



## Empire Life announces First Quarter 2017 results

(Kingston, ON – April 26, 2017) – The Empire Life Insurance Company (“Empire Life”) (TSX: EML.PR.A ) today reported first quarter common shareholders’ net income of \$50.2 million for 2017, compared to \$37.2 million for 2016.

(millions of dollars except per share amounts)	First quarter	
	2017	2016
<b>Common shareholders' net income</b>	<b>\$ 50.2</b>	<b>\$ 37.2</b>
<b>Earnings per share - basic and diluted</b>	<b>\$ 50.91</b>	<b>\$ 37.81</b>
<b>Return on common shareholders' equity (annualized) ("ROE")</b>	<b>15.7%</b>	<b>13.4%</b>

The following table provides a breakdown of the sources of earnings<sup>1</sup> for the first quarter.

Sources of Earnings (millions of dollars)	First quarter	
	2017	2016
Expected profit on in-force business	\$ 43.3	\$ 38.7
Impact of new business	(4.8)	(3.7)
Experience gains (losses)	(0.4)	3.7
Management actions and changes in assumptions	29.6	11.2
Other	-	-
Earnings on operations before income taxes	67.7	49.9
Earnings on surplus	1.8	2.3
Income before income tax	\$ 69.5	\$ 52.2
Income taxes	17.2	13.6
Shareholders' net income	\$ 52.3	\$ 38.6
Dividends on preferred shares	2.1	1.4
Common shareholders' net income	\$ 50.2	\$ 37.2

For the first quarter of 2017 common shareholders’ net income and ROE were higher relative to the first quarter of 2016 due to higher profit from our Wealth Management and Employee Benefits product lines. Continued robust stock market performance and positive net sales has increased assets under management and fee income by 12% from the first quarter of 2016. Employee benefits income increased substantially from improved claims experience in the Long Term Disability product line. Empire Life continues to improve its matching of assets and liabilities in the Individual Insurance product line by increasing its investment in real estate limited partnership units and by making changes to its bond and equity investments. The improved matching position resulted in strong performance in that product line for the quarter.

The expected profit on in-force business increased by 12% primarily from growth in management and guarantee fees in the Wealth management product lines. This was partly offset by the impact of higher new

business expenses incurred in the Individual insurance product line relative to 2016. Earnings on surplus decreased due to losses from the sale of available for sale bonds (AFS) bonds in 2017 compared to gains in 2016

Empire Life continues to maintain a strong balance sheet and enhance its capital position with MCCR increasing by 10 points to 258% in the quarter. The increase in MCCR was attributable to strong earnings for the quarter and reduced capital required as a result of a modification to the company's equity portfolio. During the first quarter of 2016, Empire Life issued \$149.5 million of preferred shares. The holders are entitled to receive fixed non-cumulative quarterly dividends yielding 5.75% annually. In the fourth quarter 2016 Empire Life issued \$200 million principal amount of unsecured subordinated debentures with a maturity date of December 16, 2026. The interest rate on the debentures 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%.

"We continued to make progress in increasing our earnings while enhancing our capital position and maintaining a strong balance sheet. The asset/liability matching initiated in 2016 continued in the first quarter of 2017 to reduce interest rate exposure. Empire Life's Wealth Management product lines also benefited from fairly robust capital markets in 2016 which continued in 2017. These factors and laser focus on expenses contributed to Empire Life's earnings in the first quarter," said Mark Sylvia, President and Chief Executive Officer of Empire Life. "We are also encouraged by the stability of the Canadian economy and a positive trend in long-term interest rates during late 2016, 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 first quarter 2016 unless indicated otherwise)**

- Assets under management<sup>1</sup> (including segregated fund and mutual fund assets) increased 10.1% over March 31, 2016 levels to reach \$16.4 billion.
- First quarter net premium revenue decreased by 12.0% to \$202 million primarily due to lower demand for fixed interest deferred and immediate annuity products.
- First quarter fee income increased by 12% to reach \$61 million primarily due to growth in segregated fund management and guarantee fees.
- First quarter segregated fund gross sales<sup>1</sup> increased 5.8% to reach \$300 million, primarily due to increased sales of 75% maturity guarantee products.
- First quarter Individual Insurance annualized premium sales<sup>1</sup> decreased 10.8% primarily due to decreased 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.
- First quarter Employee Benefit annualized premium sales<sup>1</sup> decreased by 40%, impacted by continued weak economic conditions in Canada.
- Empire Life's Minimum Continuing Capital and Surplus Requirements ("MCCR") ratio was 258% (March 31, 2017) compared to 248% (December 31, 2016) primarily resulting from increased available capital from Empire Life's first quarter net income and lower capital required as a result of change in asset mix.

#### **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

<sup>1</sup> See non-GAAP measures

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 2017 is based on the unaudited financial results of Empire Life for the period ended March 31, 2017. 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](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 investment, insurance and group benefits coverage they need to build wealth, generate income, and achieve financial security. As of March 31, 2017 Empire Life had total assets under management of \$16.4 billion. Follow Empire Life on Twitter @EmpireLife or visit [www.empire.ca](http://www.empire.ca) for more information.

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