

Empire Life third quarter 2021 results show solid earnings and strong sales CEO Mark Sylvia credits team resilience and commitment

Q3 2021 highlights (compared to Q3 2020)

- Common shareholders' net income of \$33 million compared to \$51 million
- Earnings per share (basic and diluted) of \$33.78 compared to \$51.91

Q3 2021 year-to-date highlights (compared to YTD 2020)

- Common shareholders' net income of \$222 million compared to \$67 million
- Earnings per share (basic and diluted) of \$225.70 compared to \$68.28
- Return on common shareholders' equity ("ROE") of 16.4% compared to 8.9%

(Kingston, ON – October 28, 2021) – The Empire Life Insurance Company ("Empire Life") today reported common shareholders' net income of \$33 million for the third quarter of 2021, compared to \$51 million in 2020. Year-to-date common shareholders' net income was \$222 million compared to \$67 million in 2020.

The decrease in third quarter earnings was primarily due to lower net income from the Individual Insurance line and unrealized and realized losses on assets 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.

"Sales in all three of our business lines are strong and we had a very successful sub-debt issue late in the quarter, allowing us to further grow and invest in our business," said Mark Sylvia, President and Chief Executive Officer. "We are pleased with our overall results and the continued trend of growth in our premium and fee income. As we move through the challenges brought about by the pandemic, we continue to adjust our business and workforce models. Our employees have demonstrated incredible resilience and commitment to our customers, distribution partners, shareholders, and to each other. It's their support and dedication that allows us to deliver such positive results."

Financial highlights

(in millions of dollars except per share amounts)	Third quarter		Year to date	
	2021	2020	2021	2020
Common shareholders' net income	\$ 33	\$ 51	\$ 222	\$ 67
Earnings per share - basic and diluted	\$ 33.78	\$ 51.91	\$ 225.70	\$ 68.28
	Sep 30	Jun 30	Mar 31	Sep 30
Other Financial Highlights	2021	2021	2021	2020
Return on common shareholders' equity (trailing four quarters) ¹	16.4%	18.5%	20.3%	8.9%
LICAT total ratio	150%	143%	148%	132%

¹ See non-IFRS Measures

Sources of Earnings¹ (in millions of dollars)	Third quarter		Year to date	
	2021	2020	2021	2020
Expected profit on in-force business	\$ 50	\$ 53	\$ 148	\$ 159
Impact of new business	(9)	(3)	(16)	(14)
Experience gains (losses)	(2)	(15)	144	(148)
Management actions and changes in assumptions	2	16	17	40
Earnings on operations before income taxes	41	50	293	37
Earnings on surplus	4	23	7	62
Income before income tax	45	73	300	99
Income taxes	10	19	72	21
Shareholders' net income	35	55	228	77
Dividends on preferred shares	(1)	(3)	(6)	(10)
Common shareholders' net income	\$ 33	\$ 51	\$ 222	\$ 67

¹ See non-IFRS Measures

The expected profit on in-force business decreased by 6% for the third quarter and by 7% for the year to date, primarily driven by the Wealth Management line.

The impact of new business increased in the third quarter of 2021 primarily due to increased strain from the Individual Insurance line. For the year to date, the impact of new business increased relative to the same period in 2020, primarily due to increased strain in the Wealth Management and Employee Benefits lines partially offset by profit at issue in the Individual Insurance 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 third 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 lines. 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 and liabilities contributing to positive net income gains in the Individual Insurance line.

Earnings on surplus declined for the third quarter and year to date, primarily due to realized losses on assets valued as Available for Sale (AFS) 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 150% at September 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.

On October 26, 2021, the Company announced its intention to redeem, on December 16, 2021, all of its outstanding \$200 million 3.383% Unsecured Subordinated Debentures, Series 2016-1 due December 26, 2026, at a redemption price of 100% of the principal amount, together with any accrued and unpaid interest to, but excluding, the Redemption Date.

The redemption has been approved by the Office of the Superintendent of Financial Institutions. After giving effect to the redemption, the LICAT Total Ratio as at September 30, 2021 would have been 142%.

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 consolidated financial results of Empire Life for the period ended September 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 September 30, 2021, Empire Life had total assets under management of \$19 billion. Follow us on social media @EmpireLife or visit empire.ca for more information.

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