QUESTION AND ANSWER SECTION

Doug Young, Desjardins

Hello. Doug Young from Desjardins. So first question, in the US insurance market, Joe or I guess Denis, you're going into the individual PAR and the Index UL. Can you talk about the profit profile, the ROEs for that business, the risks, how you're managing that?

Joe Dunlap

Sure. I can talk about that. In fact, we have priced those products similar to what I said earlier, both the PAR and the IUL. They are priced well north of our current ROE targets. And distributors that we do business with today, particularly on the index universal life, are riding large amounts of that business primarily to the middle market in particular, some to the mass market, but most to the middle market. And we just see a huge opportunity there. We have focused on very specific product descriptions, definitions, sales processes to be sure because it is relatively new to our distribution, at least with us, not with other carriers.

Éric Jobin

And I'll just say yeah. I could add, Doug, the risk management, we had a question earlier on the risk management practices. We will edge the equity index exposure with that product. So we will make sure that there's no downside connected with this, this product.

Doug Young

Okay. And just on the individual insurance life, you talk about 20% ROE. I assume that's excluding Vericity. And if that's the case, how long does it take to get Vericity up to that 20% level?

Éric Jobin

When you talk about, Vericity, you refer to the whole entity, the distribution plus the Fidelity Life manufacturing?

Doug Young

Well, I was just looking at in the slide, you talked about individual insurance ROEs of 20%. Is that, is that Vericity? Like, is that income? That's the whole thing is inside that?

Éric Jobin

That’s the whole thing. Yeah. So we said remember, when we concluded the acquisition, we said that, you know, it would be dilutive on EPS shortly, and then it would start to be accretive. So I would say mid-term will get to the target ROE that we are achieving. Good.

Tom MacKinnon, BMO Capital

Thanks. Tom McKinnon, BMO Capital. Joe, can you talk about some, you know, we've heard about Globe Life with some issues that they've had in terms of sales practices, you know, as they work down the mid market or final expense market. What kind of sales practices do you have in place here that makes that you could share with us that could make us comfortable that there shouldn't be any kind of issues with respect to the IMOs that you are, you're distributing through that.

Joe Dunlap

Sure. And that's always a main event for us that we have a long-established history of being able to stay on the straight and narrow. Haven't had any material compliance issues at all. We do significant amount of training, and, actually, we take advantage of iA's strong risk management and compliance programs as well. In fact, our compliance program at our office there in Waco is very robust and very involved in the day-to-day process. So, we've been able to haven't had that as an experience. We make a big issue out of it with our distributors that we will do things the right way.

Tom MacKinnon

Great. And then how can you leverage the distribution that Vericity brought in? Can you, you know, branch out into direct to consumer and utilize some of their practices for distribution?

Joe Dunlap

That's maybe a potential item down the road. We have not really addressed that up to this point. We've been focused on our distribution today, which is, we've been successful with independent distribution. Although, I'm sure we'll have some opportunities to leverage some, resources as we move forward.

Denis Ricard

Maybe, Sean, you want to talk about the fact that you have this group that is looking at opportunities?

Sean O’Brien

Yeah. Actually, tomorrow afternoon, we are, the US leaders. We get together, and we've started US growth committee. And, really, we're starting to look at the US life platform as, okay, what do you have, what do you have, and what can we bring together, and what as a company should we be adding to the mix that would probably benefit one or the other. So there's kind of a, you know, the risk of the acquisition, we're still in the integration mode, bring them in. We're still tapping into our accounting finance teams, but I definitely think there will be an opportunity to leverage that platform and also Joe's products on the pro platform and vice versa. So but we're on that journey.

Éric Jobin

And maybe, Tom, just before you go, you asked me the question at the break, regarding the earnings growth from US and Canada. And just for the benefit of everyone, the earnings growth, we said 10% plus. So how does it split between Canada and US? It's, the earnings growth in the US is well above the 10% target for the US operations. So it's a significant contributor to our earnings growth expected for 2027.

