

PARTICIPATING INVESTMENTS



QUARTERLY PARTICIPATING
ACCOUNT SUMMARY
WINTER 2020

FOR ADVISOR USE ONLY





WHY YOU CAN COUNT ON US

The Empire Life Insurance Company (Empire Life) is a proud Canadian company that has been in business since 1923. We offer individual and group life and health insurance, investment and retirement products, including mutual funds through our wholly-owned subsidiary Empire Life Investments Inc.

Empire Life is among the top 10 life insurance companies in Canada¹ and is rated A (Excellent) by A.M. Best Company².

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.

Follow Empire Life on Twitter@EmpireLife or visit our website, www.empire.ca for more information.

¹ Based on total assets as reported in December 31, 2019 OSFI filings

² As at June 24, 2020. For the latest rating, access www.ambest.com.



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PARTICIPATING LIFE INSURANCE

What makes participating life insurance ideal for many Canadians is the combination of:

- Guaranteed premiums
- Guaranteed life insurance coverage
- Guaranteed cash surrender values and paid-up values
- The potential of receiving dividends each year!

Consistent returns with a conservative investment approach have made the Empire Life participating plans very successful over the years. It is also why we have never failed to pay a dividend in the history of offering this type of insurance. Our dividend scales are guaranteed never to fall below zero percent and any dividend, once paid, cannot be taken back.

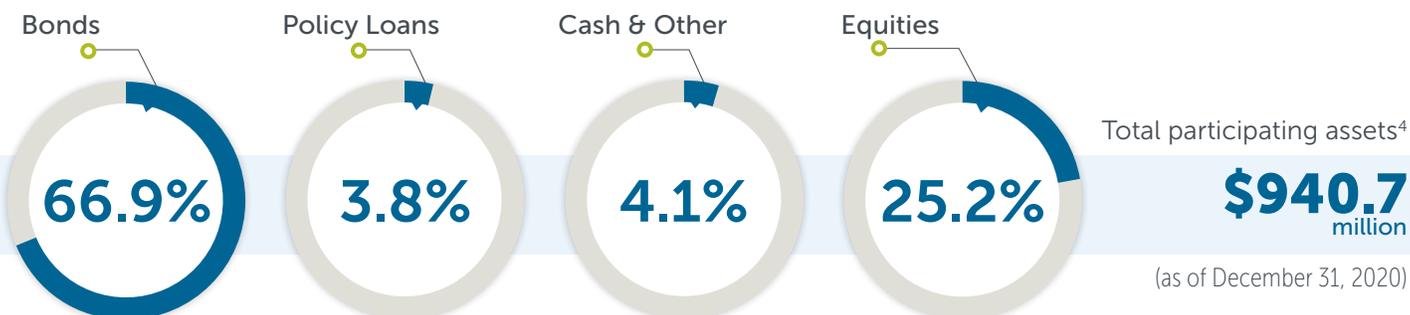
THE PARTICIPATING ACCOUNT

Premiums paid for participating life insurance are deposited into the participating account and invested. Death benefits and expenses are paid from the participating account. Participating policyholders are entitled to share in the returns from the participating account through dividends, which may be declared annually, and credited to the policy. Dividends are not guaranteed.

Empire Life manages the participating account to ensure the account always has enough money to meet its obligations to pay policy benefits, expenses and meet the guarantees within the policy contracts.

The management objective for the Empire Life participating account is to provide long term asset growth and generate adequate income to meet the guarantees of our participating life insurance products. The rate of return within our participating account is based on the growth of our assets under management that support these unique plans. The rate of return is one of the factors used in determining the dividend scale.

UNDERLYING ASSET MIX



Details of the bond portfolio

As of December 31st, 2020, the Empire Life participating account was valued at \$940.7 million dollars. Approximately 74.8% of the participating account is invested in low risk investments with bonds making up approximately 66.9% of the assets or approximately \$629.7 million dollars. The book yield for the bonds in the participating account is approximately 5.0%.

