



Empire Life announces first quarter 2016 results

(Kingston, ON – April 28, 2016) – The Empire Life Insurance Company (“Empire Life”) (TSX: EML.PR.A) today reported first quarter common shareholders’ net income of \$37.2 million for 2016, compared to \$25.6 million for 2015.

(millions of dollars except per share amounts)	First quarter	
	2016	2015
Common shareholders' net income	\$ 37.2	\$ 25.6
Earnings per share - basic and diluted	\$ 37.81	\$ 25.97
Return on common shareholders' equity (annualized) ("ROE")	13.4%	10.0%

The following table provides a breakdown of the sources of earnings¹ for the first quarter.

Sources of Earnings (millions of dollars)	First quarter	
	2016	2015
Expected profit on in-force business	\$ 36.3	\$ 37.4
Impact of new business	(1.3)	(7.4)
Experience gains (losses)	3.7	(8.5)
Management actions and changes in assumptions	11.2	-
Other	-	-
Earnings on operations before income taxes	49.9	21.5
Earnings on surplus	2.3	12.0
Income before income tax	\$ 52.2	\$ 33.5
Income taxes	13.6	7.9
Shareholders' net income	\$ 38.6	\$ 25.6
Dividends on preferred shares	1.4	-
Common shareholders' net income	\$ 37.2	\$ 25.6

First quarter common shareholders’ net income and ROE were higher relative to 2015 primarily due to higher profit from the Individual Insurance product line. The increased profit from this product line primarily resulted from improved investment experience and management actions to improve asset/liability matching in 2016. Improved investment experience resulted from more favourable stock market and market interest rate movements in 2016. Empire Life improved its matching position in 2016 by increasing its investment in real estate limited partnership units and by making changes to its bond investments during the first quarter. The improved matching position resulted in a gain in 2016 from updating insurance contract liabilities.

The impact of new business improved relative to 2015 primarily due to lower first quarter segregated fund sales and lower Wealth Management expenses.

Earnings on surplus decreased primarily due to lower net income on hedging instruments resulting from the increase in stock markets in 2016.

¹ See non-GAAP Measures

“I am very pleased with the progress made on improving our asset/liability matching in 2016 and the resulting improvement in Individual Insurance net income.” said Mark Sylvia, President and Chief Executive Officer of Empire Life. “This is an area of continuing focus given the volatility of market interest rates.”

Other Results (compared to first quarter 2015 unless indicated otherwise)

- Assets under management¹ (including segregated fund and mutual fund assets) increased 2% over March 31, 2015 levels to reach \$14.9 billion.
- First quarter net premium revenue increased by 6% to \$230 million primarily due to increased demand for fixed interest annuity products.
- First quarter fee income increased by 5% to reach \$55 million primarily due to strong growth in segregated fund guarantee fees.
- First quarter segregated fund gross sales¹ decreased 14% primarily due to lower 75% maturity guarantee product sales.
- First quarter Individual Insurance annualized premium sales¹ decreased 35% primarily due to decreased sales of universal life products.
- First quarter Employee Benefit annualized premium sales¹ increased by 12% despite weak economic conditions in Canada.
- Empire Life’s Minimum Continuing Capital and Surplus Requirements (“MCCSR”) ratio was 219% (March 31, 2016) compared to 201% (December 31, 2015) primarily due to Empire Life’s issuance of \$149.5 million of Non-Cumulative Rate Reset Preferred Shares during the first quarter of 2016 which increased Empire Life’s MCCSR ratio by 20 points. In addition, the ratio improved from increased available capital from net income. These favourable items were partly offset by increased required capital primarily due to increased requirements related to lapse risk, asset default risk, segregated fund guarantees and interest rate risk.

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 first quarter of 2016 is based on the unaudited financial results of Empire Life for the period ended March 31, 2016. 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, our financial filings for the year ended December 31, 2015 and our Annual Information Form. 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 and provides 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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¹ See non-GAAP Measures