



September 19, 2008

Subject: US Economic Situation

We have all been watching the economic situation in the United States (US) with interest. Understandably, Canadian financial advisors and consumers are looking for reassurances of the financial stability of the companies they do business with.

Here are a few key points you can refer to in response to questions about the stability of Empire Life and any exposure we may have to what's happening in the rest of the world:

- The Empire Life Insurance Company (Empire Life) is a Canadian company and does not do business in the United States.
- According to **Deborah Frame**, Chief Investment Officer at Empire Life, we do have exposure to global markets and US financial institutions through our investment portfolio, however to date none of those institutions have been identified as at immediate risk. We manage the majority of assets "in house" and have a very disciplined investment process that has proven over the past 40 years to stand up very well to market meltdowns.
- Deborah points out that our internally managed funds have avoided every major disaster so far, having had no holdings in Fannie Mae, Freddie Mac, Lehman Brothers or AIG. While the absence of these and other risky investments keep us out of first quartile in the hot markets, more importantly, they also keep us out of big trouble in situations like this.
- The conservative, value-oriented investment philosophy of Empire Life and our focus on capital preservation has historically helped us to minimize losses for our clients in times of down markets and volatile market activity.
- This investment approach of our internally managed funds is consistent across all mandates, in all asset classes, and geographic markets. Our investment team continues to hold and look for solid companies with sound financials, solid management and good valuations.

We hope this information will help you to answer any enquiries from our clients or distribution partners, and address any concerns you may have yourselves about the stability, strength and ability of Empire Life to meet our commitments to our clients, business partners, employees and shareholders.