

## Empire Life reports record earnings for 2021

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

### **Q4 2021 highlights (compared to Q4 2020)**

- Decrease in common shareholders' net income to \$17 compared to \$72
- Earnings per share (basic and diluted) of \$16.96 compared to \$73.53

### **2021 full year highlights (compared to full year 2020)**

- Increase in common shareholders' net income to \$239 compared to \$140
- Earnings per share (basic and diluted) of \$242.66 compared to \$141.80
- Return on common shareholders' equity<sup>1</sup> ("ROE") of 13.8% compared to 8.9%
- Assets under management<sup>1</sup> increased to \$19.6 billion

(Kingston, ON – February 23, 2022) – The Empire Life Insurance Company ("Empire Life") today reported common shareholders' net income of \$17 million for the fourth quarter of 2021, compared to \$72 million in 2020. For the year, common shareholders' net income was \$239 million compared to \$140 million in 2020.

The decrease in fourth quarter earnings from 2020 was due, in part, to the effect of assumption updates applied in the Individual Insurance line which had an unfavourable impact on fourth quarter earnings in 2021 compared to a gain in 2020. For the year, earnings were higher than 2020 primarily due to the release of segregated fund guarantee reserves in the first quarter and lower asset trading gains.

"We are pleased with our net income results in 2021. It was a very successful year overall for Empire Life," said Mark Sylvia, President and Chief Executive Officer. "Our satisfaction with our financial results comes with the acknowledgement that many Canadians continue to face challenges related to the pandemic. Throughout these difficult times, our employees have remained focused on supporting each other, our customers and the advisor community. For their efforts and commitment, we are tremendously grateful."

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

## Financial highlights

(in millions of dollars except per share amounts)	Fourth quarter		Year	
	2021	2020	2021	2020
Common shareholders' net income	\$ 17	\$ 72	\$ 239	\$ 140
Earnings per share - basic and diluted	\$ 16.96	\$ 73.53	\$ 242.66	\$ 141.80
	Dec 31	Sep 30	Jun 30	Dec 31
Other Financial Highlights	2021	2021	2021	2020
Return on common shareholders' equity (trailing four quarters) <sup>1</sup>	13.8%	16.4%	18.5%	8.5%
LICAT total ratio	144%	150%	143%	136%

Sources of Earnings <sup>1</sup> (in millions of dollars)	Fourth quarter		Year	
	2021	2020	2021	2020
Expected profit on in-force business	\$ 51	\$ 55	\$ 199	\$ 215
Impact of new business	(4)	(1)	(20)	(16)
Experience gains (losses)	15	61	159	(81)
Management actions and changes in assumptions	(55)	(22)	(38)	13
Earnings on operations before income taxes	6	92	299	130
Earnings on surplus	7	8	14	70
Income before income tax	13	101	313	200
Income taxes	(5)	25	67	47
Shareholders' net income	18	76	246	153
Dividends on preferred shares	(1)	(3)	(7)	(13)
Common shareholders' net income	\$ 17	\$ 72	\$ 239	\$ 140

The expected profit on inforce business for the fourth quarter and for the year decreased by 8%, primarily due to lower expected levels of assets under management and lower levels of business inforce at the start of the year for all three business lines.

The impact of new business for the fourth quarter and the year was more unfavourable than the same periods in 2020 primarily due to higher acquisition expenses in the Wealth Management line related to higher sales, and a lower favourable impact from new business profits at issue in the Individual Insurance line. The impact of new business in the Individual Insurance line is positive when the present value of future profits from new business exceeds the sum of the margins in the initial policy liabilities plus the expenses incurred at the point of sale.

Experience gains for the fourth quarter were lower than the comparable period primarily due to a gain in the fourth quarter of 2020 from the reversal of a portion of the segregated fund guarantee reserves held in the Wealth Management line, partially offset by equity and fixed income gains in the Individual Insurance line. For the year, experience gains were higher than 2020 primarily due to the significant positive movement in equity markets and interest rate yields, which resulted in the release of segregated fund guarantee reserves in the Wealth Management line, partially offset by unfavourable claims experience on long-term disability and dental claims in the Group Solutions line.

Management actions and changes in assumptions in the fourth quarter of 2021 were more adverse than 2020, primarily due to the effect of unfavourable assumption updates in the Individual Insurance line, partially offset by favourable assumption updates in the annuity component of the Wealth Management line. For the year, the effect of management actions and changes in assumptions was

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

adverse compared to 2020 primarily due to overall assumption updates which were less favourable than 2020 and lower asset trading gains in the Individual Insurance line in 2021.

Earnings on surplus were lower for the year primarily due to lower realized gains on Available for Sale (AFS) assets.

Empire Life's Insurance Capital Adequacy Test (LICAT) total ratio was 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 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.

### **Additional information**

All amounts are in Canadian dollars and are based on the audited consolidated financial results of Empire Life for the period ended December 31, 2021. 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).

### **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 to Canadians. Our mission is to make it simple, fast and easy for Canadians to get the products and services they need to achieve financial security. As of December 31, 2021, Empire Life had total assets under management of \$19.6 billion. Follow Empire Life 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)

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