iA Financial Group

Third Quarter 2026 Earnings Results

Conference Call Transcript

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Operator:

Thank you for standing by. This is the conference operator.

Welcome to the iA Financial Group Third Quarter 2026 Earnings Results Conference Call. As a reminder, all participants are in a listen-only mode and the conference is being recorded. After the presentation, there will be an opportunity to ask questions. To join the question queue, you may press star, then one on your telephone keypad. Should you need assistance during the conference call, you may signal an operator by pressing star, then zero.

I would now like to turn the conference over to Caroline Drouin, Head of Investor Relations with iA Financial Group. Please go ahead.

Caroline Drouin:

Thank you and good morning, everyone. Bonjour à tous. Welcome to iA's Third Quarter 2026 Conference Call. This conference call is open to the financial community, the media and the public. I remind you that the question period is reserved for financial analysts.

Before we start, I draw your attention to the forward-looking statements information on Slide 2. Forward-looking statements made today are subject to risks and uncertainties that could cause actual results to differ materially. These statements are based on certain material factors and assumptions.

I also draw your attention to the non-IFRS and additional financial information on Slide 3. Today's commentary will also include adjusted financial measures which should be considered as a supplement to IFRS measures. For further details, please refer to our press release and MD&A issued earlier.

I will start by introducing everyone attending on behalf of iA: Denis Ricard, President and CEO; Éric Jobin, Chief Financial Officer and Chief Actuary; Alain Bergeron, Chief Investment Officer; Denis Berthiaume, Chief Growth Officer for our Canadian operations and responsible for iA Auto and Home; Stephan Bourbonnais, responsible for our Wealth Management Operations; Renée Laflamme, responsible for Individual Insurance, Savings and Retirement; Sean O'Brien, Chief Growth Officer for our U.S. operations and responsible for all of our Dealer Services Operations; and finally, Louis-Philippe Pouliot, in charge of Group Benefits and Retirement Solutions.

With that, I will now turn the call over to Denis Ricard.

Denis Ricard:

Good morning and thank you for joining us today.

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We delivered another strong quarter with broad-based business growth and solid profitability across the organization. Our results continue to demonstrate the strength of our diversified business model and the consistent execution of our growth strategy.

Today's results reflect the performance of all operating segments with Wealth Management continuing to be an important contributor. We also see good momentum in our distribution platforms and recent acquisitions are contributing as expected or better.

Turning to Slide 8, our third quarter results were strong across several dimensions. Core EPS reached $4.03, up 16% year-over-year, while our trailing 12-month core ROE increased to 17.6%. On a quarterly annualized basis, core ROE was 20%. These results reflect the quality of our earnings and the benefits of our diversified business model.

Business growth was very strong. Net premiums, premium equivalents and deposits reached $6.1 billion, up 16% year-over-year, while assets under management and administration reached $375 billion, up 30% over the last 12 months. This reflects continued momentum across our distribution platforms, particularly in Wealth Management, as well as continued business growth in our insurance operations.

Our financial position is robust. We ended the quarter with a solvency ratio of 131% and $0.9 billion of capital available for deployment, while generating $180 million of organic capital during the quarter. We also returned $189 million to shareholders through share buybacks, in addition to our regular dividend.

Finally, book value per common share reached $81.71, up 3% over the last 12 months.

Overall, these results reinforce our confidence in the trajectory of our business and in our ability to create long-term shareholder value.

Reflecting our confidence in the business, we are pleased to increase our quarterly dividend by 7% to $1.18 per share, one quarter earlier than our usual cadence. This decision reflects the strength of the business, our broad-based organic growth, the contributions from our recent acquisitions, with RF Capital accretive sooner than initially expected and Vericity now accretive, and a robust capital position.

Turning now to Slide 9, our Insurance Canada businesses delivered another solid quarter. Individual Insurance sales increased 13% year-over-year to $115 million, and this strong performance reflects the continued expansion of our distribution networks, the effectiveness of our digital tools and our comprehensive and distinctive product offering.

We also maintained our number one position in Canada for policies issued, reinforcing the strength of our footprint in the Canadian market.

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In Group Insurance, premiums and deposits remained close to last year's strong level at $514 million. Employee plans implemented sales reached $25 million during the quarter, and in Special Markets, the result reflects the strategic termination of two groups, consistent with our disciplined focus on business quality. Excluding these terminations, sales were comparable with last year.

