

Empire Life reports first quarter 2021 results

Q1 2021 highlights (compared to Q1 2020)

- Common shareholders' net income of \$157 million compared to a net loss of \$32 million
- Earnings per share (basic and diluted) of \$159.82 compared to \$(32.05)
- Return on common shareholders' equity¹ ("ROE") of 20.3% compared to 6.5%

(Kingston, ON – April 29, 2021) – The Empire Life Insurance Company ("Empire Life") today reported common shareholders' net income of \$157 million for the first quarter of 2021, compared to a net loss of \$32 million in 2020.

The increase in first quarter earnings was primarily a result of a decrease in policy liabilities for segregated fund guarantees due to favourable market and interest rate movements.

"We are very pleased with our financial results this quarter," says Mark Sylvia, President and Chief Executive Officer. "At this time last year, none of us expected the extraordinary circumstances brought about by the COVID pandemic would continue for as long as they have. Beyond the market and interest rate influences, to achieve these results under such extraordinary circumstances is a testament to the hard work and determination of our employees and distribution partners who all remain focused – first and foremost – on delivering on our promises to our customers and shareholders."

Financial highlights

(in millions of dollars except per share amounts)	First quarter	
	2021	2020
Common shareholders' net income (loss)	\$ 157	\$ (32)
Earnings per share - basic and diluted	\$ 159.82	\$ (32.05)
Return on common shareholders' equity (trailing 4 quarters) ¹	20.3 %	6.5 %

Sources of Earnings ¹ (in millions of dollars)	First quarter	
	2021	2020
Expected profit on in-force business	\$ 48	\$ 55
Impact of new business	0	(6)
Experience gains (losses)	150	(128)
Management actions and changes in assumptions	9	22
Earnings (losses) on operations before income taxes	208	(57)
Earnings on surplus	6	18
Income (loss) before income tax	\$ 215	\$ (39)
Income taxes	54	(11)
Shareholders' net income (loss)	\$ 161	\$ (28)
Dividends on preferred shares	(3)	(3)
Common shareholders' net income (loss)	\$ 157	\$ (32)

¹ See non-IFRS Measures

The expected profit on in-force business decreased by 13% for the first quarter, primarily driven by the Wealth Management and Individual Insurance lines.

The impact of new business improved in the first quarter of 2021, primarily due to profit at issue in the Individual Insurance line, partially offset by increased strain at issue in the Wealth Management line compared to overall strain from new business in the first quarter of 2020. 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.

Experience gains in the first quarter of 2021 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 quarter 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, although these gains were lower in the first quarter of 2021 relative to the same period in 2020.

Earnings on surplus declined for the first quarter, primarily due to lower unrealized fair value gains on the Company's equity hedging program relative to the same period in 2020.

The Company's Life Insurance Capital Adequacy Test (LICAT) Total Ratio was 148% at March 31, 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

All amounts are in Canadian dollars and are based on the unaudited consolidated financial results of Empire Life for the period ended March 31, 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, 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 March 31, 2021, Empire Life had total assets under management of \$18.6 billion. Follow on Twitter @EmpireLife or visit www.empire.ca for more information.

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Contact: Laurie Swinton, Director, Corporate Communications
613 548-1890, ext. 3374, laurie.swinton@empire.ca

¹ See non-IFRS Measures