The bonds in the participating account will mature over the next 32 years with approximately 3% of the bonds in the participating account being reinvested each year, at the then prevailing market rates. This means the participating account return, on a book yield basis, will remain fairly stable as it will decline slowly over the next 32 years.

The remaining 33.1% of assets in the par fund are made up of policy loans, commercial mortgages, cash and equities.

Cash & Bonds

Cash & Short-term Investments	2.5%
AAA	2.3%
AA	23.6%
A	43.7%
BBB	27.8%
BB	0.1%

(as of December 31, 2020)

Bonds are the foundation of our total participating assets under management. These percentages will fluctuate when new bonds are purchased or existing bonds mature or are sold. A fluctuation may also occur if there is a change in the rating of any bonds held.

Common & Preferred Shares

This chart shows the geographic split of common and preferred shares held within the underlying assets supporting our participating plans.

Common & Preferred Share Holdings

	Common	Preferred
Canada	95.7%	100%
United States	0.0%	0.0%
Foreign	4.25%	0.0%

(as of December 31, 2020)

HOW DIVIDENDS ARE CALCULATED

Each year Empire Life determines the total amount of dividends to be declared on its participating plans based on the return on the participating account and makes changes to the dividend scale for each product, if necessary. The dividend scale determines the amount of dividends earned on each participating policy. Dividends are not guaranteed and the dividend scale may change annually based on a number of factors such as our operating expenses, return on investments and the costs of paying out benefits including death claims, cash surrender values and dividends.

Empire Life uses smoothing when calculating the experience factors underlying the dividend scale. Mortality and surrender experience are averaged over a five year period to reduce fluctuations in annual experience. The dividend scale interest rate is adjusted for realized gains and losses on asset sales included in income over the remaining term to maturity of each asset sold. The latter is an accounting treatment and not a smoothing mechanism.

Participating Account Investment Rate of Return

9.68%

year to date annualized rate of return as of December 31, 2020.

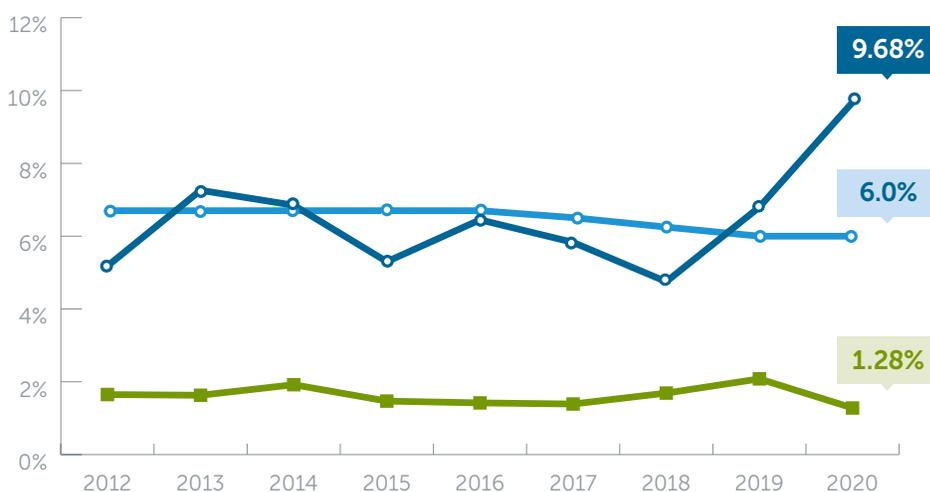
Current Dividend Scale Interest Rate

6.00%

for all participating policies including Optimax Wealth® and EstateMax®

Dividend Scale Interest Rate History

Year	Par Fund Return	Dividend Scale Interest Rate	Chartered Bank Administered 5-year GIC's ¹
2012	5.18%	6.70%	1.65%
2013	7.26%	6.70%	1.63%
2014	6.85%	6.70%	1.92%
2015	5.30%	6.70%	1.47%
2016	6.45%	6.70%	1.42%
2017	5.83%	6.51%	1.39%
2018	4.75%	6.25%	1.69%
2019	6.80%	6.00%	2.08%
2020	9.68%	6.00%	1.28%



