments for prior years.

Net Income Attributed to Common Shareholders

Net income attributed to common shareholders totalled \$151.3 million for the first quarter of 2019, compared to \$139.2 million for the same period last year. The increase is primarily explained by the factors mentioned above.

The following table presents a summary of iA Insurance's financial results for the last eight quarters.

Selected Financial Data								
(In millions of dollars, unless otherwise indicated)	2019	2018				2017		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues	4,927.2	2,587.4	1,980.2	2,772.7	2,572.1	3,680.2	1,622.8	3,116.1
Net income attributed to common shareholders	151.3	149.5	164.9	159.1	139.2	132.8	144.9	127.5
Earnings per common share								
Basic	\$1.39	\$1.37	\$1.50	\$1.45	\$1.30	\$1.25	\$1.36	\$1.20
Diluted	\$1.39	\$1.36	\$1.50	\$1.44	\$1.29	\$1.24	\$1.35	\$1.19

Related Party Transactions

The Company has entered into a financing agreement with iA Financial Corporation in the amount of \$80 million, to be used only to finance iA Financial Corporation's Normal Course Issuer Bid program.

Liquidity

To honour its commitments, the Company maintains a sufficient level of liquidity by holding a good proportion of marketable securities and strictly managing cash flows and matching.

Given the volatility of the financial markets, the Company carries out simulations to measure its liquidity needs under various scenarios, some of which can be qualified as extreme. In light of these simulations, and given the quality of its investment portfolio, the Company believes its current level of liquidity is not an issue.

For more information on liquidity risk and how this risk is managed, refer to the "Risk Management" section of the *2018 Annual Report*.

The Company also has certain investment commitments as well as a line of credit. Its investment commitments correspond to various contractual commitments related to commercial and residential loan offers, private placements, joint ventures and real estate which are not reflected in the financial statements and may not be fulfilled.

Accounting Policies and Main Accounting Estimates

The Company's first quarter unaudited interim condensed consolidated financial statements were prepared as outlined in Note 1 *General Information* of the financial statements.

The preparation of financial statements requires management to exercise judgment and make estimates and assumptions that affect the reported amounts of assets and liabilities, net income and additional information. Actual results could differ from management's best estimates. Management has exercised its judgment and made estimates and assumptions as outlined in Note 2 b) of the consolidated financial statements in the *2018 Annual Report*.

More information on new accounting standards used and changes in accounting policies is presented in Note 2 *Changes in Accounting Policies* of the unaudited interim condensed consolidated financial statements.

INVESTMENTS

Investment Mix			
(In millions of dollars, unless otherwise indicated)	March 31, 2019	December 31, 2018	March 31, 2018
Book value of investments	36,516.7	34,578.9	33,992.4
Allocation of investments by asset class			
Bonds	69.0%	68.3%	69.2%
Stocks	8.5%	8.8%	9.9%
Mortgages and other loans	10.1%	10.6%	9.7%
Investment properties	4.7%	5.0%	4.0%
Policy loans	2.6%	2.7%	2.7%
Cash and short-term investments	2.4%	3.0%	2.7%
Other	2.7%	1.6%	1.8%
Total	100.0%	100.0%	100.0%

The total value of the investment portfolio amounted to \$36.5 billion at March 31, 2019, up from December 31, 2018. The above table shows the main asset classes that make up the Company's investment portfolio and the allocation of investments, which has remained relatively stable since the previous quarter.

Quality of Investments			
(In millions of dollars, unless otherwise indicated)	March 31, 2019	December 31, 2018	March 31, 2018
Gross impaired investments	24.2	24.5	27.3
Provisions for impaired investments	8.6	8.6	6.9
Net impaired investments	15.6	15.9	20.4
Net impaired investments as a % of total investments	0.04%	0.05%	0.06%
Bonds – Proportion rated BB or lower	0.92%	0.78%	0.86%

The indices in the above table confirm the quality of the investment portfolio in the first quarter.

Derivative Financial Instruments			
(In millions of dollars, unless otherwise indicated)	March 31, 2019	December 31, 2018	March 31, 2018
Total notional amount (\$B)	19.5	17.4	14.4
Company's credit risk			
AA - or higher	100%	100%	100%
A +	—	—	—
Positive fair value	657.1	224.9	305.1
Negative fair value	237.1	429.2	250.9

The Company uses derivative financial instruments in the normal course of managing the risks associated with fluctuations in interest rates, stock markets, currencies and the fair value of invested assets. These instruments are composed of various types of contracts, including interest rate swaps, market index and exchange rate contracts, as well as forward agreements and futures contracts.

