



Empire Life reports third quarter 2019 results

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

Q3 2019 highlights (compared to Q3 2018)

- Common shareholders' net income of \$35 compared to \$35
- Earnings per share (basic and diluted) of \$35.29 compared to \$35.73
- Return on common shareholders' equity¹ ("ROE") of 8.7% compared to 9.4%

Q3 2019 year-to-date highlights (compared to YTD 2018)

- Common shareholders' net income of \$98 compared to \$131
- Earnings per share (basic and diluted) of \$99.33 compared to \$133.17
- Return on common shareholders' equity¹ ("ROE") 8.4% compared to 11.9%

(Kingston, ON – October 30, 2019) – The Empire Life Insurance Company ("Empire Life") (TSX: EML.PR.A) today reported common shareholders' net income of \$35 million for the third quarter of 2019, compared to \$35 million in 2018. Year-to-date common shareholders' net income was \$98 million compared to \$131 million in 2018.

Earnings for the third quarter were consistent with the same period in 2018. Year to date earnings were lower primarily due to lower earnings from the Individual Insurance and Employee Benefits product lines, partially offset by higher income from Wealth Management and Capital & Surplus.

"One of the most significant issues impacting the Canadian life insurance industry is the low interest rate environment. Despite its impact on our investment earnings, we are satisfied with our after-tax results and our ability to steadily grow the asset base of Empire Life," says Mark Sylvia, President and Chief Executive Officer. "How we do business is changing and evolving, but our commitment to providing superior service to our customers and advisor partners does not change. We are embracing the digital world and are focused on providing our customers with simple, fast and easy digitally-based products that will help them build wealth and protect their financial security."

Financial highlights

(in millions of dollars except per share amounts)	Third quarter		Year to Date	
	2019	2018	2019	2018
Common shareholders' net income	\$ 35	\$ 35	\$ 98	\$ 131
Earnings per share - basic and diluted	\$ 35.29	\$ 35.73	\$ 99.33	\$ 133.17
Return on common shareholders' equity (quarterly annualized) ¹	8.7%	9.4%	8.4%	11.9%

¹ See non-IFRS Measures

Sources of Earnings¹ (in millions of dollars)	Third quarter		Year to Date	
	2019	2018	2019	2018
Expected profit on in-force business	\$ 46	\$ 41	\$ 143	143
Impact of new business	(13)	(1)	(21)	(5)
Experience gains (losses)	(1)	12	(11)	22
Management actions and changes in assumptions	(1)	(9)	(11)	2
Earnings on operations before income taxes	30	43	100	162
Earnings on surplus	18	7	38	22
Income before income tax	\$ 49	\$ 50	\$ 138	184
Income taxes	11	11	30	43
Shareholders' net income	\$ 38	\$ 39	\$ 108	141
Dividends on preferred shares	(3)	(3)	(10)	(10)
Common shareholders' net income	\$ 35	\$ 35	\$ 98	131

The expected profit on in-force business for the third quarter increased by 12% and was stable on a year to date basis, driven primarily by reduced risk margin releases in the Individual Insurance product line.

The impact of new business was primarily driven by an increase in new business strain across all product lines relative to 2018. The impact of new business on the Individual Insurance line is positive when the present value of future profits from the new business exceeds the sum of the margins in the initial policy liabilities for that business plus the expenses incurred at the point of sale.

Experience gains for the third quarter of 2019 and year to date declined from 2018 primarily due to unfavourable changes in bond yields which contributed to an increase in insurance contract liabilities that more than offset fair value gains on fixed income investments in the Individual Insurance line. In addition, there was less favourable claims experience in the Employee Benefits line.

Management actions and changes in assumptions were lower in the third quarter of 2019 relative to the same period in 2018 primarily due to an update of assumptions in the Individual Insurance line in 2018 which did not recur in 2019. On a year to date basis management actions and changes in assumptions were lower primarily due to changes in the fixed income portfolio as part of management's ongoing activities to improve the matching of assets and liabilities in the Individual Insurance line. Enhanced matching generates improved profitability when bond yields are higher, and reduced profitability when bond yields are relatively low.

Earnings on surplus increased for the third quarter of 2019 and year to date relative to 2018 primarily due to higher income from invested assets and lower interest expenses.

Empire Life's Life Insurance Capital Adequacy Test (LICAT) Total Ratio was 149% at September 30, 2019 compared to 149% at December 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.

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.

¹ See non-IFRS Measures

Additional information

All amounts are in Canadian dollars and are based on the unaudited consolidated financial results of Empire Life for the period ended September 30, 2019. Additional information about Empire Life can be found in Empire Life's latest Management's Discussion & Analysis and Annual Information Form.

These documents are filed on Empire Life's profile available at www.sedar.com. Empire Life's Series 1 preferred shares are listed on the Toronto Stock Exchange as EML.PR.A (TSX: EML.PR.A).

About Empire Life

Established in 1923, Empire Life is a subsidiary of E-L Financial Corporation Limited. The Company's 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 September 30, 2019, Empire Life had total assets under management of \$18.1 billion. Follow on Twitter @EmpireLife or visit www.empire.ca for more information.

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¹ See non-IFRS Measures