



Empire Life announces second quarter 2017 results

(Kingston, ON – July 27, 2017) – The Empire Life Insurance Company (“Empire Life”) (TSX: EML.PR.A) today reported second quarter common shareholders’ net income of \$33.4 million for 2017, compared to \$24.8 million for 2016. Year to date common shareholders’ net income was \$83.6 million compared to \$62.1 million in 2016.

The increase in earnings for the second quarter of 2017 compared to 2016 is as a result of lower hedging costs and improved operating performance in the Employee Benefits product line, partially offset by lower gains in the Individual Insurance product lines. The increase in earnings for the year to date was primarily due to the above-mentioned items and improved operating performance in the Wealth Management product line.

(millions of dollars except per share amounts)	Second quarter		Year to date	
	2017	2016	2017	2016
Common shareholders' net income	\$ 33.4	\$ 24.8	\$ 83.6	\$ 62.1
Earnings per share - basic and diluted	\$ 33.91	\$ 25.21	\$ 84.82	\$ 63.02
Return on common shareholders' equity (annualized) ("ROE")	10.1%	8.7%	12.8%	11.0%

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

Sources of Earnings (millions of dollars)	Second quarter		Year to date	
	2017	2016	2017	2016
Expected profit on in-force business	\$ 40.3	\$ 38.7	\$ 83.6	\$ 77.3
Impact of new business	(3.2)	(4.2)	(8.0)	(7.9)
Experience gains (losses)	(6.4)	(15.3)	(6.8)	(11.6)
Management actions and changes in assumptions	0.9	15.9	30.5	27.1
Other	-	-	-	-
Earnings on operations before income taxes	31.6	35.0	99.3	84.9
Earnings on surplus	13.8	0.7	15.6	3.0
Income before income tax	\$ 45.4	\$ 35.7	\$ 114.9	\$ 87.9
Income taxes	9.8	8.7	27.0	22.2
Shareholders' net income	\$ 35.6	\$ 27.0	\$ 87.9	\$ 65.7
Dividends on preferred shares	2.2	2.2	4.3	3.6
Common shareholders' net income	\$ 33.4	\$ 24.8	\$ 83.6	\$ 62.1

For the second quarter and year to date of 2017 common shareholders’ net income and ROE were higher relative to 2016.

The expected profit on in-force business for the second quarter and year to date increased by 4% and 8% respectively primarily from growth in management and guarantee fees in the Wealth Management product line. Experience gains (losses) improved in the second quarter and year to date primarily due to improved health claims in the Employee Benefits product line. Empire Life realized significant management action gains in the Individual Insurance line as a result of improved matching of assets

¹ See non-GAAP Measures

and liabilities during the year to date in 2017 and during the second quarter and year to date in 2016. Earnings on surplus increased primarily due to improved results from Empire Life's hedging program due to stable Canadian stock prices in 2017 compared to rising Canadian stock prices in 2016.

Empire Life continues to maintain a strong balance sheet and capital position. Despite strong net earnings for the quarter, the MCCR ratio decreased by 9 points to 249% primarily as a result of normal business growth, a decrease in long-term interest rates and the investment of excess cash. 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 maintaining a strong capital position and high quality mix of assets. Empire Life's Wealth Management product line sales benefited from fairly stable capital markets and our focus on investing in technology to improve the customer experience and maintaining a diversified distribution strategy. These factors and continued attention on expense management contributed to Empire Life's earnings in the second quarter," said Mark Sylvia, President and Chief Executive Officer of Empire Life. "We are also encouraged by the Bank of Canada raising its overnight rate to 0.75 per cent. A stable economy and a positive trend in long-term interest rates help our Individual Insurance business and our ability to offer competitive insurance products to our customers."

Other Results (compared to second quarter 2016 unless indicated otherwise)

- Assets under management¹ (including segregated fund and mutual fund assets) increased 8.6% over June 30, 2016 levels to reach \$16.7 billion.
- Second quarter fee income increased by 12% to reach \$63 million primarily due to growth in segregated fund management and guarantee fees.
- Second quarter segregated fund gross sales¹ increased by 35% to reach \$284 million, primarily due to increased sales of 75% maturity guarantee products.
- Second quarter Individual Insurance annualized premium sales¹ decreased 14.8% 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.
- Although second quarter Employee Benefits annualized premium sales¹ decreased by 17.5%, the Company continues to maintain a disciplined approach to pricing its service.
- Empire Life's Minimum Continuing Capital and Surplus Requirements ("MCCR") ratio of 249% at the end of the quarter was relatively unchanged from 248% at December 31, 2016. This is primarily as a result of net income growing fast enough to support the capital required for business growth and the impact of long term interest rate movements.

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 second quarter of 2017 is based on the unaudited financial results of Empire Life for the period ended June 30, 2017. Additional information about Empire Life can be found in the Company's long-form non-offering prospectus dated August 5,

¹ See non-GAAP Measures

2015, short-form prospectus dated February 5, 2016, financial filings for the year ended December 31, 2016 and 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 June 30, 2017 Empire Life had total assets under management of \$16.7 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

¹ See non-GAAP Measures