



Empire Life announces December 31, 2015 year-end financial results

(Kingston, ON – February 25, 2016) – The Empire Life Insurance Company (“Empire Life”) (TSX: EML.PR.A) today reported fourth quarter shareholders’ net income of \$16.2 million for 2015, compared to \$18.2 million for 2014. Full year shareholders’ net income was \$108.6 million compared to \$98.7 million in 2014.

(millions of dollars except per share amounts)	Fourth quarter		Year	
	2015	2014	2015	2014
Shareholders' net income	\$ 16.2	\$ 18.2	\$ 108.6	\$ 98.7
Earnings per share - basic and diluted	\$ 16.43	\$ 18.44	\$ 110.22	\$100.20
Return on shareholders' equity (quarters annualized) ("ROE")	5.9%	7.4%	10.2%	10.5%

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

Sources of Earnings (millions of dollars)	Fourth quarter		Year	
	2015	2014	2015	2014
Expected profit on in-force business	\$ 40.3	\$ 33.3	\$156.4	\$ 132.1
Impact of new business	(8.9)	(12.7)	(30.5)	(41.0)
Experience gains (losses)	8.0	6.3	(9.6)	10.0
Management actions and changes in assumptions	(24.9)	(1.7)	(24.9)	6.3
Other	-	(7.3)	-	(7.3)
Earnings on operations before income taxes	14.5	17.9	91.4	100.1
Earnings on surplus	7.1	7.9	50.2	30.8
Income before income tax	\$ 21.6	\$ 25.8	\$141.6	\$ 130.9
Income taxes	5.4	7.6	33.0	32.2
Shareholders' net income	\$ 16.2	\$ 18.2	\$108.6	\$ 98.7

Fourth quarter shareholders’ net income and ROE were lower relative to 2014 primarily due to lower profit from the Employee Benefits product line. The decreased profit from this product line primarily resulted from the 2014 favourable update of group life policy liability assumptions, which did not recur in 2015.

Full year shareholders’ net income was higher relative to 2014 primarily due to growing profit on in-force Wealth Management business and increased earnings on surplus. Despite the higher net income, full year ROE was slightly lower in 2015 than 2014 due to a higher level of shareholders’ equity in 2015.

The Wealth Management product line’s improved result was due to the growth in segregated fund management fees and growth in segregated fund guarantee fees related to guaranteed minimum withdrawal benefit (“GMWB”) products. Despite the recent drop in stock markets in 2015, many of Empire Life’s segregated funds have performed well. The improvement in fee income relative to full

¹ See non-GAAP Measures

year 2014 was due to positive segregated fund net sales (gross sales net of withdrawals) in the last 12 months, product price increases and the positive impact of the above mentioned segregated fund performance. 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 fourth quarter and full year segregated fund sales and lower Wealth Management expenses. Experience losses occurred in the full year 2015 primarily related to unfavourable surrender, lapse and mortality experience, which adversely affected the Individual Insurance product line. In 2014 full year experience gains were primarily due to the Wealth Management product line's favourable investment experience which resulted from market interest rate movements and the availability of assets at attractive yields for matching fixed interest annuity contract liabilities.

The loss from management actions in 2015 primarily resulted from an unfavourable update of policy liability assumptions for the Individual Insurance product line. This unfavourable update primarily related to lapse assumptions based on updated industry and company experience data. The full year gain from management actions in 2014 resulted from a favourable settlement on a lawsuit.

In addition, 2014 included a decrease in earnings resulting from other items due to increased premium tax rates in the province of Quebec on both in-force policies and new policies sold. Some in-force policies allow for an adjustment to prices or charges to cover the cost of the additional tax. However, some in-force policies are fully guaranteed and cannot be adjusted, which resulted in a strengthening of insurance contract liabilities of \$7.3 million in 2014.

"I am very pleased with the strength of our 2015 Wealth Management net income, particularly given the economic environment." said Mark Sylvia, President and Chief Executive Officer of Empire Life. "This more than offsets weaker Individual Insurance net income in 2015 resulting from policy liability assumption updates."

Other Results (compared to fourth quarter 2014 unless indicated otherwise)

- Assets under management¹ (including segregated fund and mutual fund assets) increased 5% over December 31, 2014 levels to reach \$14.5 billion.
- Fourth quarter net premium revenue decreased by 4.5% to \$206 million primarily due to weak demand for fixed interest deferred annuity products.
- Fourth quarter fee income increased by 12.3% to reach \$56 million primarily due to strong growth in segregated fund management and guarantee fees.
- Fourth quarter segregated fund gross sales¹ decreased 31% primarily due to closing an existing product line to new policyholders and launching a completely new product line.
- Fourth quarter Individual Insurance annualized premium sales¹ decreased 18% primarily due to decreased sales of universal life products.
- Fourth quarter Employee Benefit annualized premium sales¹ increased by 36% despite weak economic conditions in Canada.
- Empire Life's Minimum Continuing Capital and Surplus Requirements ("MCCSR") ratio was 201% (December 31, 2015) compared to 202% (September 30, 2015) as increased available capital from net income was offset by increased required capital primarily due to increased requirements related to asset default, segregated fund guarantees and interest rate risk.
- On January 28, 2016 the Company announced a \$130 million Canadian public offering of Non-Cumulative Rate Reset Preferred Shares. Empire Life intends to use the net proceeds from the offering for regulatory capital and general corporate purposes. The offering closed on February 16, 2016 and commenced trading on the Toronto Stock Exchange under the ticker symbol EML.PR.A. Empire Life has granted the underwriters an option to purchase up to \$19.5 million of additional preferred shares exercisable at any time up to a period of 30 days from the date of closing. Holders of the preferred shares will be entitled to receive fixed non-cumulative quarterly dividends yielding 5.75% annually, as and when declared by the Board of Directors of Empire Life, for the initial period ending on and including April 17, 2021. Thereafter, the

¹ See non-GAAP Measures

dividend rate will be reset every five years at a rate equal to the 5-year Government of Canada bond yield plus 4.99%. On a pro forma basis, after giving effect to the preferred share issue (but assuming no exercise of the over-allotment option), the Company estimates that, as at December 31, 2015, its MCCR would have increased by 17 points from 201% to 218%.

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 International Financial Reporting Standards financial measures. The Company also believes that securities analysts, investors and other interested parties frequently use non-GAAP measures in the evaluation of issuers.

Additional Information

The information contained in this document concerning the fourth quarter of 2015 is based on the audited financial results of Empire Life for the period ended December 31, 2015. Additional information about Empire Life can be found in our long-form non-offering prospectus dated August 5, 2015, our short-form prospectus dated February 5, 2016 and our financial filings for the second and third quarter of 2015. These documents are filed with the Ontario Securities Commission and are available at www.sedar.com.

About Empire Life

Empire Life is a subsidiary of E-L Financial Corporation Limited. Since 1923, Empire Life has provided individual and group life and health insurance, investment and retirement products to Canadians. The company's mission is to make it simple, fast and easy for Canadians to build wealth, generate income and get the insurance and group benefits coverage they need. As of December 31, 2015 Empire Life had total assets under management of \$14.5 billion. Follow Empire Life on Twitter @EmpireLife or visit www.empire.ca for more information.

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