

Empire Life reports third quarter 2020 results

Q3 2020 highlights (compared to Q3 2019)

- Common shareholders' net income of \$51 million compared to \$35 million
- Earnings per share (basic and diluted) of \$51.91 compared to \$35.29
- Return on common shareholders' equity¹ ("ROE") of 16.9% compared to 8.7%

Q3 2020 year-to-date highlights (compared to YTD 2019)

- Common shareholders' net income of \$67 million compared to \$98 million
- Earnings per share (basic and diluted) of \$68.28 compared to \$99.33
- Return on common shareholders' equity¹ ("ROE") 5.8% compared to 8.4%

(Kingston, ON – October 29, 2020) – The Empire Life Insurance Company ("Empire Life") (TSX: EML.PR.A) today reported common shareholders' net income of \$51 million for the third quarter of 2020, compared to \$35 million in 2019. Year-to-date common shareholders' net income was \$67 million compared to \$98 million in 2019.

The increase in third quarter earnings was primarily a result of the favourable impact from changes in the investments supporting the Individual Insurance line, partially offset by increases in policy liabilities for segregated fund guarantees.

"During the past six months we have focused on ensuring the continuity of service to our customers and protecting the safety of our employees. We are pleased that we have been able to maintain the earnings momentum that we experienced in the second quarter of this year. We continue to manage our assets prudently in a challenging low interest rate environment", says Mark Sylvia, President and Chief Executive Officer. "Our investments in technology enable us to provide superior service to our customers while working remotely, and we continue to invest in the development of our digital platforms 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)	Third quarter		Year to date	
	2020	2019	2020	2019
Common shareholders' net income	\$ 51	\$ 35	\$ 67	\$ 98
Earnings per share - basic and diluted	\$ 51.91	\$ 35.29	\$ 68.28	\$ 99.33
Return on common shareholders' equity (quarterly annualized) ¹	16.9 %	8.7 %	5.8 %	8.4 %

¹ See non-IFRS Measures

Sources of Earnings¹ (in millions of dollars)	Third quarter		Year to Date	
	2020	2019	2020	2019
Expected profit on in-force business	\$ 53	\$ 46	\$ 159	\$ 143
Impact of new business	(3)	(13)	(14)	(21)
Experience gains (losses)	(15)	(1)	(148)	(11)
Management actions and changes in assumptions	16	(1)	40	(11)
Earnings on operations before income taxes	50	30	37	100
Earnings on surplus	23	18	62	38
Income before income tax	\$ 73	\$ 49	\$ 99	\$ 138
Income taxes	19	11	21	30
Shareholders' net income	\$ 55	\$ 38	\$ 77	\$ 108
Dividends on preferred shares	(3)	(3)	(10)	(10)
Common shareholders' net income	\$ 51	\$ 35	\$ 67	\$ 98

The expected profit on in-force business increased by 15% for the third quarter and by 12% on a year-to-date basis.

The impact of new business was lower in the third quarter of 2020 due to lower new business strain across all lines. Strain from the Individual Insurance line was positive in the third quarter compared to negative strain in the comparative period in 2019, and positive 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 increased for the third 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 third 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 third quarter and year to date 2020 relative to 2019, primarily due to higher realized fair value gains on Available for Sale (AFS) bond assets in this segment.

Empire Life's Life Insurance Capital Adequacy Test (LICAT) Total Ratio was 132% at September 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.

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 September 30, 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. 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 September 30, 2020, Empire Life had total assets under management of \$18.2 billion. Follow on Twitter @EmpireLife or visit www.empire.ca for more information.

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¹ See non-IFRS Measures