Derivative financial instruments are used as part of the Company's hedging program designed to alleviate the sensitivity of segregated fund guarantees to interest rate and stock market fluctuations. They are also used to hedge the Company's foreign exchange and interest rate risks and as part of investment strategies to reduce the Company's risk profile.

The positive fair value represents the amounts payable to the Company by the different counterparties. This amount fluctuates from one period to another according to changes in interest rates, equity markets and exchange rates. Conversely, negative fair value represents the amount payable by the Company to the different counterparties.

For more information, refer to Note 3 and Note 6 of the Company's unaudited interim condensed consolidated financial statements.

FINANCIAL POSITION

In accordance with the terms of the arrangement, the Company's class A preferred shares and debentures issued and outstanding at the effective date of the arrangement are guaranteed by iA Financial Corporation. If iA Insurance should default on its obligations, iA Financial Corporation will be jointly and severally liable with iA Insurance for payments in connection with the debentures and preferred shares.

Capital			
(In millions of dollars)	March 31, 2019	December 31, 2018	March 31, 2018
Equity			
Common shares	1,655.5	1,655.5	1,668.0
Preferred shares	525.0	525.0	525.0
Contributed surplus	—	22.8	20.2
Retained earnings ^{2,3}	3,396.1	3,447.0	3,135.0
Accumulated other comprehensive income	84.8	22.5	36.7
Subtotal	5,661.4	5,672.8	5,384.9
Debentures	901.5	901.4	1,000.4
Participating policyholders' accounts	45.7	45.3	41.5
Total	6,608.6	6,619.5	6,426.8

The Company's capital totalled \$6,608.6 million at March 31, 2019, compared with \$6,619.5 million at December 31, 2018 and \$6,426.8 million at March 31, 2018.

The variation during the quarter is mainly explained by the transfer of the contributed surplus related to the stock option plan from iA Insurance to iA Financial Corporation and the decrease in retained earnings resulting in part from the payment of a dividend to the sole common shareholder, iA Financial Corporation, as explained in the next section.

Solvency⁴			
(In millions of dollars, unless otherwise indicated)	March 31, 2019	December 31, 2018	March 31, 2018
Available capital, surplus allowance and eligible deposits	8,695.5	8,514.5	8,527.4
Base solvency buffer	7,047.5	6,755.2	7,106.8
Solvency ratio	123%	126%	120%

iA Insurance ended the first quarter of 2019 with a solvency ratio of 123%, compared to 120% a year earlier and 126% at the the end of the previous quarter. The variation from the ratio at December 31, 2018 is due to the net impact of the following items: organic capital generation, which includes the contribution of earnings net of dividends paid to shareholders (+1 percentage point); the impact of investment strategies to reduce macroeconomic risks (+0.5 percentage points); the implementation of IFRS-16 for lease contracts (-1 percentage point); macroeconomic changes, mainly reduced credit spreads (-1.5 percentage points); the Normal Course Issuer Bid (-1 percentage point); and the dividend paid to iA Financial Corporation (-1 percentage point). The Company's solvency ratio target range is 110% to 116%.

² In the fourth quarter of 2018, the Company made an adjustment to the estimates used to establish income taxes payable in prior periods by decreasing the retained earnings as at January 1, 2017 by \$58 million.

³ In Q3-2018, a retroactive adjustment was made following the application of IFRS-15 on January 1, 2018.

⁴ This table uses non-IFRS measures to assess the Company's ability to meet regulatory capital requirements.

DECLARATION OF DIVIDEND

The Board of Directors of iA Insurance approved a quarterly dividend of \$0.2875 per Non-Cumulative Class A Preferred Share – Series B, \$0.2360625 per Non-Cumulative Class A Preferred Share – Series G, and \$0.3000 per Non-Cumulative Class A Preferred Share – Series I.

Following are the amounts and dates of payment and closing of registers for the various categories of iA Insurance's preferred shares.

Declaration of Dividend				
	Amount	Payment date	Closing date	
Class A Preferred Share – Series B	\$0.2875	July 2, 2019	May 31, 2019	Non-cumulative dividend
Class A Preferred Share – Series G	\$0.2360625	July 2, 2019	May 31, 2019	Non-cumulative dividend
Class A Preferred Share – Series I	\$0.3000	July 2, 2019	May 31, 2019	Non-cumulative dividend

In addition, on February 14, 2019, the Board of Directors of iA Insurance approved a dividend of \$1.6578 per common share to be paid in the first quarter of 2019 to its sole common shareholder, iA Financial Corporation, for a total of \$180 million. Furthermore, a dividend totalling \$90 million was authorized by the Board of Directors to be paid by iA Insurance in the second quarter to its sole shareholder, iA Financial Corporation.

