PARTICIPATING INVESTMENTS

Spring 2017

QUARTERLY PARTICIPATING ACCOUNT SUMMARY

FOR ADVISOR USE ONLY

Empire Life

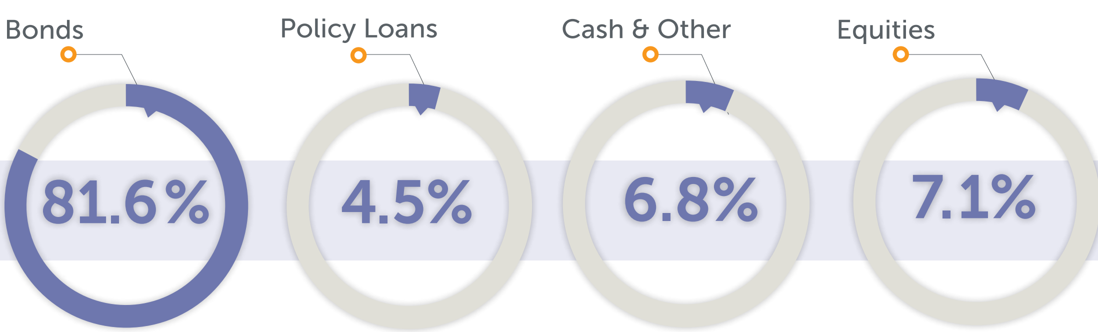
WE'VE BEEN SUCCESSFUL...

What makes participating life insurance ideal for many Canadians is the combination of guaranteed features and cost coupled with the possibility of receiving dividends each year. Consistent returns with a conservative approach have made 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.

Investment Rate of Return

The rate of return within our participating account is based on the growth of our assets under management that support these unique plans. The return itself is not an indication of actual dividend payments each year, but is one of the factors used in determining the dividend scale interest rate. It is important that the assets supporting the dividend payments provide better value than short-term interest-bearing investments and more stable and consistent returns than equity markets.

UNDERLYING ASSET MIX



Total participating assets[4]

$683.7 million

(as of December 31, 2016)

Cash & Bonds

Cash & Short-term Investments	2.9%
AAA	2.7%
AA	15.4%
A	**63.6%**
BBB	15.4%

(as of December 31, 2016)

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 Share Holdings

	Common	Preferred
Canada	**100%**	**100%**
United States	0.0%	0.0%
Foreign	0.0%	0.0%

(as of December 31, 2016)

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

Participating Account Investment Rate of Return

6.45% year to date annualized rate of return as of December 31, 2016

Current Dividend Scale Interest Rate

6.50% For all participating policies currently available for sale

TOP TEN

Equities

Parent Company	Percentage
Sun Life Financial	9.5%
Bank of Nova Scotia	8.1%
TD Bank	8.1%
Bank of Montreal	6.5%
Power Financial Corp	5.8%
RBC	4.4%
Canadian National (CN)	3.8%
Constellation Software Inc.	3.7%
CGI Group Inc.	3.0%
Suncor Energy Inc.	2.8%
(as of December 31, 2016)	**55.7%**

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
Bank of Nova Scotia	4.3%
Power Financial Corp	3.7%
Sun Life Financial	2.9%
TD Bank	2.4%
Fortis	2.0%
Hydro One	1.9%
Enwave Energy	1.2%
Irving Oil	1.2%
CIBC	1.1%
BCE Inc	1.0%
(as of December 31, 2016)	21.7%

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	**47.6%**
Utilities	18.3%
Energy	9.9%
Industrials	6.4%
Consumer Staples	4.5%
Health Care	4.2%
Telecom Services	3.6%
Infrastructure	2.5%
Information Technology	1.4%
Other	1.6%
(as of December 31, 2016)	**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 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.

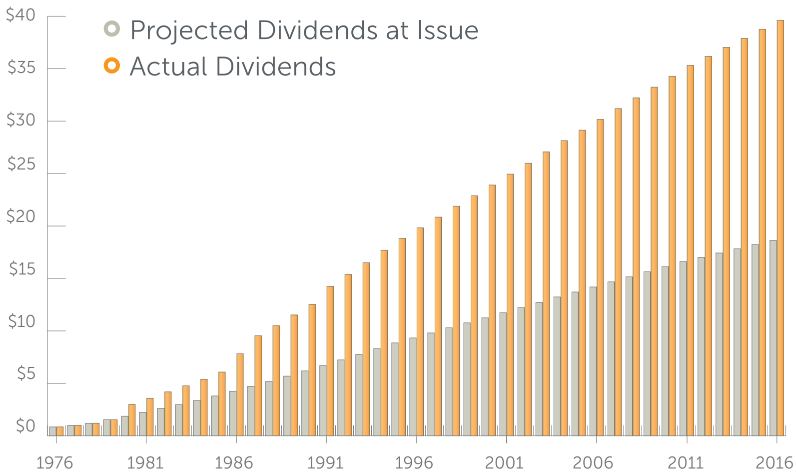
Year End	Empire Life Participating Account [1]	Gov. of Canada Marketable 5-10 year Bonds [2]	Chartered Bank Administered 5 year GIC's [2]	Canadian Total CPI [2]	S&P/TSX Total Composite Return [3]
1987	13.40%	9.55%	9.42%	4.40%	5.88%
1988	12.25%	9.76%	10.00%	4.00%	11.08%
1989	14.27%	9.83%	10.17%	5.00%	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%	0.72%	(12.57%)
2002	7.83%	5.08%	3.91%	3.80%	(12.44%)
2003	7.66%	4.54%	3.13%	2.80%	26.72%
2004	7.53%	4.34%	2.92%	2.13%	14.48%
2005	7.50%	3.90%	2.71%	2.09%	24.13%
2006	7.37%	4.18%	3.16%	1.67%	17.26%
2007	6.86%	4.25%	3.31%	2.38%	9.83%
2008	5.01%	3.36%	3.01%	1.16%	(33.00%)
2009	6.34%	2.84%	1.95%	1.32%	35.05%
2010	5.67%	2.88%	1.92%	2.35%	17.61%
2011	5.83%	2.47%	1.87%	2.30%	(8.71%)
2012	5.18%	1.63%	1.65%	0.83%	7.91%
2013	7.26%	1.99%	1.63%	1.24%	12.99%
2014	6.85%	1.87%	1.92%	1.47%	10.55%
2015	5.30%	1.19%	1.47%	1.61%	(8.32%)
2016	6.45%	1.02%	1.42%	1.50%	21.08%
	30-year				
Average Return	**8.48%**	**5.38%**	**4.74%**	**2.28%**	**9.46%**
Standard Deviation	**2.4%**	**2.9%**	**2.9%**	**1.3%**	**16.0%**
	10-year				
Average Return	**6.08%**	**2.35%**	**2.02%**	**1.62%**	**6.43%**
Standard Deviation	**0.8%**	**1.0%**	**0.6%**	**0.5%**	**19.0%**

