



Empire Life reports second quarter 2019 results

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

Q2 2019 highlights (compared to Q2 2018)

- Common shareholders' net income of \$20 compared to \$57
- Earnings per share (basic and diluted) of \$20.45 compared to \$58.14
- Return on common shareholders' equity¹ ("ROE") of 5.1% compared to 15.6%

Q2 2019 year-to-date highlights (compared to YTD 2018)

- Common shareholders' net income of \$63 compared to \$96
- Earnings per share (basic and diluted) of \$64.04 compared to \$97.44
- Return on common shareholders' equity¹ ("ROE") 8.2% compared to 13.2%

(Kingston, ON – August 1, 2019) – The Empire Life Insurance Company ("Empire Life") (TSX: EML.PR.A) today reported common shareholders' net income of \$20 million for the second quarter of 2019, compared to \$57 million in 2018. Year-to-date common shareholders' net income was \$63 million compared to \$96 million in 2018.

The decrease in earnings for the second quarter and year to date was primarily a result of lower earnings from the Individual Insurance, Wealth Management and Employee Benefits product lines, partially offset by higher income from Capital & Surplus.

"The continuing low level of interest rates in the second quarter proved to be a significant challenge for our Individual Insurance product line. Our other product lines maintained profitability and we experienced net premium and fee revenue growth in the quarter. Our capital position, as measured by LICAT, continues to be very strong—above both supervisory and internal targets," says Mark Sylvia, President and CEO.

Financial highlights

(in millions of dollars except per share amounts)	Second quarter		Year to Date	
	2019	2018	2019	2018
Common shareholders' net income	\$ 20	\$ 57	\$ 63	\$ 96
Earnings per share - basic and diluted	\$ 20.45	\$ 58.14	\$ 64.04	\$ 97.44
Return on common shareholders' equity (quarterly annualized) ¹	5.1%	15.6%	8.2%	13.2%

¹ See non-IFRS Measures

Sources of Earnings ¹ (in millions of dollars)	Second quarter		Year to Date	
	2019	2018	2018	2017
Expected profit on in-force business	\$ 46	\$ 52	\$ 97	\$ 102
Impact of new business	(6)	(1)	(8)	(4)
Experience gains (losses)	(13)	8	(10)	10
Management actions and changes in assumptions	(9)	10	(10)	11
Earnings on operations before income taxes	17	69	70	119
Earnings on surplus	12	11	20	15
Income before income tax	\$ 29	\$ 80	\$ 90	\$ 134
Income taxes	5	19	19	31
Shareholders' net income	\$ 24	\$ 61	\$ 70	\$ 103
Dividends on preferred shares	(3)	(3)	(7)	(7)
Common shareholders' net income	\$ 20	\$ 57	\$ 63	\$ 96

The expected profit on in-force business for the second quarter decreased by 12% and 5% on a year-to-date basis, driven primarily by lower profit on in-force business in the Individual Insurance product line and, to a lesser extent, by reduced margins on a lower asset base in the Wealth Management product line.

The impact of new business strain was greater in 2019 compared to 2018 mainly driven by the Employee Benefits product line and, to a lesser extent, in the Wealth Management product line. The impact of new business strain for the Individual Insurance product line was positive for each of the 2019 and 2018 periods. The impact of new business 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 second quarter of 2019 and year to date declined from 2018 primarily due to decreases in bonds yields which contributed to an increase in policy liabilities that more than offset fair value gains on fixed income investments in the Individual Insurance product line and less favourable claims experience in the Employee Benefits product line.

Management actions and changes in assumptions declined in the second quarter and year to date due to changes in the fixed income investment portfolio as part of management's ongoing activities to improve the matching of assets and liabilities in the Individual Insurance product line. Enhanced matching generates improved profitability when bond yields are higher, and reduced profitability when bond yields are relatively low.

Earnings on surplus increased primarily due to higher income from invested assets in 2019, and lower interest expenses, partly offset by higher costs for Empire Life's hedging program.

Empire Life's Life Insurance Capital Adequacy Test (LICAT) Total Ratio was 149% at June 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 June 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 June 30, 2019, Empire Life had total assets under management of \$17.8 billion. Follow Empire Life on Twitter @EmpireLife or visit www.empire.ca for more information.

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¹ See non-IFRS Measures