Denis Ricard

And a higher ROE as well.

Éric Jobin

Yeah. Absolutely.

Denis Ricard

Increasing ROE. Yeah.

Paul Holden, CIBC

Alright. Paul Holden, CIBC. One question on Dealer Services, where you're seeing a good inflection in these sales numbers over the last few quarters, haven't seen an inflection yet in profitability. So given the investments you're making in the business, when would you expect net earnings to start reflecting higher for that business?

Denis Ricard

Éric you want to start? or then John?

Éric Jobin

Yeah. Maybe you start.

Sean O'Brien

I could kick it off. John mentioned, it's a matter of operational efficiency. So, you know, getting some expense out of business, repricing the business has been key and continue to grow the business. And the profit is a mix of the min fees we make, and then the reserves that we are building as well. Sometimes it takes a bit of time. But it will be a slow recovery. But you'll see it this year as it starts to come up, but it's not going to be a big jump up.

Éric Jobin

To connect with the answer I just gave to Tom, it's going to kick off gradually starting in 2025, and ramp up I'd say in 2026 and 2027. It's mostly coming from the US dealers.

John Laudenslager

Some of the pricing adjustments we've made, you'll see start to hit in late 2025 and the 2026 and 2027.

Denis Ricard

Yeah. I mean, we work on different initiatives, pricing increase, as John just mentioned, so it's also on the expense side. We're making some, initiatives as well. So, I mean, it's the combination of all the initiatives that we're making that, you know, gradually, you're going to see in 2025 an improvement.

Meny Grauman, Scotiabank

It's Meny from Scotiabank. This is a question for John just about cross-border opportunities. You mentioned that. So I'm just curious if you could expand on that. How big an opportunity is that? And, you know, from your perspective being in the US your entire career, what can the US learn from Canada when it comes to this, dealer services business in particular?

John Laudenslager

Well, I think that, you start with the OEM space, the manufacturer space, cross-border opportunities. Gwen and her team have a very strong position in that space. From my background, all of the business that I managed outside of the US, 90% of that was OEM business. So I have a lot of relationships. I also know that they want, would prefer to have one carrier rather than multiple carriers. So I think we can work on that thing. There are also some dealer groups that work across borders as well I think we have some opportunities on.

Meny Grauman

And then just as a follow-up, I wanted to ask the tariff question again. I know we talked about it on the call, but, John, wanted to get your perspective in terms of how you think about that risk and the potential for you know, it's hard to know what to believe, but there's a scenario where, you know, the supply chain gets really problematic. And so how do you think about that risk when it comes to your business and the outlook there?

John Laudenslager

I agree with you. It's hard to figure it out. I would say this, that's why we talked about our balance of our portfolio, and we ran into this during COVID when new cars were extremely hard to get, sometimes impossible. So we like that balance of our portfolio. I'm not convinced at all that you are going to see the type of tariffs that have been thrown out there. I don't think it's beneficial to anyone. I think it's a negotiation, and I think we'll get to a specific point.

Caroline Drouin

No more questions. We do have a question from the participants online. The next question comes from, Mario Mendonca. And his question is as follows: "What has changed over the last decade in the Canadian life insurance that allows for 20% ROE? Is it all reduced capital requirements? Is it mix of business? Is it disciplined pricing or lower competition?"

Denis Ricard

I can start, and I will complement Éric. I think we know the answer, both of us.

Éric Jobin

I would say the first item and most important is the pricing discipline that started to take place in the mid, around mid-2012 or 2014. So pricing discipline, lower guarantees trend, the industry discipline itself also in offering less risky guarantees. So that's another item, and just keep growing and scaling.

Denis Ricard

Yeah. We priced in the declining interest rates. That's what the disciplined part you're talking about. And I think also, for just strictly for iA, I can talk for the others, but the introduction of the LICAT formula, the introduction of IFRS 17, at the end has also been a positive for iA. Thank you, Mario, for the question.