



Empire Life reports strong fourth quarter earnings for 2022

Q4 2022 highlights (compared to Q4 2021)

- Common shareholders' net income of \$87 million (compared to \$17 million)
- Earnings per share (basic and diluted) of \$88.93 (compared to \$16.96)

Full year 2022 highlights (compared to full year 2021)

- Common shareholders' net income of \$204 million (compared to \$239 million)
- Earnings per share (basic and diluted) of \$207.32 (compared to \$242.66)

(Kingston, ON – February 23, 2023) – The Empire Life Insurance Company (Empire Life) reported fourth quarter common shareholders' net income of \$87 million for 2022, compared to \$17 million for 2021. Full year common shareholders' net income was \$204 million compared to \$239 million in 2021. The increase in fourth quarter earnings was due to the effect of assumption updates applied in the Individual Insurance line which had a favourable impact on fourth quarter earnings in 2022 compared to an unfavourable impact in 2021. For the year, earnings were lower than 2021, primarily due to the non-recurring release of segregated fund guarantee related policy liabilities which occurred in the first quarter of 2021. In addition, the increase in the yield curves through the year has had a positive impact on 2022 results.

“We are pleased with our net income results in 2022. Despite ongoing economic challenges and rising inflation, we had another successful year,” said Mark Sylvia, President and Chief Executive Officer. “We continue to invest in innovation to continuously improve our products and processes. Our objective remains unchanged: to make it simple, fast and easy for Canadians to get the financial products and solutions that best match their needs.”

Financial highlights

(in millions of dollars except per share amounts)	Fourth quarter		Year	
	2022	2021	2022	2021
Common shareholders' net income	\$ 87	\$ 17	\$ 204	\$ 239
Earnings per share - basic and diluted	\$ 88.93	\$ 16.96	\$ 207.32	\$ 242.66

Other Financial Highlights	Dec 31	Sep 30	Jun 30	Mar 31
	2022	2022	2022	2022
Return on common shareholders' equity (trailing four quarters) ¹	11.9 %	7.6 %	7.0 %	6.7 %
LICAT total ratio	138 %	137 %	139 %	142 %

¹ See non-IFRS Measures

The following table provides a breakdown of the sources of earnings for the fourth quarter and year.

Sources of Earnings (in millions of dollars)	Fourth quarter		Year	
	2022	2021	2022	2021
Expected profit on in-force business	\$ 56	\$ 51	\$ 217	\$ 199
Impact of new business	(3)	(4)	(5)	(20)
Experience gains (losses)	1	15	(53)	159
Management actions and changes in assumptions	52	(55)	107	(38)
Earnings on operations before income taxes	106	6	266	299
Earnings on surplus	7	7	3	14
Income before income tax	113	13	269	313
Income taxes	25	(5)	60	67
Shareholders' net income	88	18	209	246
Dividends on preferred shares	(1)	(1)	(5)	(7)
Common shareholders' net income	\$ 87	\$ 17	\$ 204	\$ 239

The expected profit on in-force business for the fourth quarter and for the year increased primarily due to higher expected levels of assets under management and higher levels of in-force business at the start of the year for all three business lines.

Experience gains for the fourth quarter were lower than the comparable period primarily due to the negative impacts of equity market performance. For the year, experience gains (losses) were significantly lower in 2022 as the comparable period in 2021 included a non-recurring release of segregated fund guarantee related policy liabilities which occurred in the first quarter of 2021. Experience in 2022 included the impact of the current market conditions; positive yield curve impacts offset by poor equity market performance. In addition, the full year line of business experience included: increased expenses in the Wealth Management line from an enhanced commission program on large deposits; Individual Insurance had small lapse gains offset by mortality losses and poor Group Solutions experience caused by both adverse LTD claim experience and the impact of inflation on pricing for Health and Dental lines.

Management actions and changes in assumptions in the fourth quarter of 2022 were more favourable than 2021, primarily due to the impact of increasing yield curves during the year on the discount rate and actuarial assumptions reflected in the third and fourth quarter of 2022.

Earnings on surplus were lower for the full year primarily due to lower realized gains on Available for Sale (AFS) assets caused by the increasing yield curve.

The Company's Life Insurance Capital Adequacy Test (LICAT) Total Ratio was 138% at December 31, 2022 compared to 144% at December 31, 2021, well above the requirements set by the Office of the Superintendent of Financial Institutions Canada (OSFI) as well as Empire Life's minimum internal target.

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 consolidated financial results of Empire Life for the year ended December 31, 2022. 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

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. The company's mission is to make it simple, fast and easy for Canadians to get the products and services they need to build wealth, generate income, and achieve financial security. As of December 31, 2022, Empire Life had total assets under management of \$ 17.3 billion. Follow us on social media @EmpireLife or visit empire.ca for more information.

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