Dealer Services in Canada continued to perform well, with total sales of $216 million, up 1% year-over-year. The business continues to benefit from its extensive distribution network and comprehensive product offering.

Finally, iA Auto and Home delivered another good quarter, with sales of $186 million, up 3% year-over-year. This growth was supported by higher policy volumes and the impact of pricing adjustments implemented over the last 12 months.

Overall, the Insurance Canada segment continues to demonstrate the benefits of scale, strong distribution and disciplined execution.

Turning to Slide 10, Wealth Management delivered another strong quarter and continues to be an increasingly important contributor to our growth and earnings. Business activity remained very strong, with individual growth sales reaching $3.2 billion and individual net fund inflows approaching $1.3 billion.

In individual seg funds, gross sales increased 36% year-over-year to more than $2.2 billion, while net sales reached more than $1.3 billion. We maintained our number one position in Canada for both gross and net seg fund sales, as well as for assets under management.

We also reached an important milestone in September, surpassing $50 billion in seg fund assets under management. This reflects the sustained growth of our distribution network, the competitiveness of our product offering and our leadership position in the Canadian seg fund market.

In mutual funds, gross sales reached $571 million, while sales of other individual savings products increased 14% to $455 million.

Group Savings and Retirement also maintained good momentum, particularly in accumulation products, with total sales reaching $745 million, up 23% from last year. Assets under management in the business increased 9% over the last 12 months.

Beyond these strong business results, we continue to strengthen our wealth distribution platform with strong recruiting activity. Our ambition remains to reinforce our position as Canada's leading independent non-bank wealth distribution platform.

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As part of the continued evolution of our platform, Richardson Wealth is entering a new chapter as Nobelia. The new name reflects both the firm's heritage and its bright future as part of iA Financial Group.

Overall, these results and the continued development of our distribution capabilities demonstrate the strength of our wealth management platform and the opportunity to grow assets and earnings over time.

Turning to Slide 11, our U.S. operations also delivered good business growth during the quarter and is an important component of our long-term growth strategy.

In Individual Insurance, sales reached $97 million, up 24% year-over-year. Growth was driven by both the final expense and middle market segments, supported by strong engagement across our distribution network. Our customized product portfolio and diversified distribution network position the business well for sustainable growth in our target markets.

At the same time, we are seeing some emerging pressure on business quality. The U.S. life insurance distribution environment is evolving rapidly as we see changes in the competitive practices, product and broader industry dynamics. We are responding by actively adapting how we manage our distribution network while maintaining a disciplined focus on business quality. Sales remained strong, but our priority is profitable and persistent growth. We are prepared to accept some moderation in sales as we strengthen business quality.

In Dealer Services, sales increased 4% year-over-year to $298 million. This result reflects the strength and diversity of our distribution channels and the quality of our products and services, despite the less favourable U.S. auto market and some dealer group attrition. We remain focused on strengthening our distribution relationship and driving sustainable, profitable growth.

Overall, U.S. businesses continue to demonstrate the growth potential of our platform and the opportunity to build greater scale over time.

Turning to Slide 12, our results continue to demonstrate solid progress toward our financial targets and reinforce our confidence as we approach the end of the year.

Core EPS grew 11% year-over-year for the first nine months of 2026, in line with our midterm growth objective of 10% or more on an annual average basis. Our trailing 12-month core ROE reached 17.6% on September 30, which also meets our 2026 target of 17% or more.

Organic capital generation remains a key strength. Year-to-date, we have generated $515 million of organic capital and remain on track to achieve our 2026 objective of more than $700 million.

Our core dividend payout ratio was 29.2% year-to-date, comfortably within our target range of 25% to 35%.

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Overall, we are performing well against our financial objectives, supported by strong business growth, disciplined execution and our diversified business model.

With that, I will now hand it over to Éric Jobin, who will take you through our third quarter profitability and capital position in more detail. Éric?

Éric Jobin:

Thank you, Denis, and good morning everyone. I'm pleased to walk you through our solid third quarter results.

Let me begin with Slide 14 and a few key takeaways from the quarter.

We delivered solid core earnings of $356 million, reflecting broad-based performance across our businesses. Results benefitted from strong organic growth, the contributions from recent acquisitions and favourable insurance experience. This translated into a core ROE of 20% on a quarterly annualized basis, while the trailing 12-month core ROE reached 17.6%, in line with our 2026 target.

