

Empire Life reports third quarter earnings

Q3 2023 highlights (compared to restated Q3 2022)

- Common shareholders' net loss of \$5 million (compared to restated net income of \$36 million)
- Negative earnings per share (basic and diluted) of \$5.25 (compared to restated positive earnings of \$36.61)

(Kingston, ON – October 26, 2023) – For our third quarter, Empire Life Insurance Company (Empire Life) reported common shareholders' net loss of \$5 million for 2023, compared to a net income of \$36 million for the third quarter of 2022. The decline in third quarter earnings over prior year was primarily due to lower net investment and insurance finance results driven by a less favourable economic environment.

"Overall, sales growth is strong as our diversified business mix has helped support our results as consumer trends shift to shorter-term investment products," says Mark Sylvia, President and Chief Executive Officer. "Although market-related movements adversely impacted our third quarter net income results, it has increased our Contractual Service Margin (CSM), which will increase our future income, and our capital position remains very strong."

Financial highlights

(in millions of dollars except per share amounts)	Third quarter		Year to date	
	2023	2022 restated	2023	2022 restated
Common shareholders' net income (loss)	\$ (5)	\$ 36	\$ 46	\$ 50
Earnings per share - basic and diluted	\$ (5.25)	\$ 36.61	\$ 46.55	\$ 50.40

Other Financial Highlights	Sep 30 2023	Jun 30 2023	Mar 31 2023	Dec 31 2022	Sep 30 2022
Return on common shareholders' equity ⁽¹⁾	3.9 %	6.6 %	4.4 %	4.0 %	
LICAT total ratio ⁽²⁾	152 %	151 %	152 %	138 %	137 %

(1) See Non-IFRS Measures section.

(2) Amounts prior to January 1, 2022 have not been adjusted for the impacts from the adoption of IFRS 17 and IFRS 9. See Note 2.4 in the Condensed Interim Consolidated Financial Statements for additional details.



The following table provides a summary of Empire Life results for the third quarter and year to date ended September 30, 2023 and 2022.

(in millions of dollars)	For the three months ended		For the nine months ended	
	Sep 30, 2023	Sep 30, 2022 restated	Sep 30, 2023	Sep 30, 2022 restated
Net insurance service result				
Insurance revenue	\$ 337	\$ 310	\$ 991	\$ 932
Insurance service expenses	(258)	(234)	(806)	(772)
Insurance service results	79	76	185	160
Net recovery (expense) from reinsurance contracts held	(19)	(24)	(51)	(25)
Net insurance service result	60	52	134	135
Net investment and insurance finance result				
Investment income (loss), excluding segregated funds				
Investment income	(547)	51	(147)	(1,664)
Change in investment contracts	—	2	(9)	15
Net investment result, excluding segregated funds	(547)	53	(156)	(1,649)
Insurance finance income (expense), excluding segregated funds				
Insurance contracts issued	479	(46)	139	1,534
Reinsurance contracts held	22	—	11	74
Net insurance finance result, excluding segregated funds	501	(46)	150	1,608
Segregated funds net investment and insurance finance result				
Investment income (loss) on investments for account of segregated fund holders	(156)	(11)	197	(872)
Insurance finance and investment income (expense)	156	11	(197)	872
Segregated funds net investment and insurance finance result	—	—	—	—
Net investment and insurance finance result	(46)	7	(6)	(41)
Other income and expenses				
Fee and other income	8	8	21	17
Non-insurance operating expenses	(27)	(15)	(68)	(46)
Interest expenses	(6)	(5)	(18)	(14)
Total other income and expenses	(25)	(12)	(65)	(43)
Net income (loss) before taxes	(11)	47	63	51
Income taxes	4	(10)	(11)	(5)
Net income (loss) after taxes	(7)	37	52	46
Less: net income (loss) attributable to the participating account	(3)	—	2	(7)
Shareholders' net income (loss)	(4)	37	50	53
Less: preferred share dividends declared	(1)	(1)	(5)	(4)
Common shareholders' net income (loss)	\$ (5)	\$ 36	\$ 45	\$ 49

Empire Life reported third quarter common shareholders' net loss of \$5 million for 2023, compared to net income of \$36 million for the third quarter of 2022. The decline in third quarter earnings over prior year was primarily due to lower net investment and insurance finance results driven by a less favourable economic environment.

Net insurance service result increased \$8 million or 15% in the third quarter compared to the same period in 2022, primarily due to lower net claims in Group and higher insurance earnings in our Traditional Non-Participating products.

Net investment and insurance finance result was \$53 million lower in the third quarter compared to the same period in 2022. This was mainly due to credit spread movements and adverse equity markets relative to Q3 2022.

Total other income and expenses increased \$13 million in the third quarter compared to the same period in 2022 due to higher project spend and employee expenses.

The company's Life Insurance Capital Adequacy Test (LICAT) Total Ratio was 152% at September 30, 2023, well above the requirements set by the Office of the Superintendent of Financial Institutions Canada (OSFI) as well as Empire Life's minimum internal targets.

Non-IFRS measures

Empire Life uses non-IFRS measures including return on common shareholders' equity, assets under management, annualized premium sales, gross and net sales for mutual funds, segregated funds and fixed annuities 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. Empire Life also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers.

Additional information

All amounts are in Canadian dollars and are based on the consolidated financial results of Empire Life for the period ended September 30, 2023. Additional information about Empire Life can be found in Empire Life's latest Management's Discussion & Analysis and Annual Information Form. These documents are filed on Empire Life's profile 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. The company's mission is to make it simple, fast and easy for Canadians to get the products and services they need to build wealth, generate income, and achieve financial security. As of September 30, 2023, Empire Life had total assets under management of \$17.2 billion. Follow us on social media @EmpireLife or visit empire.ca for more information.

– ### –

Contact: Karen Smith
Director, Communication Services
613 548-1890, ext. 3387
karen.smith@empire.ca
www.empire.ca