

## Empire Life reports first quarter 2020 results

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

### Q1 2020 highlights (compared to Q1 2019)

- Common shareholders' net loss of \$32 compared to net income of \$43
- Earnings (loss) per share (basic and diluted) of \$(32.05) compared to \$43.59
- Return on common shareholders' equity<sup>1</sup> ("ROE") of (8.0)% compared to 11.2%

(Kingston, ON – April 30, 2020) – The Empire Life Insurance Company ("Empire Life") (TSX: EML.PR.A) today reported a common shareholders' net loss of \$32 million for the first quarter of 2020, compared to net income of \$43 million in 2019.

The decrease in first quarter earnings was primarily a result of significant strengthening of policy liabilities supporting segregated benefit guarantees, partially offset by improved asset liability management trading gains and improved gains from increased yields on inforce assets and liabilities backing the life insurance and annuity lines.

"The impact of COVID-19 resulted in a net loss in the first quarter. Market turmoil from interest rate declines, widened credit spreads and a dramatic drop in equity markets impacted our balance sheet. We have strengthened policy liability reserves to support segregated fund guarantees and other lines of business," says Mark Sylvia, President and Chief Executive Officer. "Despite these challenges, we are confident that our strong capitalization, quick response to the crisis and digital capabilities will enable us to continue to support existing customers and obtain new ones during this crisis."

### Financial highlights

(in millions of dollars except per share amounts)	<b>First quarter</b>	
	<b>2020</b>	<b>2019</b>
<b>Common shareholders' net income (loss)</b>	<b>\$ (32)</b>	<b>\$ 43</b>
<b>Earnings (loss) per share - basic and diluted</b>	<b>\$ (32.05)</b>	<b>\$ 43.59</b>
<b>Return on common shareholders' equity (quarterly annualized)<sup>1</sup></b>	<b>(8.0) %</b>	<b>11.2 %</b>

<sup>1</sup> See non-IFRS Measures

Sources of Earnings <sup>1</sup>	First quarter	
	2020	2019
(in millions of dollars)		
Expected profit on in-force business	\$ 55	\$ 51
Impact of new business	(6)	(2)
Experience gains (losses)	(128)	4
Management actions and changes in assumptions	22	(1)
Earnings (losses) on operations before income taxes	(57)	52
Earnings on surplus	18	8
Income (loss) before income tax	\$ (39)	\$ 60
Income taxes	(11)	14
Shareholders' net income (loss)	\$ (28)	\$ 46
Dividends on preferred shares	(3)	(3)
Common shareholders' net income (loss)	\$ (32)	\$ 43

The expected profit on in-force business increased by 8% for the first quarter, driven primarily by modest increases in all three product lines over the last 12 months.

The impact of new business was similar to the first quarter of 2019. The impact of new business on the Individual Insurance line 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, and this amount was slightly less positive in the first quarter of 2020 compared to the first quarter of 2019.

Experience losses for the first quarter of 2020 declined compared to the first quarter of 2019 primarily due to a significant strengthening of policy liabilities supporting segregated fund benefit guarantees. This was partially offset by improved asset liability trading gains and improved gains from increased yields on inforce assets and liabilities backing the life insurance and annuity lines. In addition, there was less favourable claims experience in the Employee Benefits line.

Management actions and changes in assumptions were higher in the first quarter of 2020 relative to the same period in 2019, primarily due to management's ongoing activities to improve the matching of assets and liabilities in the Individual Insurance line.

Earnings on surplus increased for the first quarter of 2020 relative to 2019, primarily due to higher unrealized fair value gains on the Company's equity hedging program which more than offset unrealized fair value losses on preferred share investments in this segment.

Empire Life's Life Insurance Capital Adequacy Test (LICAT) Total Ratio was 132% at March 31, 2020 compared to 155% at December 31, 2019, 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.

The impact of novel coronavirus (or COVID-19) on Canadian and international business operations, supply chains, travel, consumer confidence and business forecasts, and domestic and international securities markets, is expected to continue through the first half of 2020, and potentially beyond. The Company continues to monitor developments in equity and fixed income markets generally, and in connection with the Company's investment portfolios in particular. While it is too early to predict the impact of COVID-19 related factors, during a time of increased uncertainty and volatility we expect that these events will have an impact on the Company's performance in the near term.

<sup>1</sup> 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 consolidated financial results of Empire Life for the period ended March 31, 2020. 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](http://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 March 31, 2020, Empire Life had total assets under management of \$16 billion. Follow on Twitter @EmpireLife or visit [www.empire.ca](http://www.empire.ca) for more information.

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<sup>1</sup> See non-IFRS Measures