Importantly, the underlying earning drivers also continue to show good momentum. Expected insurance earnings, which exclude experience gain and loss, increased 9% year-over-year, while core non-insurance activities increased 13%, driven by the performance of our wealth distribution and advisory affiliates, including the contribution from RF Capital.

We also continue to generate solid organic capital while maintaining a robust capital position. This gives us significant flexibility to invest in growth, return capital to shareholders, allocate capital in a disciplined manner and create long-term value for shareholders.

These strong fundamentals also supported the dividend increase announced with our results. This decision reflects our strong organic growth momentum, the growing contribution from our recent acquisitions and our robust capital position, which gives us the flexibility to continue investing for growth while returning value to shareholders.

Let's now take a closer look at our core earnings by segment.

Turning to Slide 15 for Insurance Canada, Insurance Canada delivered another strong quarter with core earnings increasing 19% year-over-year to $135 million. Core earnings benefitted from $35 million of insurance experience gains compared with a $2 million loss last quarter—last year. The gains mainly reflect favourable mortality experience, as well as lower claims at iA Auto and Home due to favourable weather in the third quarter. Core earnings also benefitted from higher combined risk adjustment release and CSM recognized for services provided from Individual Insurance and Employee Plans.

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Expected insurance earnings on PAA business were lower year-over-year as a result of a revision of the seasonality assumptions at iA Auto and Home.

Overall, Insurance Canada had a strong quarter supported by continued growth in the underlying earning drivers complemented by favourable insurance experience.

Let's now turn to Wealth Management on Slide 16.

Wealth Management delivered another strong quarter with core earnings increasing 21% year-over-year to $151 million. The segment continues to be a meaningful and growing contributor to our overall earning base. The underlying earning drivers continued to perform well. Combined risk adjustment release and CSM recognized for services provided increased year-over-year, reflecting strong net segregated fund sales and the favourable impact of financial markets over the past 12 months.

Core non-insurance activities also increased, supported by higher net revenues on assets at iA Clarington and across our distribution and advisory affiliates, including RF Capital Group. RF Capital Group made a strong contribution during the quarter and remains on track to deliver core EPS accretion of at least $0.15 per share in 2026.

Overall, Wealth Management continues to increase both the scale and diversity of our earning base with another solid performance this quarter.

Turning to Slide 17 now for U.S. operations, third quarter core earnings increased 16% year-over-year to $37 million, reflecting good contribution from both Individual Insurance and Dealer Services.

Expected insurance earnings increased 11% year-over-year, supported by business growth in Individual Insurance over the current and prior periods. In addition, net insurance experience gains of $5 million were recorded. Favourable mortality experience was partly offset by unfavourable policyholder behaviour at American Amicable. While the impact on this quarter earnings was limited, we continue to see pressure on lapse experience and are monitoring the emerging trends closely. We are actively responding with tighter oversight of distribution and adjustment to our product offering with a clear focus on business quality and profitable growth.

At the same time, we continue to make progress in expanding and diversifying our U.S. Individual Insurance business. The combined contribution from Fidelity Life and eFinancial was accretive to core EPS this quarter as expected when we announced the acquisition.

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On the Dealer Services side, expected earnings from PAA insurance increased, while core non-insurance activities were lower, reflecting a sales mix weighted toward insurance products. As we have discussed in previous quarters, earnings from these insurance products emerge progressively over time.

Overall, our U.S. operations recorded solid results this quarter. We remain focused on actively managing business quality and delivering disciplined, profitable growth across our U.S. platform.

Now turning to Slide 18 for the investment segment, core earnings for the quarter were $93 million compared with $79 million in the second quarter and $105 million a year ago. The quarter-over-quarter increase was driven by higher expected investment earnings, while the year-over-year decrease reflected higher financing charges and core income taxes.

Expected investment earnings were $131 million, up from $119 million in the second quarter and $129 million a year ago. The increase during this last quarter was driven by favourable macroeconomic variations, the impact of the May capital issuance and the contribution from iA Auto Finance. These benefits were partly offset by lower invested assets, mainly as a result of share buybacks. Credit experience was also favourable by $1 million during the quarter, reflecting a greater impact from upgrades than downgrades in the fixed income portfolio.