For the purposes of the *Income Tax Act* (Canada) and any corresponding provincial or territorial tax legislation, all dividends paid by iA Insurance on its common and preferred shares are considered to be eligible dividends.

NOTICE AND GENERAL INFORMATION

Internal Control Over Financial Reporting

No changes were made to the Company's internal control over financial reporting during the interim period ended March 31, 2019, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Non-IFRS Financial Information

iA Insurance reports its financial results and statements in accordance with International Financial Reporting Standards (IFRS). It also publishes certain financial measures that are not based on IFRS (non-IFRS). A financial measure is considered a non-IFRS measure for Canadian securities law purposes if it is presented other than in accordance with the generally accepted accounting principles used for the Company's audited financial statements. These non-IFRS financial measures are often accompanied by and reconciled with IFRS financial measures. For certain non-IFRS financial measures, there are no directly comparable amounts under IFRS. The Company believes that these non-IFRS financial measures provide additional information to better understand the Company's financial results and assess its growth and earnings potential, and that they facilitate comparison of the quarterly and full-year results of the Company's ongoing operations. Since non-IFRS financial measures do not have standardized definitions and meaning, they may differ from the non-IFRS financial measures used by other institutions and should not be viewed as an alternative to measures of financial performance determined in accordance with IFRS. The Company strongly encourages investors to review its financial statements and other publicly-filed reports in their entirety and not to rely on any single financial measure.

Non-IFRS financial measures published by the Company include, but are not limited to: return on common shareholders' equity (ROE), sales, assets under management (AUM), assets under administration (AUA), capital and solvency ratio.

Sales is a non-IFRS measure used to assess the Company's ability to generate new business. They are defined as fund entries on new business written during the period. Net premiums, which are part of the revenues presented in the financial statements, include both fund entries from new business written and in-force contracts. Assets under management and administration is a non-IFRS measure used to assess the Company's ability to generate fees, particularly for investment funds and funds under administration. An analysis of revenues by sector is presented in the Analysis According to the Financial Statements section of the Management's Discussion and Analysis.

Forward-Looking Statements

This Management's Discussion and Analysis may contain statements relating to strategies used by iA Insurance or statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "may", "will", "could", "should", "would", "suspect", "expect", "anticipate", "intend", "plan", "believe", "estimate", and "continue" (or the negative thereof), as well as words such as "objective" or "goal" or other similar words or expressions. Such statements constitute forward-looking statements within the meaning of securities laws. Forward-looking statements include, but are not limited to, information concerning the Company's possible or assumed future operating results. These statements are not historical facts; they represent only the Company's expectations, estimates and projections regarding future events.

Although iA Insurance believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements, and actual results may differ materially from those expressed or implied in such statements. Factors that could cause actual results to differ materially from expectations include, but are not limited to: general business and economic conditions; level of competition and consolidation; changes in laws and regulations including tax laws; liquidity of iA Insurance including the availability of financing to meet existing financial commitments on their expected maturity dates when required; accuracy of information received from counterparties and the ability of counterparties to meet their obligations; accuracy of accounting policies and actuarial methods used by iA Insurance; insurance risks including mortality, morbidity, longevity and policyholder behaviour including the occurrence of natural or man-made disasters, pandemic diseases and acts of terrorism.

Additional information about the material factors that could cause actual results to differ materially from expectations and about material factors or assumptions applied in making forward-looking statements may be found in the "Risk Management" section of the *Management's Discussion and Analysis* for 2018 and in the "Management of Risks Associated with Financial Instruments" note to the audited consolidated financial statements for the year ended December 31, 2018, and elsewhere in iA Insurance's filings with Canadian securities regulators, which are available for review at sedar.com.

The forward-looking statements in this document reflect the Company's expectations as of the date of this Management's Discussion and Analysis. iA Insurance does not undertake to update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events, except as required by law.

Documents Related to the Financial Results

All documents related to the Company's financial results are available on the iA Financial Group website at ia.ca under *About iA*, in the *Investor Relations/Financial Reports* section. More information about the Company can also be found on the SEDAR website at sedar.com, as well as in the Company's Annual Information Form, which can also be found on the iA Financial Group website or the SEDAR website.

Conference Call

Management will hold a conference call to present iA Financial Group's first quarter results on Thursday, May 9, 2019 at 11:30 a.m. (ET). The toll-free dial-in number is 1-800-624-3491. A replay of the conference call will be available for a one-week period, starting at 2:00 p.m. on Thursday, May 9, 2019. To access the conference call replay, dial 1-800-558-5253 (toll-free) and enter access code 21919972. A webcast of the conference call (listen-only mode) will also be available on the Company's website at ia.ca.

