

March 7, 2019

## **E-L FINANCIAL CORPORATION LIMITED ANNOUNCES DECEMBER 31, 2018 FINANCIAL RESULTS**

TORONTO, Ontario - E-L Financial Corporation Limited ("E-L Financial") (TSX: ELF) (TSX: ELF.PR.F) (TSX: ELF.PR.G) (TSX: ELF.PR.H) today reported for the year ended December 31, 2018, consolidated shareholders' net income of \$31 million, or \$3.96 per common share, compared with \$668 million, or \$166.17 per common share in 2017. For the fourth quarter of 2018, E-L Financial had a consolidated net loss of \$238 million, or \$61.62 per common share, compared to net income of \$257 million, or \$64.47 per common share in 2017.

E-L Financial's net equity value per common share was \$1,295.65 as at December 31, 2018, a decrease of 2% from \$1,316.64 as at December 31, 2017.

"I am proud to report that this year we publish E-L Financial's 50th annual report. Although 2018 brought several challenges, including global equity market declines occurring during the latter part of the year, we continue to be focused on our strategic priorities both within the E-L Corporate and Empire Life business segments. The strong investments returns of 2017 were not repeated in 2018, however Empire Life continues to produce strong results with a common shareholder equity return of 9.4% for the 2018 year. At United Corporations Limited a detailed review of the investment managers was undertaken resulting in two new managers engaged to manage a portion of the portfolio. Overall our investment portfolios continue to have a large concentration of global equities and we will be exposed to the market volatility and the impacts of economic trends and the extent that geopolitical events will have on these investments," said Duncan N.R. Jackman, Chairman, President and CEO of E-L Financial.

### **E-L Corporate**

For the year ended December 31, 2018, E-L Corporate reported a net loss of \$105 million compared to net income of \$498 million in 2017. The decrease in net income is due to net losses on investments within the E-L Corporate segment. E-L Corporate reported a net loss on investments of \$206 million in 2018 compared to a net gain of \$544 million in 2017. E-L Corporate's global investment portfolio had a negative pre-tax total return of 2% in 2018 compared to a pre-tax return of 14% in the prior year.

E-L Corporate reported a net loss of \$244 million in the fourth quarter of 2018 compared to net income of \$209 million for the comparable period in 2017. The fourth quarter loss for 2018 was due to a net loss on investments of \$324 million. This compared to a net gain of \$257 million for the same period in 2017. The pre-tax total return on E-L Corporate's investments was negative 6% in 2018 compared to a positive return of 6% in the prior year.

## **Empire Life**

The Empire Life segment reported net income attributable to E-L Financial of \$136 million in 2018 compared to \$170 million in 2017. The net income for 2018 decreased primarily due to the impacts of changes made in the assumptions used by Empire Life in the estimation of insurance contract liabilities. During 2018 and 2017 changes were made to the company's bond portfolios which improved the matching of these investments to the estimated duration of the insurance contract liabilities. These changes positively impacted net income and were more significant in the prior year. In addition fourth quarter equity market declines reduced net income compared to the prior year.

For the quarter ended December 31, 2018, Empire Life's net income attributable to E-L Financial was \$6 million compared to \$48 million for the comparable period in 2017. The decrease in earnings for the fourth quarter of 2018 was primarily a result of the items noted above.

Effective January 1, 2018, Minimum Continuing Capital and Surplus Requirements ("MCCSR") has been replaced by the Life Insurance Capital Adequacy Test ("LICAT"). The LICAT is intended to improve the quality of available capital and provide a better alignment of the risk measures with the long-term economics of the life insurance business. The LICAT will behave differently under various economic scenarios when compared to MCCSR. As a result, LICAT ratios are not comparable to the MCCSR ratio. Empire Life's LICAT total ratio was 149% at December 31, 2018, well above the requirements set by the Office of the Superintendent of Financial Institutions Canada as well as Empire Life's minimum internal targets.