Finally, core earnings adjustments were negative $60 million due to macroeconomic variations and explained by unfavourable impacts from interest rate and credit spread variations, investment properties and the impact of the CIF.

Moving to Slide 19 for the results of the Corporate segment, Corporate core other expenses totalled $80 million before taxes compared to $70 million a year ago. This included $67 million of core other expenses, which was in the lower half of our targeted quarterly range of $70 million plus or minus $5 million.

The remaining $13 million reflected a higher than expected provision for variable compensation, consistent with the Company's strong financial performance, solid business growth and share price appreciation.

We continue to demonstrate disciplined expense management during the quarter while investing to support future growth. This includes continued investment in AI, digital capabilities and our technology infrastructure. Maintaining the right balance between expense discipline and investing for future growth remains an important priority.

Please now turn to Slide 20 to review our robust capital position and financial strength.

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We ended the quarter with a solvency ratio of 131%, well above the regulatory minimum, and $900 million of capital available for deployment. The change in solvency ratio during the quarter mainly reflected the redemption of $400 million of subordinated debentures completed in September, unfavourable macroeconomic variations and the deployment of $189 million through share buybacks. These impacts were partly offset by continued strong organic capital generation of $180 million during the quarter. Year-to-date, we have generated $515 million of organic capital and remain on track to achieve our 2026 objective of more than $700 million.

Overall, our capital position is robust and provides us with financial flexibility to support organic growth, pursue strategic opportunities and return capital to shareholders while maintaining a disciplined approach to capital allocation.

With that, I'll turn the call back to Denis.

Denis Ricard:

Thank you, Éric.

Now please turn to Slide 22.

As we look back on the third quarter, we are very pleased with our performance and with the continued execution of our strategy. The key message this quarter is that we are generating strong growth across the business and that growth is translating into earnings and capital generation.

We continue to see particularly strong momentum in Wealth Management and Individual Insurance supported by the strength of our distribution capabilities. Premiums and deposits were up 16% year-over-year while assets increased 30% over the last 12 months.

Our acquisitions are also contributing to this momentum. We continue to make strong progress at Richardson Wealth. As recently announced, Richardson Wealth intends to become Nobelia Wealth on November 30, subject to regulatory approval. When we completed the acquisition, we had a 30-month window to transition from the Richardson name. Moving forward significantly earlier reflects the strong engagement of the teams and the progress we have made integrating the business into iA. We see this as another positive step in building our wealth distribution platform.

Importantly, we are delivering this growth while maintaining significant financial flexibility. We have generated $515 million of organic capital so far this year and remain on track for our 2026 objective of more than $700 million. At the same time, we have actively returned capital to shareholders through our NCIB, renewed the program for another year and increased our dividend by 7%.

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Our strong capital position gives us the flexibility to continue investing in growth while returning value to shareholders.

As we move toward the end of 2026, our priorities are clear. We will continue investing in distribution, technology and products while maintaining discipline around expenses, capital allocation and business quality. These capabilities, together with the scale and diversification of our businesses, give us multiple avenues for profitable growth.

In summary, Q3 was another quarter of strong business growth, solid profitability and disciplined capital management. We're executing our strategy, our acquisitions are contributing, and our financial strength gives us significant flexibility to continue investing for growth and creating long-term value for shareholders.

Thank you. Operator, we're now ready to take questions.

Operator:

Thank you. We will now begin the question-and-answer session. To join the question queue, you may press star, then one on your telephone keypad. You will hear a tone acknowledging your request. If you are using a speakerphone, please pick up your handset before pressing any keys. To withdraw your question, please press star, then two. We will pause for a moment as callers join the queue.

The first question is from Doug Young from Desjardins Capital Markets. Please go ahead.

Doug Young:

Hi. Good morning. I guess a two-part question on the U.S. division. The adverse policyholder or lapse experience in the U.S. Can you talk a bit about what drove this, what product? Was it the same issue that you had back in Q1? Is this a new issue? Then I just have a follow-up, and I'll wait on that one.

Denis Ricard:

I guess on the business side, I will ask Sean to answer the question.

Sean O'Brien:

Thank you. In Q1, we had a lapse issue it was related to one particular high-growth agent who was onboarding new agents. We called them green agents, and we addressed that issue. But coming out of that in the quarters, we've been really monitoring our lapse rates very, very closely, and we've noticed a broader weakening of the lapse rate in our business and also across some of our competitors. It would appear the mass market is feeling a bit of a crunch in the U.S.