Annual Meeting

iA Financial Group is holding its Annual Meeting at 2:00 p.m. (ET) on Thursday, May 9, 2019 at the Quebec City Convention Centre located at 1000 René-Lévesque Boulevard East in Quebec City. Media will have the opportunity to meet with President and Chief Executive Officer Denis Ricard immediately after the meeting at approximately 3:30 p.m. A video and audio webcast of the meeting as well as a copy of management's presentation will be available on the iA Financial Group website at ia.ca under *About iA*, in the *Investor Relations/Events and Presentations* section.

About iA Financial Group

iA Financial Group is one of the largest insurance and wealth management groups in Canada, with operations in the United States. Founded in 1892, it is one of Canada's largest public companies and is listed on the Toronto Stock Exchange under the ticker symbols IAG (common shares) and IAF (preferred shares).

CONSOLIDATED INCOME STATEMENTS

(Unaudited, in millions of dollars, unless otherwise indicated)	Three months ended March 31	
	2019	2018
	\$	\$
Revenues		
Premiums		
Gross premiums	2,541	2,354
Premiums ceded	(186)	(168)
Net premiums (Note 13)	2,355	2,186
Investment income (Note 3)		
Interest and other investment income	326	325
Change in fair value of investments	1,836	(374)
	2,162	(49)
Other revenues	410	435
	4,927	2,572
Policy benefits and expenses		
Gross benefits and claims on contracts	1,494	1,393
Ceded benefits and claims on contracts	(117)	(112)
Net transfer to segregated funds	224	315
Increase (decrease) in insurance contract liabilities	2,350	(50)
Increase in investment contract liabilities	14	1
Decrease (increase) in reinsurance assets	(39)	66
	3,926	1,613
Commissions	385	409
General expenses	361	324
Premium and other taxes	32	31
Financing charges	15	17
	4,719	2,394
Income before income taxes	208	178
Income taxes (Note 12)	50	35
Net income	158	143
Net income attributed to participating policyholders	1	—
Net income attributed to shareholders	157	143
Dividends attributed to preferred shares (Note 9)	6	4
Net income attributed to common shareholders	151	139
Earnings per common share (in dollars) (Note 14)		
Basic	1.39	1.30
Diluted	N/A	1.29

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In millions of dollars)	As at March 31 2019 (unaudited) \$	As at December 31 2018 \$
Assets		
Cash and short-term investments	861	1,046
Bonds	25,229	23,592
Stocks	3,095	3,055
Mortgages and other loans	3,671	3,661
Derivative financial instruments (Note 6)	657	225
Policy loans	946	951
Other invested assets	337	329
Investment properties	1,721	1,720
Total investments (Note 3)	36,517	34,579
Other assets	2,758	2,172
Reinsurance assets	1,042	1,001
Fixed assets	416	277
Deferred income tax assets	28	26
Intangible assets	1,083	1,071
Goodwill	631	633
General fund assets	42,475	39,759
Segregated funds net assets (Note 7)	25,759	23,781
Total assets	68,234	63,540
Liabilities		
Insurance contract liabilities	28,284	25,940
Investment contract liabilities	628	630
Derivative financial instruments (Note 6)	237	429
Other liabilities	6,448	5,875
Deferred income tax liabilities	270	266
Debentures (Note 8)	901	901
General fund liabilities	36,768	34,041
Segregated funds liabilities (Note 7)	25,759	23,781
Total liabilities	62,527	57,822
Equity		
Share capital and contributed surplus	2,180	2,203
Retained earnings and accumulated other comprehensive income	3,481	3,470
Participating policyholders' accounts	46	45
	5,707	5,718
Total liabilities and equity	68,234	63,540

SEGMENTED INFORMATION

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

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

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

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

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

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

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

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

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

SEGMENTED INFORMATION (Continued)**Segmented Income Statements**

(Unaudited, in millions of Canadian dollars)