- Dividend Scale Interest Rate
- Par Fund Return (as of December 31, 2020)
- Chartered Bank Administered 5-year GIC's

Three components of the participating account used in the calculations of annual dividends:

1) Investment Rate of Return **40%**

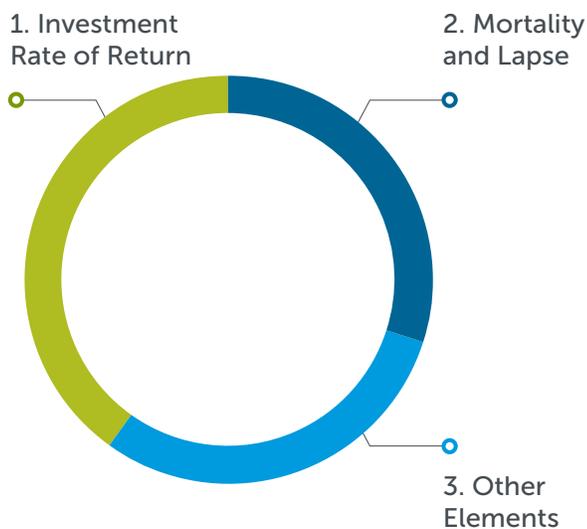
The investment rate of return earned on the participating account which represents approximately 40% of the dividend scale.

2) Mortality and Lapse **30%**

The amount of death claims paid on participating plans can have either a positive or negative impact on policy dividends. Lapsed policies can also impact dividends. Mortality accounts for approximately 30% of the dividend scale.

3) Other Elements **30%**

The other elements are sometimes referred to as the expense and tax component because these items tend to have a higher frequency of change. In addition, the other elements include components targeted at protection for the par fund for items affecting profitability such as regulatory or financial reporting changes. On average about 30% of each dividend included a return of amounts for the other elements component.



TOP TEN HOLDINGS IN THE PAR ACCOUNT

Equities

Parent Company	Percentage
Power Corp	11.1%
Sun Life Fin	8.5%
TD Bank	7.8%
RBC	5.7%
Bank of Nova Scotia	5.5%
National Bank of Canada	4.6%
BMO	4.6%
Atco Limited	4.5%
Manulife Financial	4.0%
Keyera Corp	3.9%
(as of December 31, 2020)	60.2%

Our top 10 equity holdings account for a significant percent of the total equities held within the underlying participating account. While this number may appear high, it is important to remember equities account for a smaller percentage of the total participating assets under management.

Exposures

Parent Company	Percentage
Power Financial Corp	7.0%
Sun Life Financial	4.1%
TD Bank	3.0%
Metro Incl	2.9%
BNS	2.3%
Fortis Inc	2.2%
Irving Oil	2.2%
Telus Inc	2.0%
Hamilton Sensor	1.9%
Hydro One Ltd	1.6%
(as of December 31, 2020)	29.2%

Exposures refer to the total percentage of both equities and bonds of an individual company or institution held within our participating account. Our top 10 exposures account for a much smaller percentage as compared with the equity holdings, keeping our investments diversified.

Industry

Industry Sector	Percentage
Financials	41.3%
Utilities	15.7%
Energy	8.8%
Communication	8.1%
Consumer Staples	6.7%
Real Estate	6.1%
Industrials	5.4%
Infrastructure	2.7%
Health Care	2.5%
Other	2.7%
(as of December 31, 2020)	100.0%

Equities and bonds can come from a wide variety of industries. This chart shows the distribution of the total assets under management in our participating account within the top 10 industry sectors.

OUR PAR ACCOUNT PERFORMANCE

The chart below illustrates the relative stability of the annualized returns for the assets (net of investment expenses) in our participating account compared to other investment options in Canada over the last thirty years.

