

## Empire Life reports second quarter 2020 results

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

### Q2 2020 highlights (compared to Q2 2019)

- Common shareholders' net income of \$48 compared to \$20
- Earnings per share (basic and diluted) of \$48.42 compared to \$20.45
- Return on common shareholders' equity<sup>1</sup> ("ROE") of 12.4% compared to 5.1%

### Q2 2020 year-to-date highlights (compared to YTD 2019)

- Common shareholders' net income of \$16 compared to \$63
- Earnings per share (basic and diluted) of \$16.37 compared to \$64.04
- Return on common shareholders' equity<sup>1</sup> ("ROE") 2.1% compared to 8.2%

(Kingston, ON – July 29, 2020) – The Empire Life Insurance Company ("Empire Life") (TSX: EML.PR.A) today reported common shareholders' net income of \$48 million for the second quarter of 2020, compared to \$20 million in 2019. Year-to-date common shareholders' net income was \$16 million compared to \$63 million in 2019.

The increase in second quarter earnings was primarily a result of lower claims expenses in the Employee Benefits line and favourable asset liability trading gains in the Individual Insurance line. The decrease in year-to-date earnings was primarily a result of significant strengthening of policy liabilities supporting segregated fund benefit guarantees.

"The low interest rate environment is a significant challenge for the life insurance industry. We rely on fixed income investments to build our reserves. Despite the impact we have seen on our investment income we are satisfied with our net income results in the second quarter," says Mark Sylvia, President and Chief Executive Officer. "Our investments in technology enabled us to quickly pivot our business during the pandemic to ensure the safety of our employees and continue to provide superior service to our customers and their advisors. We are continuing to invest in the development of our digital platform in order to make it simple, fast, and easy for our customers to access our products and services."

### Financial highlights

(in millions of dollars except per share amounts)	Second quarter		Year to date	
	2020	2019	2020	2019
Common shareholders' net income (loss)	\$ 48	\$ 20	\$ 16	\$ 63
Earnings per share - basic and diluted	\$ 48.42	\$ 20.45	\$ 16.37	\$ 64.04
Return on common shareholders' equity (quarterly annualized) <sup>1</sup>	12.4 %	5.1 %	2.1 %	8.2 %

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

<b>Sources of Earnings<sup>1</sup></b> (in millions of dollars)	<b>Second quarter</b>		<b>Year to Date</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Expected profit on in-force business	\$ 51	\$ 46	\$ 107	\$ 97
Impact of new business	(4)	(6)	(11)	(8)
Experience gains (losses)	(5)	(13)	(133)	(10)
Management actions and changes in assumptions	2	(9)	25	(10)
Earnings (losses) on operations before income taxes	44	17	(13)	70
Earnings on surplus	21	12	39	20
Income (loss) before income tax	\$ 66	\$ 29	\$ 26	\$ 90
Income taxes	14	5	3	19
Shareholders' net income (loss)	\$ 51	\$ 24	\$ 23	\$ 70
Dividends on preferred shares	(3)	(3)	(7)	(7)
Common shareholders' net income (loss)	\$ 48	\$ 20	\$ 16	\$ 63

The expected profit on in-force business increased by 11% for the second quarter and by 10% on a year to date basis.

The impact of new business declined in the second quarter of 2020 primarily due to lower new business strain in the Employee Benefits line. Strain from the Individual Insurance line was nil in the second quarter and negative on a year-to-date basis compared to a positive amount in the comparative periods in 2019 primarily due to lower sales in 2020. 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.

Experience losses decreased for the second quarter and increased for the year to date in 2020 compared to the same periods in 2019, primarily due to significant strengthening of policy liabilities supporting segregated fund benefit guarantees. This was partially offset by improved asset liability trading gains, improved gains from increased yields on inforce assets backing the life insurance and annuity products and favourable claims experience in the Employee Benefits line.

Management actions and changes in assumptions were higher in the second quarter and year to date in 2020 relative to the same periods 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 second quarter of 2020 relative to 2019, primarily due to higher realized fair value gains on Available for Sale (AFS) bond assets in this segment.

The Company's Life Insurance Capital Adequacy Test (LICAT) Total Ratio was 133% at June 30, 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.

### **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.

<sup>1</sup> 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, 2020. Additional information about Empire Life can be found in the Company'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 June 30, 2020, Empire Life had total assets under management of \$17.8 billion. Follow on Twitter @EmpireLife or visit [www.empire.ca](http://www.empire.ca) for more information.

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Contact: Julie Tompkins  
Vice-President, Corporate Services & Chief Communications Officer  
613 548-1890, ext. 3301  
[julie.tompkins@empire.ca](mailto:julie.tompkins@empire.ca)  
[www.empire.ca](http://www.empire.ca)

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