Three months ended March 31, 2019

	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
	\$	\$	\$	\$	\$	\$	\$
Revenues							
Net premiums	388	720	397	660	115	75	2,355
Investment income	1,826	25	66	154	52	39	2,162
Other revenues	29	354	14	25	17	(29)	410
	2,243	1,099	477	839	184	85	4,927
Operating expenses							
Gross benefits and claims on contracts	226	520	291	315	98	44	1,494
Ceded benefits and claims on contracts	(52)	—	(15)	(6)	(54)	10	(117)
Net transfer to segregated funds	—	147	—	77	—	—	224
Increase (decrease) in insurance contract liabilities	1,788	59	11	415	89	(12)	2,350
Increase in investment contract liabilities	—	—	14	—	—	—	14
Decrease (increase) in reinsurance assets	(15)	—	2	3	(40)	11	(39)
Commissions, general and other expenses	200	323	145	26	79	5	778
Financing charges	5	—	6	—	—	4	15
	2,152	1,049	454	830	172	62	4,719
Income before income taxes and allocation of other activities	91	50	23	9	12	23	208
Allocation of other activities	19	(2)	1	1	4	(23)	—
Income before income taxes	110	48	24	10	16	—	208
Income taxes	25	13	6	3	3	—	50
Net income	85	35	18	7	13	—	158
Net income attributed to participating policyholders	1	—	—	—	—	—	1
Net income attributed to shareholders	84	35	18	7	13	—	157

SEGMENTED INFORMATION (Continued)**Segmented Income Statements (Continued)**

(Unaudited, in millions of Canadian dollars)

Three months ended March 31, 2018

	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
	\$	\$	\$	\$	\$	\$	\$
Revenues							
Net premiums	392	727	374	520	101	72	2,186
Investment income	(135)	24	21	26	(23)	38	(49)
Other revenues	32	372	14	23	17	(23)	435
	289	1,123	409	569	95	87	2,572
Operating expenses							
Gross benefits and claims on contracts	187	471	279	328	81	47	1,393
Ceded benefits and claims on contracts	(56)	—	(19)	(6)	(41)	10	(112)
Net transfer to segregated funds	—	224	—	91	—	—	315
Increase (decrease) in insurance contract liabilities	(107)	42	(14)	121	(84)	(8)	(50)
Increase in investment contract liabilities	—	—	1	—	—	—	1
Decrease (increase) in reinsurance assets	1	—	(2)	3	59	5	66
Commissions, general and other expenses	192	332	137	24	73	6	764
Financing charges	4	—	4	—	—	9	17
	221	1,069	386	561	88	69	2,394
Income before income taxes and allocation of other activities	68	54	23	8	7	18	178
Allocation of other activities	13	(2)	1	—	6	(18)	—
Income before income taxes	81	52	24	8	13	—	178
Income taxes	14	12	5	2	2	—	35
Net Income	67	40	19	6	11	—	143
Net income attributed to participating policyholders	—	—	—	—	—	—	—
Net income attributed to shareholders	67	40	19	6	11	—	143

SEGMENTED INFORMATION (Continued)**Segmented Premiums**

(Unaudited, in millions of Canadian dollars)

Three months ended March 31, 2019

	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
	\$	\$	\$	\$	\$	\$	\$
Gross premiums							
Invested in general fund	478	109	431	329	198	48	1,593
Invested in segregated funds	—	611	—	337	—	—	948
Total	478	720	431	666	198	48	2,541
Premiums ceded							
Invested in general fund	(90)	—	(34)	(6)	(83)	27	(186)
Net premiums	388	720	397	660	115	75	2,355

(Unaudited, in millions of Canadian dollars)

Three months ended March 31, 2018

	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
	\$	\$	\$	\$	\$	\$	\$
Gross premiums							
Invested in general fund	477	109	418	180	160	46	1,390
Invested in segregated funds	—	618	—	346	—	—	964
Total	477	727	418	526	160	46	2,354
Premiums ceded							
Invested in general fund	(85)	—	(44)	(6)	(59)	26	(168)
Net premiums	392	727	374	520	101	72	2,186

SEGMENTED INFORMATION (Continued)**Segmented Assets and Liabilities**

(Unaudited, in millions of Canadian dollars)

	As at March 31, 2019						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
\$	\$	\$	\$	\$	\$	\$	
Assets							
Invested assets	20,598	1,793	1,877	3,706	958	7,585	36,517
Segregated funds assets	—	15,136	—	10,623	—	—	25,759
Reinsurance assets	(682)	—	231	128	1,353	12	1,042
Other	125	872	—	—	30	3,889	4,916
Total assets	20,041	17,801	2,108	14,457	2,341	11,486	68,234
Liabilities							
Insurance contract liabilities and investment contract liabilities	19,576	1,703	2,175	3,867	1,657	(66)	28,912
Segregated funds liabilities	—	15,136	—	10,623	—	—	25,759
Other	136	35	4	1	—	7,680	7,856
Total liabilities	19,712	16,874	2,179	14,491	1,657	7,614	62,527

(In millions of Canadian dollars)

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