Year End	Empire Life Participating Account ²	Gov. of Canada Marketable 5-10 year Bonds ¹	Chartered Bank Administered 5 year GIC's ¹	Canadian Total CPI ¹	S&P/TSX Total Composite Return ³
1989	14.27%	9.83%	10.17%	5.00%	21.37%
1990	12.14%	10.82%	10.98%	4.80%	-14.80%
1991	11.47%	9.36%	8.94%	5.60%	12.02%
1992	9.28%	8.16%	7.33%	1.50%	-1.43%
1993	10.50%	7.24%	6.20%	1.80%	32.55%
1994	9.31%	8.26%	7.34%	2.00%	-0.18%
1995	9.62%	7.93%	7.06%	2.20%	14.53%
1996	10.12%	6.86%	5.64%	1.60%	28.35%
1997	9.45%	5.87%	4.71%	1.60%	14.98%
1998	8.28%	5.26%	4.38%	0.90%	-1.58%
1999	8.51%	5.56%	4.81%	1.70%	31.71%
2000	8.83%	5.96%	5.34%	2.70%	7.41%
2001	8.32%	5.32%	4.05%	0.70%	-12.57%
2002	7.83%	5.08%	3.91%	3.80%	-12.44%
2003	7.66%	4.54%	3.13%	2.10%	26.72%
2004	7.53%	4.34%	2.92%	2.10%	14.48%
2005	7.50%	3.89%	2.71%	2.10%	24.13%
2006	7.37%	4.18%	3.16%	1.70%	17.26%
2007	6.86%	4.25%	3.31%	2.40%	9.83%
2008	5.01%	3.36%	3.01%	1.20%	-33.00%
2009	6.34%	2.84%	1.95%	1.30%	35.05%
2010	5.67%	2.88%	1.97%	2.40%	17.61%
2011	5.83%	2.47%	1.87%	2.30%	-8.71%
2012	5.18%	1.63%	1.65%	0.80%	7.19%
2013	7.26%	1.99%	1.63%	1.20%	12.99%
2014	6.85%	1.87%	1.92%	1.50%	10.55%
2015	5.30%	1.19%	1.47%	1.60%	-8.32%
2016	6.45%	1.02%	1.42%	1.50%	21.08%
2017	5.83%	1.61%	1.39%	1.90%	9.10%
2018	4.75%	2.22%	1.69%	2.00%	-8.89%
2019	6.80%	1.53%	2.08%	2.20%	22.88%
2020*	9.68%	0.65%	1.28%	0.70%	5.60%
30-year					
Average Return	7.65%	4.24%	3.61%	1.90%	9.63%
Standard Deviation	1.80%	2.40%	2.10%	0.90%	15.80%
10-year					
Average Return	6.39%	1.62%	1.64%	1.58%	6.35%
Standard Deviation	1.40%	0.60%	0.30%	0.50%	11.70%

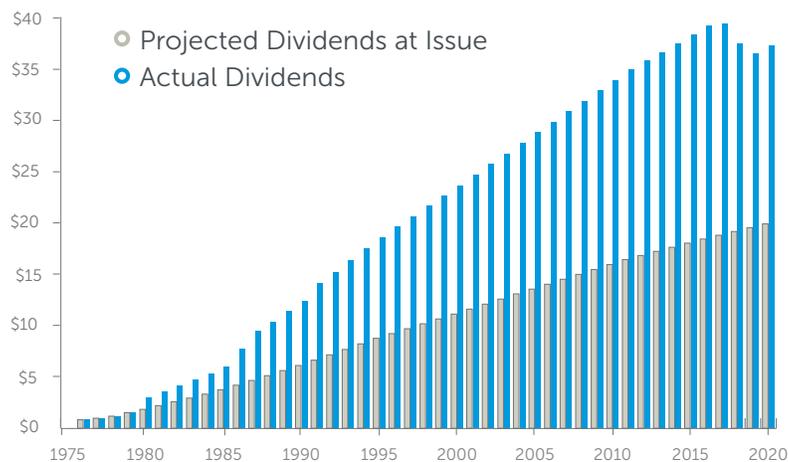
(as of December 31, 2020)

data source: Bank of Canada (2020), TD Securities (2020), Empire Life (2020)

