



Empire Life announces record earnings for 2016

(Kingston, ON – February 24, 2017) – The Empire Life Insurance Company (“Empire Life”) (TSX: EML.PR.A) today reported fourth quarter common shareholders’ net income of \$52.5 million for 2016, compared to \$16.2 million for 2015. Full year common shareholders’ net income was \$152.7 million compared to \$108.6 million in 2015.

(millions of dollars except per share amounts)	Fourth quarter		Year	
	2016	2015	2016	2015
Common shareholders' net income	\$ 52.5	\$ 16.2	\$ 152.7	\$ 108.6
Earnings per share - basic and diluted	\$ 53.34	\$ 16.43	\$ 155.03	\$ 110.22
Return on common shareholders' equity (quarters annualized) ("ROE")	17.1%	5.9%	13.1%	10.2%

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	
	2016	2015	2016	2015
Expected profit on in-force business	\$ 39.9	\$ 40.9	\$ 159.5	\$ 159.7
Impact of new business	(5.5)	(9.5)	(15.2)	(33.8)
Experience gains (losses)	34.5	8.0	32.6	(9.6)
Management actions and changes in assumptions	5.5	(24.9)	40.3	(24.9)
Other	-	-	-	-
Earnings on operations before income taxes	74.4	14.5	217.2	91.4
Earnings on surplus	(1.1)	7.1	(2.7)	50.2
Income before income tax	\$ 73.3	\$ 21.7	\$ 214.5	\$ 141.6
Income taxes	18.6	5.4	54.0	33.0
Shareholders' net income	\$ 54.7	\$ 16.2	\$ 160.6	\$ 108.6
Dividends on preferred shares	2.2	-	7.9	-
Common shareholders' net income	\$ 52.5	\$ 16.2	\$ 152.7	\$ 108.6

Fourth quarter and full year common shareholders’ net income and ROE were higher relative to 2015 due to higher profit from the Individual Insurance product line primarily from improved stock market conditions in 2016, a favourable update of policy liability assumptions for the Individual Insurance product line in 2016 (compared to an unfavourable update in 2015) and management actions to improve asset/liability matching in 2016. Empire Life improved its matching position throughout 2016 by increasing its investment in real estate limited partnership units and by making changes to its bond investments. The improved matching position resulted in a gain in all four quarters of 2016.

The expected profit on in-force business was slightly lower relative to 2015 primarily due to increased premium taxes on in-force policies. This was partly offset by strong profit on the in-force Wealth Management product line due to growth in segregated fund guarantee fees and management fees and lower expenses. The impact of new business improved relative to 2015 in all quarters of 2016,

¹ See non-GAAP Measures

primarily due to lower new business strain (resulting from lower segregated fund sales) and lower Wealth Management expenses. Earnings on surplus decreased primarily due to hedging costs which resulted from the increase in stock markets in 2016.

During the first quarter of 2016, Empire Life issued \$149.5 million of preferred shares resulting in the payment of preferred share dividends in 2016 which lowered common shareholders' net income relative to 2015. On December 16, 2016, the Company issued \$200 million principal amount of unsecured subordinated debentures with a maturity date of December 16, 2026. The interest rate from December 16, 2016 until December 16, 2021 is 3.383%, and the rate from December 16, 2021 until December 16, 2026 is equal to the 3-month Canadian Bankers' Acceptance Rate plus 1.95%. The issuance of these debentures increased Empire Life's Minimum Continuing Capital and Surplus Requirements ("MCCSR") ratio by 26 points during the fourth quarter of 2016.

During the fourth quarter of 2016 Empire Life decided to stop selling universal life insurance products but will continue to administer its in-force block of universal life insurance products.

"We continued to make progress on improving our asset/liability matching in the fourth quarter of 2016 to reduce interest rate exposure and we benefited from improved stock markets in our Individual Insurance and Wealth Management product lines. These factors and continued focus on expenses contributed to Empire Life's record earnings in 2016," said Mark Sylvia, President and Chief Executive Officer of Empire Life. "We are also encouraged by the increase in long-term interest rates, which helps our Individual Insurance business, but we remain cautious due to weakness in many world economies and political uncertainty in the United States."

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

- Assets under management¹ (including segregated fund and mutual fund assets) increased 10.4% over December 31, 2015 levels to reach \$16.1 billion.
- Fourth quarter net premium revenue increased by 7.9% to \$222 million primarily due to improved demand for fixed interest immediate annuity products.
- Fourth quarter fee income increased by 3.9% to reach \$58 million primarily due to growth in segregated fund guarantee and management fees.
- Fourth quarter segregated fund gross sales¹ increased 16.7% to reach \$326 million, primarily due to increased sales of 75% maturity guarantee products.
- Fourth quarter Individual Insurance annualized premium sales¹ increased 17.5% primarily due to increased sales of participating products. Management believes this is due in part to the January 1, 2017 effective date of less favourable tax rules that deal with the exemption status of certain life insurance policies.
- Fourth quarter Employee Benefit annualized premium sales¹ decreased by 25%, impacted by continued weak economic conditions in Canada.
- Empire Life's Minimum Continuing Capital and Surplus Requirements ("MCCSR") ratio was 248% (December 31, 2016) compared to 213% (September 30, 2016) primarily resulting from increased available capital from Empire Life's issuance of \$200 million of subordinated debentures and net income.

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

¹ See non-GAAP Measures

The information contained in this document concerning the fourth quarter of 2016 is based on the audited financial results of Empire Life for the period ended December 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, 2016 and our Annual Information Form. These documents are filed with the Ontario Securities Commission and are 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 to Canadians. Our mission is to make it simple, fast and easy for Canadians to get the investment, insurance and group benefits coverage they need to build wealth, generate income, and achieve financial security. As of December 31, 2016 Empire Life had total assets under management of \$16.1 billion. Follow Empire Life on Twitter @EmpireLife or visit www.empire.ca for more information.

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