CONSOLIDATED SUMMARY OF NET INCOME (UNAUDITED)

<b>E-L Financial Consolidated</b> <i>(millions of dollars)</i>	<b>Fourth quarter</b>		<b>2018</b>	<b>Year</b> <b>2017</b>
	<b>2018</b>	<b>2017</b>		
<b>Contribution to net (loss) income</b>				
E-L Corporate <sup>1</sup>	\$ (244)	\$ 209	\$ (105)	\$ 498
Empire Life <sup>2</sup>	6	48	136	170
<b>Net (loss) income</b>	<b>\$ (238)</b>	<b>\$ 257</b>	<b>\$ 31</b>	<b>\$ 668</b>

<b>E-L Corporate</b> <i>(millions of dollars)</i>	<b>Fourth quarter</b>		<b>2018</b>	<b>Year</b> <b>2017</b>
	<b>2018</b>	<b>2017</b>		
Revenue				
Net (loss) gain on investments <sup>3</sup>	\$ (324)	\$ 257	\$ (206)	\$ 544
Investment and other income	27	26	134	118
Share of associates (loss) income	(5)	14	10	36
	<b>(302)</b>	<b>297</b>	<b>(62)</b>	<b>698</b>
Operating	9	9	34	29
Income taxes	(41)	37	(6)	92
Non-controlling interests	(26)	42	15	79
	<b>(58)</b>	<b>88</b>	<b>43</b>	<b>200</b>
<b>Net (loss) income</b>	<b>\$ (244)</b>	<b>\$ 209</b>	<b>\$ (105)</b>	<b>\$ 498</b>

<b>Empire Life</b> <i>(millions of dollars)</i>	<b>Fourth quarter</b>		<b>2018</b>	<b>Year</b> <b>2017</b>
	<b>2018</b>	<b>2017</b>		
Revenue				
Net premiums	\$ 237	\$ 210	\$ 874	\$ 834
Net (loss) gain on investments <sup>3</sup>	(95)	269	(308)	302
Investment and other income	83	78	307	281
Fee income	65	70	264	257
	<b>290</b>	<b>627</b>	<b>1,137</b>	<b>1,674</b>
Benefits and expenses	275	553	934	1,428
Income and other taxes	4	20	56	70
Non-controlling and participating policyholders' interests	5	6	11	6
	<b>284</b>	<b>579</b>	<b>1,001</b>	<b>1,504</b>
<b>Net income</b>	<b>\$ 6</b>	<b>\$ 48</b>	<b>\$ 136</b>	<b>\$ 170</b>

<sup>1</sup> Net of non-controlling interests

<sup>2</sup> Net of non-controlling interests and participating policyholders' net income (loss)

<sup>3</sup> Includes fair value change on FVTPL investments and realized gains on AFS investments

<b>Empire Life's Sources of Earnings</b> <i>(millions of dollars)</i>	<b>Fourth quarter</b>		<b>Year</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Expected profit on in-force business	\$ 51	\$ 53	\$ 194	\$ 183
Impact of new business	(12)	(8)	(16)	(22)
Experience (losses) gains	(26)	8	(3)	16
Management actions and changes in assumptions	(22)	4	(20)	32
(Loss) earnings on operations before income taxes	(9)	58	154	209
Earnings on surplus	15	9	37	28
Income taxes	3	(15)	(40)	(56)
Non-controlling interests	(3)	(4)	(15)	(11)
<b>Net income</b>	<b>\$ 6</b>	<b>\$ 48</b>	<b>\$ 136</b>	<b>\$ 170</b>

### **Non-GAAP Measures**

The Company uses non-GAAP measures including net equity value per Common Share to provide investors with supplemental measures of its operating performance that may not otherwise be apparent when relying solely on International Financial Reporting Standards ("IFRS") financial measures. Net equity value per Common Share provides an indication of the accumulated shareholder value, adjusting shareholders' equity to reflect investments in associates at fair value, net of tax, as opposed to their carrying value.

The Company also uses sources of earnings and assets under management to provide investors with supplemental measures of Empire Life's performance and to highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. The Company also believes that securities analysts, investors and other interested parties frequently use non-GAAP measures in the evaluation of issuers.

### **About E-L Financial**

E-L Financial operates as an investment and insurance holding company. In managing its operations, E-L Financial distinguishes between two operating segments, E-L Corporate and Empire Life.

E-L Corporate represents investments in stocks and fixed income securities held directly and indirectly through pooled funds, closed-end investment companies and other investment companies. The investment strategy is to accumulate shareholder value through long-term capital appreciation and dividend and income from its investments.

Empire Life is a subsidiary of E-L Financial. Since 1923, Empire Life has provided individual and group life and health insurance, investment and retirement products to Canadians. Empire Life's 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, 2018 Empire Life had total assets under management of \$16 billion.

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