



Empire Life reports third quarter 2018 results

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

Q3 2018 highlights (compared to Q3 2017)

- 10% decrease in common shareholders' net income of \$35.2 compared to \$39.1
- Earnings per share (basic and diluted) of \$35.73 compared to \$39.67
- Return on common shareholders' equity¹ ("ROE") of 9.4% compared to 11.6%

Q3 2018 year to date highlights (compared to YTD 2017)

- 7% increase in common shareholders' net income of \$131.2 compared to \$122.6
- Earnings per share (basic and diluted) of \$133.17 compared to \$124.49
- Return on common shareholders' equity¹ ("ROE") of 11.9% compared to 12.4%
- Assets under management¹ increased 2% to reach \$17.2 billion

(Kingston, ON – October 31, 2018) – The Empire Life Insurance Company ("Empire Life") (TSX: EML.PR.A) today reported common shareholders' net income of \$35.2 million for the third quarter of 2018, compared to \$39.1 million in 2017. Year to date common shareholders' net income was \$131.2 million compared to \$122.6 million in 2017.

The decrease in earnings for the third quarter of 2018 compared to 2017 was primarily a result of a \$20 million increase in reserves in the Individual Insurance product line to prepare for anticipated changes in assumptions for policyholder behaviour, mortality and other provisions at year-end. The decrease in earnings was partially offset by higher gains realized from management actions in the Individual Insurance product line and by improved operating results from the Wealth Management and Employee Benefits product lines.

Year to date common shareholders' net income was \$131.2 million compared to \$122.6 million in 2017, primarily due to improved operating performance across all product lines and higher experience gains in the Individual Insurance and Employee Benefits product lines, partially offset by changes in assumptions in the Individual Insurance product line.

"Our focus on using data, digital platforms and strategic partnerships to expand distribution and deliver on the promises we make to our customers has resulted in solid results across all three of our product lines," says Mark Sylvia, President and Chief Executive Officer. "And our capital position, as measured by LICAT, continues to be very strong—above both supervisory and internal targets."

Financial highlights

(in millions of dollars except per share amounts)	Third quarter		Year to date	
	2018	2017	2018	2017
Common shareholders' net income	\$ 35.2	\$ 39.1	\$ 131.2	\$ 122.6
Earnings per share - basic and diluted	\$ 35.73	\$ 39.67	\$ 133.17	\$ 124.49
Return on common shareholders' equity (quarterly annualized) ¹	9.4%	11.6%	11.9%	12.4%

¹ See non-IFRS Measures

Sources of Earnings ¹ (in millions of dollars)	Third quarter		Year to date	
	2018	2017	2018	2017
Expected profit on in-force business	\$ 40.9	\$ 43.6	\$ 142.5	\$ 129.6
Impact of new business	(0.6)	(3.7)	(4.6)	(14.1)
Experience gains (losses)	12.3	14.6	22.4	7.7
Management actions and changes in assumptions	(9.4)	(2.7)	1.8	27.8
Earnings on operations before income taxes	43.2	51.8	162.1	150.9
Earnings on surplus	6.7	3.4	21.8	19.0
Income before income tax	\$ 49.9	\$ 55.1	\$ 184.0	\$ 169.9
Income taxes	11.3	13.7	42.7	40.7
Shareholders' net income	\$ 38.6	\$ 41.4	\$ 141.3	\$ 129.2
Dividends on preferred shares	3.4	2.1	10.1	6.4
Common shareholders' net income	\$ 35.2	\$ 39.1	\$ 131.2	\$ 122.7

The expected profit on in-force business for the third quarter decreased by 6% due to a decline in the Individual Insurance product line, partially offset by growth in the Wealth Management product line. The year to date profit on in-force business increased by 10% primarily due to growth in the Individual Insurance product line and higher fee income in the Wealth Management product line.

Lower new business expenses in the Individual Insurance and the Employee Benefits product lines, and lower segregated fund sales resulted in a favourable result for impact of new business for the third quarter and year to date compared to 2017.

The experience gains for the third quarter of 2018 were mainly driven by lower investment gains in Individual Insurance partially offset by improved health and long-term disability claims in the Employee Benefits product line. Year to date experience gains were mainly driven by higher investment gains and improved surrender and lapse experience in the Individual Insurance product line and improved health and long-term disability claims in the Employee Benefits product line.

Changes in assumptions refers to the impact on actuarial reserves of changing projected assumptions related to policyholder behavior, mortality, investment returns, expenses and other factors. Empire Life regularly reviews assumptions and updates them to reflect current company and industry experience. Third quarter results include an increase in insurance contract liabilities of \$20 million to reflect the impact of changing assumptions related to policyholder behaviour on inforce universal life policies.

Management actions in the third quarter and year to date for 2018 and 2017 were related to the Individual Insurance product line and primarily resulted from improved matching of assets and liabilities. During the first and second quarters of 2018 and first quarter of 2017, there was an increase in investment in real estate limited partnership units which resulted in a gain from updating insurance contract liabilities.

Earnings on surplus increased for the third quarter of 2018, mainly driven by higher income from investments, partially offset by higher interest expenses related to subordinated debt.

Empire Life's Life Insurance Capital Adequacy Test (LICAT) total ratio was 164% at September 30, 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.

¹ See non-IFRS Measures

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 Q3 2018 consolidated financial results of Empire Life for the period ended September 30, 2018. 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 preferred shares are listed on the Toronto Stock Exchange as EML.PR.A (TSX: EML.PR.A).

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 September 30, 2018 Empire Life had total assets under management of \$17.2 billion. Follow Empire Life on Twitter @EmpireLife or visit www.empire.ca for more information.

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¹ See non-IFRS Measures