

Empire Life reports second quarter 2021 results

Q2 2021 highlights (compared to Q2 2020)

- Common shareholders' net income of \$32 million compared to \$48 million
- Earnings per share (basic and diluted) of \$32.09 compared to \$48.42

Q2 2021 year-to-date highlights (compared to YTD 2020)

- Common shareholders' net income of \$189 million compared to \$16 million
- Earnings per share (basic and diluted) of \$191.92 compared to \$16.37
- Return on common shareholders' equity ("ROE") of 18.5% compared to 8%

(Kingston, ON – July 29, 2021) – The Empire Life Insurance Company ("Empire Life") today reported common shareholders' net income of \$32 million for the second quarter of 2021, compared to \$48 million in 2020. Year-to-date common shareholders' net income was \$189 million compared to \$16 million in 2020.

The decrease in second quarter earnings was primarily due to less favourable claims results in the Employee Benefits line and losses on assets classified as Available for Sale in the Capital & Surplus segment compared to gains for the same period in 2020. Year-to-date common shareholders' net income was higher, primarily due to the release of segregated fund guarantee reserves in the first quarter of 2021.

"We continue to be pleased with our financial results this quarter and year to date," says Mark Sylvia, President and Chief Executive Officer. "While our Q2 earnings reflect an increase in employee benefits claims, this is an indication that Canadians are resuming some of the important health care activities perhaps not available to them during the height of the pandemic. And that's very positive news for our society. While we are cautiously optimistic that the worst of the pandemic is behind us, we remain focused on making it simple, fast and easy for Canadians to get the insurance and investment solutions they need and want."

Financial highlights

(in millions of dollars except per share amounts)	Second quarter		Year to date	
	2021	2020	2021	2020
Common shareholders' net income	\$ 32	\$ 48	\$ 189	\$ 16
Earnings per share - basic and diluted	\$ 32.09	\$ 48.42	\$ 191.92	\$ 16.37
	Jun 30	Mar 31	Dec 31	Jun 30
Other Financial Highlights	2021	2021	2020	2020
Return on common shareholders' equity (trailing four quarters) ¹	18.5%	20.3%	8.5%	8.0%
LICAT total ratio	143%	148%	136%	133%

¹ See non-IFRS Measures

Sources of Earnings¹ (in millions of dollars)	Second quarter		Year to date	
	2021	2020	2021	2020
Expected profit on in-force business	\$ 49	\$ 51	\$ 98	\$ 107
Impact of new business	(6)	(4)	(7)	(11)
Experience gains (losses)	(4)	(5)	146	(133)
Management actions and changes in assumptions	5	2	15	25
Earnings on operations before income taxes	43	44	252	(13)
Earnings on surplus	(3)	21	3	39
Income before income tax	40	66	255	26
Income taxes	7	14	62	3
Shareholders' net income	33	51	194	23
Dividends on preferred shares	(1)	(3)	(5)	(7)
Common shareholders' net income	\$ 32	\$ 48	\$ 189	\$ 16

The expected profit on in-force business decreased by 4% for the second quarter and by 9% for the year to date, primarily driven by the Wealth Management line.

The impact of new business increased in the second quarter of 2021 primarily due to increased strain from sales growth in the Employee Benefits line. For the year to date, the impact of new business improved relative to the same period in 2020, primarily due to profit at issue in the Individual Insurance line, partially offset by increased strain at issue in the Wealth Management line. The impact of new business on the Individual Insurance line is positive, creating profit at issue, 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.

Lower experience losses in the second quarter of 2021 were primarily driven by experience gains in the Wealth Management line, partially offset by experience losses in the Individual Insurance and Employee Benefits line. For the year to date, experience gains were primarily driven by a reduction in policy liabilities for segregated fund benefit guarantees, compared to an experience loss from a strengthening of these guarantee liabilities in the first half of 2020.

Management actions and changes in assumptions were driven by management's ongoing activities to improve the matching of assets of liabilities contributing to positive net income gains in the Individual Insurance line.

Earnings on surplus declined for the second quarter and year to date, primarily due to realized losses on assets valued as Available for Sale in this segment compared to realized gains for the comparable periods in 2020.

The Company's Life Insurance Capital Adequacy Test (LICAT) Total Ratio was 143% at June 30, 2021 compared to 136% at December 31, 2020, 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.

Additional information

¹ See non-IFRS Measures

All amounts are in Canadian dollars and are based on the unaudited consolidated financial results of Empire Life for the period ended June 30, 2021. 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.

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. The company's mission is to make it simple, fast and easy for Canadians to get the products and services they need to build wealth, generate income, and achieve financial security. As of June 30, 2021, Empire Life had total assets under management of \$18.9 billion. Follow us on social media @EmpireLife or visit empire.ca for more information.

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¹ See non-IFRS Measures