



Empire Life reports first quarter 2018 results

All numbers expressed in millions of dollars, except per share amounts and as otherwise indicated.

Q1 2018 highlights (compared to Q1 2017)

- Common shareholders' net income of \$38.7 compared to \$50.2
- Earnings per share (basic and diluted) of \$39.30 compared to \$50.91
- Return on common shareholders' equity¹ ("ROE") of 10.8% compared to 15.7%
- Assets under management¹ increased 5.3% to reach \$17.3 billion

(Kingston, ON – May 3, 2018) – The Empire Life Insurance Company ("Empire Life") (TSX: EML.PR.A) today reported common shareholders' net income of \$38.7 million for the first quarter of 2018, compared to \$50.2 million in 2017.

The earnings for the first quarter of 2018 included growth from expected profit on in-force business in the Individual Insurance product line and higher experience gains in Individual Insurance and Employee Benefits product lines. The first quarter of 2017 included gains realized from management actions in the Individual Insurance product line. These gains were not realized in the first quarter of 2018.

"All three of our product lines have performed well with net premiums up 4% year over year and core earnings in line with our expectations. The first quarter of 2017 included above normal investment gains and gains from asset and liability matching initiatives. This quarter, we have implemented the LICAT framework and we continue to have a very strong capital position," says Mark Sylvia, President and CEO.

Financial highlights

(in millions of dollars except per share amounts)	First quarter	
	2018	2017
Common shareholders' net income	\$ 38.7	\$ 50.2
Earnings per share - basic and diluted	\$ 39.30	\$ 50.91
Return on common shareholders' equity (quarterly annualized) ¹	10.8%	15.7%

(in millions of dollars)	First quarter	
	2018	2017
Expected profit on in-force business	\$ 49.0	\$ 43.3
Impact of new business	(3.6)	(4.8)
Experience gains (losses)	4.4	(0.4)
Management actions and changes in assumptions	-	29.6
Earnings on operations before income taxes	49.8	67.7
Earnings on surplus	4.5	1.8
Income before income tax	54.3	69.5
Income taxes	12.3	17.2
Shareholders' net income	42.1	52.3
Dividends on preferred shares	3.4	2.1
Common shareholders' net income	\$ 38.7	\$ 50.2

¹ See non-IFRS Measures

The expected profit on in-force business for the first quarter increased by 13.1% primarily due to growth in the Individual Insurance product line and higher fee income in the Wealth Management product line. The impact of new business was primarily driven by lower new business expenses related to Individual Insurance product line, partially offset by the sales mix for segregated fund business in the Wealth Management product line relative to 2017. The experience gains for the first quarter of 2018 benefited from favourable mortality and surrender experience on the Individual Insurance product line relative to 2017 and improved health and long-term disability claims in the Employee Benefits product line. In the first quarter of 2017, the Wealth Management product line experienced higher investment gains relative to 2018. In addition, management completed several actions to improve the matching of assets and liabilities in the Individual Insurance product line. Earnings on surplus increased primarily due to lower expenses from Empire Life's hedging program and higher assets in surplus in 2018.

Effective January 1, 2018, MCCRSR has been replaced by the Life Insurance Capital Adequacy Test (LICAT). The LICAT is intended to improve the quality of available capital and provide a better alignment of the risk measures with the long-term economics of the life insurance business. The LICAT will behave differently under various economic scenarios when compared to MCCRSR. As a result, LICAT ratios are not comparable to the MCCRSR ratio. The LICAT total ratio was 177.5% at March 31, 2018 well above the requirements set by the Office of the Superintendent of Financial Institutions Canada ("OSFI") as well as Empire Life's minimum internal targets.

On April 26, 2018, Empire Life announced its intention to redeem all of the outstanding \$300 million 2.870% unsecured subordinated debentures on May 31, 2018 at a redemption price equal to the principal amount together with accrued and unpaid interest to that date. The pro-forma LICAT ratio reflecting this redemption would be 162% as of March 31, 2018.

Non-IFRS measures

Empire Life uses non-IFRS measures including return on common shareholders' equity, source of earnings, assets under management, annualized premium sales, gross and net sales for mutual funds, segregated funds and fixed annuities to provide investors with supplemental measures of its operating performance and to highlight trends in its core business that may not otherwise be apparent when relying solely on International Financial Reporting Standards financial measures. Empire Life also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers.

Additional information

All amounts are in Canadian dollars and are based on the unaudited Q1 2018 consolidated financial results of Empire Life for the period ended March 31, 2018. Additional information about Empire Life can be found in Empire Life's long-form non-offering prospectus dated August 5, 2015, short-form prospectus dated February 5, 2016, financial filings for the year ended December 31, 2017 and Annual Information Form. These documents are filed with the Ontario Securities Commission and are available at www.sedar.com. Empire Life's preferred shares are listed on the Toronto Stock Exchange as EML.PR.A (TSX: EML.PR.A).

¹ See non-IFRS Measures

About Empire Life

Established in 1923 and a subsidiary of E-L Financial Corporation Limited, Empire Life provides individual and group life and health insurance, investment and retirement products to Canadians. Our mission is to make it simple, fast and easy for Canadians to get the investment, insurance and group benefits coverage they need to build wealth, generate income, and achieve financial security. As of March 31, 2018 Empire Life had total assets under management of \$17.3 billion. Follow Empire Life on Twitter @EmpireLife or visit www.empire.ca for more information.

– ### –

Contact: Laurie Swinton
Director, Communication Services
613 548-1890, ext. 3374 laurie.swinton@empire.ca
www.empire.ca

¹ See non-IFRS Measures