



Empire Life announces June 30, 2015 interim financial results

(Kingston, ON – August 7, 2015) – The Empire Life Insurance Company (Empire Life) today reported second quarter shareholders' net income of \$44.6 million for 2015, compared to \$38.6 million for 2014. Year to date shareholders' net income was \$70.2 million compared to \$56.4 million in 2014.

(millions of dollars except per share amounts)	Second quarter		Year to date	
	2015	2014	2015	2014
Shareholders' net income	\$ 44.6	\$ 38.6	\$ 70.2	\$ 56.4
Earnings per share - basic and diluted	\$ 45.34	\$ 39.22	\$ 71.30	\$ 57.27
Return on shareholders' equity (annualized) (ROE)	16.9%	16.8%	13.5%	12.4%

The following table provides a breakdown of the sources of earnings¹ for the second quarter and year to date.

Sources of Earnings (millions of dollars)	Second quarter		Year to date	
	2015	2014	2015	2014
Expected profit on in-force business	\$ 39.0	\$ 34.0	\$ 76.4	\$ 64.8
Impact of new business	(7.0)	(9.4)	(14.4)	(19.9)
Experience gains (losses)	11.7	11.5	3.2	6.4
Management actions and changes in assumptions	-	8.0	-	8.0
Earnings on operations before income taxes	43.7	44.1	65.2	59.3
Earnings on surplus	13.7	6.9	25.7	14.1
Income before income tax	\$ 57.4	\$ 51.0	\$ 90.9	\$ 73.4
Income taxes	12.8	12.4	20.7	17.0
Shareholders' net income	\$ 44.6	\$ 38.6	\$ 70.2	\$ 56.4

Shareholders' net income and ROE were higher relative to 2014 for both the second quarter and year to date primarily due to growing profit on in-force Wealth Management business and increased earnings on surplus. The Wealth Management product line's improved result was primarily due to the growth in segregated fund management fees and growth in segregated fund guarantee fees related to guaranteed minimum withdrawal benefit (GMWB) products. This improvement in fee income was primarily due to the positive impact of higher stock market levels for most of 2015 compared to the first half of 2014, positive segregated fund net sales in the last 12 months and product price increases. Earnings on surplus improved primarily due to increased gains on the sale of bonds.

The impact of new business improved, relative to 2014 primarily due to lower second quarter and year to date segregated fund sales and lower expenses. Experience gains occurred in both years and primarily related to the favourable upward movement of interest rates in 2015, which positively affected the Individual Insurance product line. In 2014 favourable experience gains primarily related to strong stock markets, and surrender experience which positively affected the Individual Insurance product line.

¹ See non-GAAP Measures

The gain from management actions in 2014 resulted from a favourable settlement on a lawsuit which resulted in a gain for Empire Life.

Other Results

- Assets under management¹ (including segregated fund and mutual fund assets) increased 10% over June 30, 2014 levels to reach \$14.2 billion.
- Second quarter net premium revenue decreased by 5% to \$203 million primarily due to weak demand for fixed interest deferred annuity products.
- Second quarter fee income increased by 15% to reach \$55 million primarily due to strong growth in segregated fund management and guarantee fees.
- Second quarter Segregated fund gross sales¹ decreased 6% from 2014 levels primarily due to closing an existing product line to new policyholders and launching a completely new product line.
- Second quarter Individual Insurance annualized premium sales¹ decreased 30% from 2014 levels primarily due to decreased sales of universal life and term products.
- Second quarter Employee Benefit annualized premium sales¹ weakened by 14% primarily due to weak economic conditions in Canada.
- Empire's Minimum Continuing Capital and Surplus Requirements (MCCSR) ratio increased to 202% (June 30, 2015) from 190% (March 31, 2015) mainly due to strong net income and higher long-term interest rates.

Non-GAAP Measures

The Company uses non-GAAP measures including source of earnings, annualized premium sales, assets under management, mutual fund gross and net sales and segregated fund gross and net sales 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 IFRS financial measures. The Company also believes that securities analysts, investors and other interested parties frequently use non-GAAP measures in the evaluation of issuers.

About Empire Life

Empire Life is a subsidiary of E-L Financial Corporation Limited. Since 1923, Empire Life has provided life and health insurance and investment products to Canadians. Our mission is to serve our customers by making it simple, fast and easy to obtain our financial security and investment products and services.

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¹ See non-GAAP Measures