(as of December 31, 2016)

Data source: Bank of Canada (2016), TD Securities (2016), Empire Life (2016)

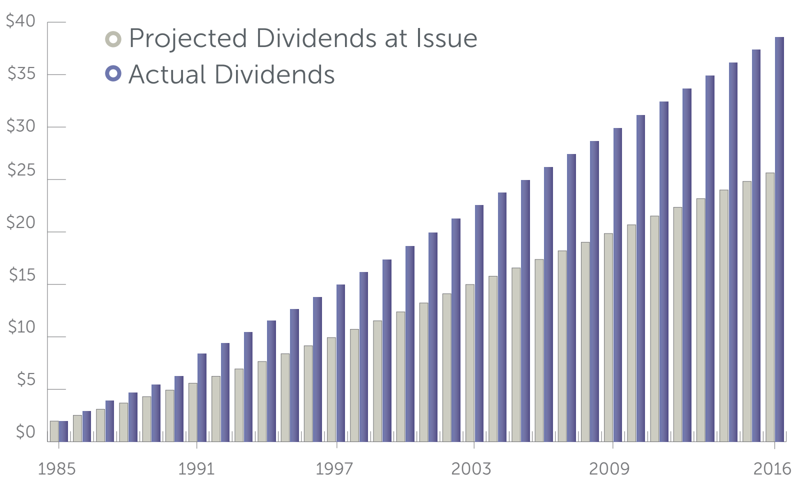
DIVIDEND HISTORY

Empire Life Dividend History 1975-2016



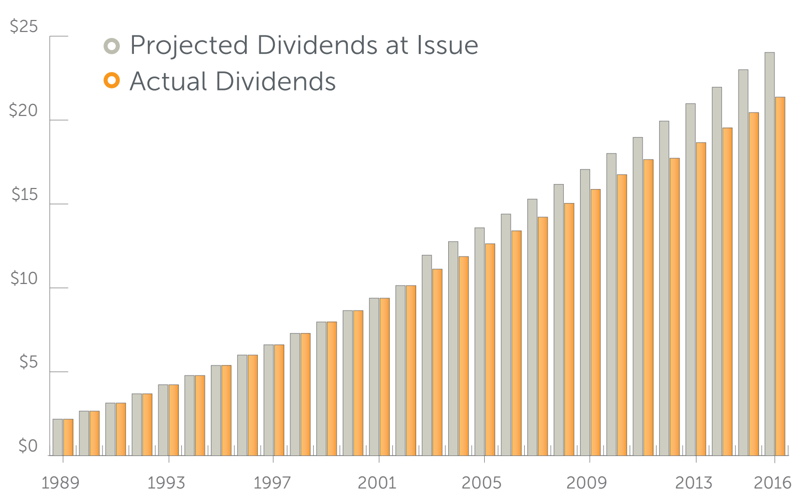
Dividends per $1,000 for an individual age 30, issue year 1975, Executive Whole Life.

Empire Life Dividend History 1984-2016



Dividends per $1,000 for an individual age 30, issue year 1984, Executive Whole Life.

Empire Life Dividend History 1989-2016



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

The three charts highlighted on this page show the actual dividend payments per $1,000 of participating coverage for Empire Life participating policies issued 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 are based on the past experience of each plan and are not intended to illustrate future results for our current participating plans.

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.

References & Disclaimers

[1] 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.

[2] Benchmark returns and figures are based on information obtained from the Bank of Canada website as of December 31, 2016. These include the 5-year guaranteed investment certificates (V122526), the 5-10 year Government of Canada marketable bonds average yield (V122486) and the Total Consumer Price Index.

[3] The returns for the S&P/TSX Total Composite Return as based on closing price values from the TD Securities World Index Performance - Native Currency Total Returns Monthly as of December 31, 2016.

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

FOR ADVISOR USE ONLY

The charts and tables shown in this document refer to or reflect assets held within the Empire Life participating account as of December 31, 2016, 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.

The information in this document is for general information purposes only and is not to be construed as providing legal, tax, financial or professional advice. The Empire Life Insurance Company assumes no responsibility for any reliance made on or misuse or omissions of the information contained in this document. Please seek professional advice before making any decision.

The information contained in this document has not been audited.