*2020 has 12 months data

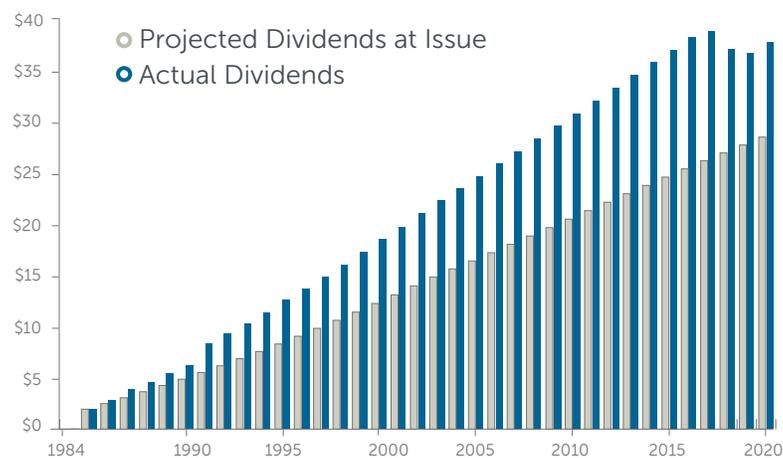
DIVIDEND HISTORY

Empire Life Dividend History 1975-2020



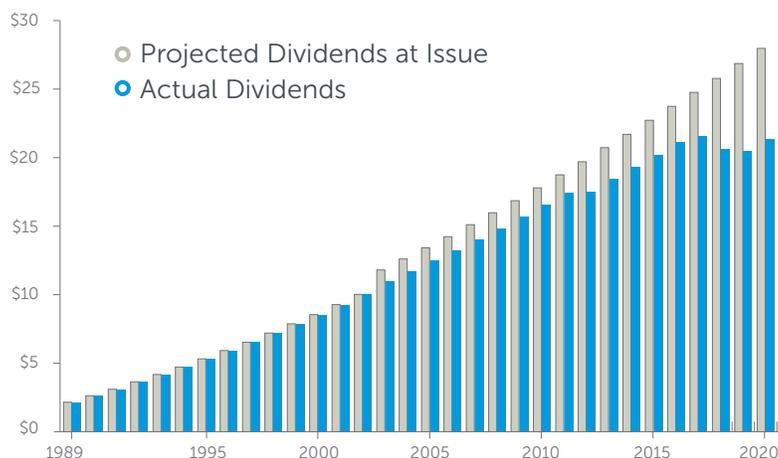
Dividends per \$1,000 for an individual age 30, issue year 1974, Executive Whole Life.

Empire Life Dividend History 1984-2020



Dividends per \$1,000 for an individual age 30, issue year 1983, Executive Whole Life.

Empire Life Dividend History 1989-2020



Dividends per \$1,000 for an individual age 30, issue year 1988, Optimax.

The three charts highlighted on this page show the projected dividends at issue compared to the actual dividend payments per \$1,000 of participating coverage for the Empire Life participating coverages indicated issued on a 30 year old in 1974, 1983 and 1988.

Any change in growth of a dividend payment on each chart indicates a change in the dividend scale for that particular policy.

Over time, the growth of dividends reflects the strength and value-oriented position of the participating plans offered by Empire Life.

The longer the policy has remained in force, the higher the dividend payments have been over the course of each of the three plans highlighted.

Actual dividend payments shown are based on the past experience of each plan and are not intended to illustrate future results for our current participating plans. Dividend payments are not guaranteed.

