NOTE 21 RISK MANAGEMENT (CONTINUED)

Equity price risk Lifeco has investment policy guidelines in place that provide for prudent investment in equity markets with clearly defined limits to mitigate price risk.

The risks associated with segregated fund guarantees have been mitigated through a hedging program for lifetime Guaranteed Minimum Withdrawal Benefit guarantees using equity futures, currency forwards, and interest rate derivatives. For policies with segregated fund guarantees, Lifeco generally determines insurance contract liabilities at a conditional tail expectation of 75 (CTE75) level.

Some insurance and investment contract liabilities are supported by investment properties, common stocks and private equities, for example, segregated fund products and products with long-tail cash flows. Generally these liabilities will fluctuate in line with equity market values. There will be additional impacts on these liabilities as equity values fluctuate. A 10% increase in equity values would be expected to additionally decrease non-participating insurance and investment contract liabilities by approximately $42 million, causing an increase in net earnings of approximately $34 million. A 10% decrease in equity values would be expected to additionally increase non-participating insurance and investment contract liabilities by approximately $149 million, causing a decrease in net earnings of approximately $113 million.

The best estimate return assumptions for equities are primarily based on long-term historical averages. Changes in the current market could result in changes to these assumptions and will impact both asset and liability cash flows. A 1% increase in the best estimate assumption would be expected to decrease non-participating insurance contract liabilities by approximately $455 million, causing an increase in net earnings of approximately $355 million. A 1% decrease in the best estimate assumption would be expected to increase non-participating insurance contract liabilities by approximately $482 million, causing a decrease in net earnings of approximately $372 million.

IGM FINANCIAL

LIQUIDITY RISK

IGM's liquidity management practices include: controls over liquidity management processes; stress testing of various operating scenarios; and oversight over liquidity management by committees of the board of directors of IGM.

A key liquidity requirement for IGM is the funding of commissions paid on the sale of investment funds. Commissions on the sale of investment funds continue to be paid from operating cash flows.

IGM also maintains sufficient liquidity to fund and temporarily hold mortgages. Through its mortgage banking operations, residential mortgages are sold or securitized to:

> Investors Mortgage and Short Term Income Fund and Investors Canadian Corporate Bond Fund;

> third parties, including Canada Mortgage and Housing Corporation (CMHC) or Canadian bank-sponsored securitization trusts; or

> institutional investors through private placements.

Certain subsidiaries of IGM are approved issuers of National Housing Act Mortgage-Backed Securities (NHA MBS) and approved sellers into the Canada Mortgage Bond Program (CMB Program). This issuer and seller status provides IGM with additional funding sources for residential mortgages. IGM's continued ability to fund residential mortgages through Canadian bank-sponsored securitization trusts and NHA MBS is dependent on securitization market conditions that are subject to change. A condition of the NHA MBS and CMB Programs is that securitized loans be insured by an insurer that is approved by CMHC. The availability of mortgage insurance is dependent upon market conditions that are subject to change.

IGM's contractual obligations were as follows:

DECEMBER 31, 2014	DEMAND	LESS THAN 1 YEAR	1–5 YEARS	AFTER 5 YEARS	TOTAL
Derivative financial instruments	–	9	21	–	30
Deposits and certificates	204	8	8	3	223
Obligations to securitization entities	–	1,249	5,468	37	6,754
Long-term debt	–	–	525	800	1,325
Operation leases	–	55	147	50	252
Pension contributions	–	20	20	–	40
Total contractual obligations	204	1,341	6,189	890	8,624

In addition to IGM's current balance of cash and cash equivalents, liquidity is available through IGM's operating lines of credit. IGM's operating lines of credit with various Schedule I Canadian chartered banks totalled $525 million as at December 31, 2014, unchanged from December 31, 2013. The lines of credit as at December 31, 2014 consisted of committed lines of $350 million ($350 million in 2013) and uncommitted lines of $175 million ($175 million in 2013). IGM has accessed its uncommitted lines of credit in the past; however, any advances made by the banks under the uncommitted lines are at the banks' sole discretion. As at December 31, 2014 and 2013, IGM was not utilizing its committed lines of credit or its uncommitted lines of credit.

IGM's liquidity position and its management of liquidity and funding risk have not changed materially since December 31, 2013.

CREDIT RISK

IGM's cash and cash equivalents, securities holdings, mortgage and investment loan portfolios, and derivatives are subject to credit risk. IGM monitors its credit risk management practices continuously to evaluate their effectiveness.

At December 31, 2014, cash and cash equivalents of $1,216 million ($1,082 million in 2013) consisted of cash balances of $107 million ($89 million in 2013) on deposit with Canadian chartered banks and cash equivalents of $1,109 million ($994 million in 2013). Cash equivalents are composed of Government of Canada treasury bills totalling $191 million ($42 million in 2013), provincial government and government-guaranteed commercial paper of $666 million ($564 million in 2013) and bankers' acceptances issued by Canadian chartered