



Empire Life announces third quarter 2016 results

(Kingston, ON – October 27, 2016) – The Empire Life Insurance Company (“Empire Life”) (TSX: EML.PR.A) today reported third quarter common shareholders’ net income of \$38.1 million for 2016, compared to \$22.2 million for 2015. Year to date common shareholders’ net income was \$100.2 million compared to \$92.4 million in 2015.

(millions of dollars except per share amounts)	Third quarter		Year to date	
	2016	2015	2016	2015
Common shareholders' net income	\$ 38.1	\$ 22.2	\$ 100.2	\$ 92.4
Earnings per share - basic and diluted	\$ 38.67	\$ 22.49	\$ 101.69	\$ 93.79
Return on shareholders' equity (annualized) ("ROE")	12.8%	8.2%	11.6%	11.7%

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

Sources of Earnings (millions of dollars)	Third quarter		Year to date	
	2016	2015	2016	2015
Expected profit on in-force business	\$ 40.0	\$ 39.7	\$113.9	\$ 116.1
Impact of new business	0.5	(7.2)	(3.9)	(21.6)
Experience gains (losses)	9.7	(20.8)	(1.9)	(17.6)
Management actions and changes in assumptions	7.7	-	34.8	-
Other	-	-	-	-
Earnings on operations before income taxes	57.9	11.7	142.9	76.9
Earnings on surplus	(4.6)	17.4	(1.6)	43.1
Income before income tax	\$ 53.3	\$ 29.1	\$141.3	\$ 120.0
Income taxes	13.1	6.9	35.4	27.6
Shareholders' net income	\$ 40.2	\$ 22.2	\$105.9	\$ 92.4
Dividends on preferred shares	2.1	-	5.7	-
Common shareholders' net income	\$ 38.1	\$ 22.2	\$100.2	\$ 92.4

Third quarter and year to date common shareholders’ net income were higher relative to 2015 primarily due to higher profit from the Individual Insurance product line primarily attributable to improved stock market conditions in 2016 and to 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 three quarters of 2016.

Wealth Management net income also improved in the third quarter and year to date relative to 2015 primarily due to higher fee income (resulting from the increase in average assets under management (“AUM”) from improved stock market conditions in 2016), lower new business strain (resulting from lower segregated fund sales) and lower expenses.

In the third quarter and year to date 2016 this was partly offset by net losses of \$7 million and \$23 million after tax respectively on hedging instruments, lower profit from the Employee Benefits product line and the payment of preferred share dividends. The hedging instruments result was due to the increase in stock markets in 2016. The Employee Benefits product line result was primarily due to unfavourable long-term disability results in 2016.

¹ See non-GAAP Measures

The impact of new business improved relative to 2015 in all quarters of 2016 primarily due to lower new business strain (resulting from lower segregated fund sales) and lower Wealth Management expenses.

The impact of experience gains (losses) relative to the third quarter and year to date of 2015 were primarily due the increase in stock markets in the third quarter and year to date in 2016 compared to the decrease that occurred in comparable period in 2015. This had a favourable impact on the Individual Insurance product line in the third quarter and year to date of 2016. This was partly offset by unfavourable Employee Benefits product line long-term disability experience results in the third quarter and year to date of 2016 relative to 2015.

Earnings on surplus decreased primarily due to hedging costs which resulted from the increase in stock markets in 2016.

“We continued to make progress on improving our asset/liability matching in the third quarter of 2016 and we benefited from improved stock markets in our Individual Insurance and Wealth Management product lines.” said Mark Sylvia, President and Chief Executive Officer of Empire Life.

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

- Assets under management¹ (including segregated fund and mutual fund assets) increased 12.5% over September 30, 2015 levels to reach \$15.9 billion.
- Third quarter net premium revenue increased by 4.8% to \$219 million primarily due to increased demand for fixed interest annuity products.
- Third quarter fee income increased by 9.6% to reach \$59 million primarily due to growth in segregated fund management fees and segregated fund guarantee fees related to Guaranteed Minimum Withdrawal Benefit (“GMWB”) products.
- Third quarter segregated fund gross sales¹ decreased 14% primarily due to lower 75% maturity guarantee product sales.
- Third quarter Individual Insurance annualized premium sales¹ decreased 22% primarily due to decreased sales of universal life products.
- Third quarter Employee Benefit annualized premium sales¹ decreased by 2% reflecting weak economic conditions in Canada.
- Empire Life’s Minimum Continuing Capital and Surplus Requirements (“MCCSR”) ratio was 213% (September 30, 2016) compared to 213% at June 30, 2016 and 201% at December 31, 2015. The change for the year to date was 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 third quarter of 2016 is based on the unaudited financial results of Empire Life for the period ended September 30, 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

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 September 30, 2016 Empire Life had total

¹ See non-GAAP Measures

assets under management of \$15.9 billion. Follow Empire Life on Twitter @EmpireLife or visit www.empire.ca for more information.

– ### –

Contact: Laurie Swinton
Director, Communication Services
613 548-1890, ext. 3374 laurie.swinton@empire.ca
www.empire.ca

Tweet this: #EmpireLife reports Q3 2016 financial results

¹ See non-GAAP Measures