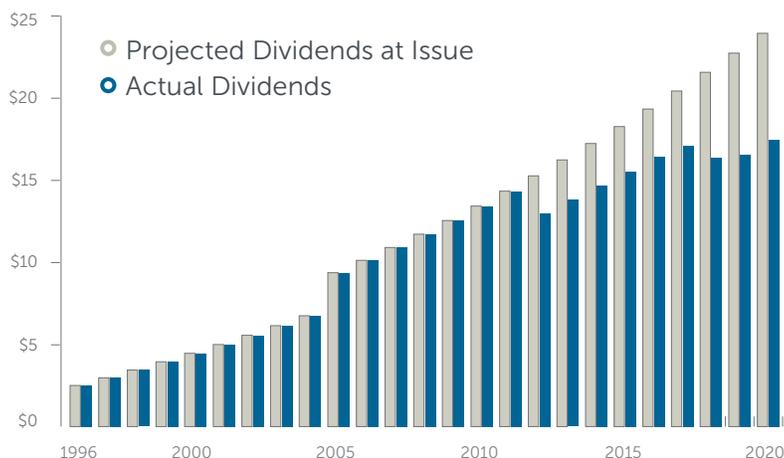
Previous versions of Empire Life participating plans each have their own dividend assumption. While the plans shown are no longer available for sale, Empire Life uses the same value-oriented philosophy for our current product offering.

Dividends can be affected by changes in a number of factors, including lapse rates, mortality rates, Empire Life investment income and expenses.

Dividends are not guaranteed and will vary depending on future experience. Past performance does not guarantee future results.

DIVIDEND HISTORY

Empire Life Dividend History 1996-2020



Dividends per \$1,000 for an individual age 30, issue year 1995, Optimax.

HOW CHANGES TO THE DIVIDEND SCALE CAN IMPACT A POLICY

Changes to the company's dividend scale can impact the performance of a participating life insurance policy, especially if the dividend option selected for the policy is the Enhanced Coverage dividend option. This option relies on the annual dividends paid on the policy to help cover the cost of the Extender/Enhanced Coverage term additions which make up part of the policy's total coverage amount.

Other dividend options such as Paid Up Additions also use the annual dividends paid on a participating policy to purchase "paid up additions" of permanent life insurance coverage which are added to the base amount of the life insurance coverage provided by the policy.

Sales illustrations provided at the time of sale are projections only of how the dividends can impact the growth of cash surrender values or total coverage amounts provided by a participating life insurance policy.

Premium Offset

Premium Offset can be elected to reduce the premium payment period for a participating life insurance policy by using annual dividends declared on a policy, along with the cash surrender value of accumulated dividends, to pay the annual policy premiums.

A change to the dividend scale may mean that the Premium Offset starting point, the point where the dividends and accumulated non-guaranteed values are sufficient to pay policy premiums, may be delayed.

If a policy is already on "Premium Offset" and there is a reduction in the dividend scale, it may mean that the policyowner will need to start paying policy premiums "out of pocket" until the dividends are large enough to once again pay the policy premiums.

It is recommended that an in-force policy illustration be obtained each year to keep track of how a participating policy may perform depending on the policy dividends that may be declared on the policy.

Contact Empire Life Customer Service to request an in-force policy illustration.

References & Disclaimers

¹ Benchmark returns and figures are based on information obtained from the Bank of Canada website www.bankofcanada.ca as of December 31st, 2020. These include the 5-year guaranteed investment certificates (V80691341), the 5-10 year Government of Canada marketable bonds average yield (V122486) and the Total Consumer Price Index.

² Prior to 2007, the long-term investment strategy and accounting rules that smooth out results over a number of years contribute to the relative stability of the total return for assets backing the Empire Life Par Portfolio. Thereafter, Financial Instruments accounting standards eliminate smoothing methods. Starting in 2007, the rate of return does not include unrealized gains or losses. Dividends are not guaranteed and will vary—upward or downward—depending on future experience. Par returns include returns on par surplus and are not actual returns to policyowners.

³ The Total Return for the S&P/TSX Composite index is based on closing price values from TD Securities as of December 31st, 2020.

⁴ The total participating asset figure now excludes Insurance Receivables, Other Assets, Property & Equipment and Intangible assets from the amount stated.

The charts and tables shown in this document refer to or reflect assets held within the Empire Life participating account as of December 31st, 2020, unless otherwise indicated. Empire Life will endeavour to ensure the information presented is accurate and updated, but will not be held liable for inaccuracies. Past performance does not guarantee future results.

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The information contained in this document has not been audited.

Questions? We're here to help.



To find out more about our Participating Life Insurance, contact your Account Executive, call our sales centre at 1 866 894-6182 or visit empire.ca.

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