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Really, we're on it right now. We're going at it from three ways. Product reviews—it's not equally distributed. Some distributors are performing better than others, so we're making sure that the distributors have a final expense product that fits the experience we're getting. Secondly, we're doing some enhanced underwriting as well up front and looking at our chargeback policies. This is where we charge back for early lapses.

We expect longer term, you probably won't see the 20% growth we've seen as of late, but very comfortable with our 10% growth. A real focus on quality, like Denis said.

We're seeing the benefit of Fidelity Life and American Amicable together because we have enhanced capabilities to attract new distributors, a little more toward the middle market, and diversifying some of our products, really looking at term and IUL as well as continue to grow the final expense product, making sure we're keeping an eye on a lot of trends.

Doug Young:

This is on the final—this is on the term product. This isn't on any other additional products that you've been selling that you have lapse experiences on that term.

Sean O'Brien:

No, no, no.

Doug Young:

Yes, okay.

Doug Young:

Denis, you talked about competition products. When you talk about that competitive environment in the U.S. and maybe the products getting a little bit more competitive, is this just focused in on this final insurance market? Or are you seeing this across other areas, like where Fidelity Life operates in the term market, UL market, other areas that you're concerned with, or is this just the final insurance stuff?

Denis Ricard:

I will start, and then Sean, if you want to add, don't hesitate.

As far as I'm concerned, when I look at the history of our products into the U.S., where we started in 2010, we're very, very pleased where we have evolved over the years, and a very profitable business ROE above our target range.

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What happened recently has been some, I would say, some changes in terms of product and from competition. There's also the macroeconomic environment, I would say, in the U.S. Right now we're going through, I would say, a period where there needs to be some changes.

But the outlook for us going forward is still very positive in the U.S. life business, whether it's in the final expense business or the other products that we are trying to penetrate, which is more the mid-market through the Vericity acquisition.

As far as I'm concerned, I'm quite confident and I'm positive about the outlook going forward.

Anything you want to add, Sean?

Sean O'Brien:

No, just to me, we're good. There's a lot of opportunity to bring in new distributors with those products, like you're talking with Denis. I think from a growth perspective, there's way more opportunity than not in the U.S. for this business as we start to gain some scale.

Doug Young:

Okay. Then just a second question. Key for us when you do your actuarial assumption review, Éric, anything that you can—I'm sure you're at the beginning stages of this—anything that you want to share in terms of thoughts, positives or negatives or the things that you're reviewing?

Éric Jobin:

Yes, thank you, Doug, for the question. Of course, I'll be monitoring what we just talked about with respect to U.S. lapse. The sensitive part here is to monitor and establish the right trend on the lapse and make sure that when I look at reserve assumptions at year end, that it's covered. That's one item.

But when I step back and have a look at the global experience from iA Financial Group in the reserve this year, you know that the experience has been favourable.

Globally, when I look at the change of assumptions, I don't expect anything materially negative. In fact, I would expect it neutral to slightly positive overall, but keep in mind when we present the change of assumptions, remember that we have the three buckets. Because of the IFRS accounting presentation, we have the impact that we call P&L, which is current profit, and then you have the risk adjustment impact and CSM, which represent future profit. The sum of the three is what I refer to that should be neutral to slightly positive. Overall, I have no concern.

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Doug Young:

I appreciate the colour. Thank you.

Operator:

The next question is from David Andrich from Jefferies. Please go ahead.

David Andrich:

Hey, good morning, everyone. Thank you for taking my questions. I just have a couple of questions on the U.S. Dealer Services.

I understand that the business mix is shifting from admin to more insurance. I was just wondering, in terms of the sales mix, what are you guys currently seeing, admin versus insurance? Then I'm just wondering if you anticipate that there'll be a potential inflection point for earnings going forward or whether you think it'll just continually grind higher over time? Thank you.

Denis Ricard:

Sean, you can go ahead, and then we'll ask Éric to talk about the earnings.

Sean O'Brien:

Thanks, Denis. As I mentioned last quarter, the first business when we were really looking to improve the sales performance of this business is we looked at the DAC side, because it was a well-entrenched, clear market and operationally a little easier to get at. We started that one last year, and that's where you're seeing the sales coming in on this insurance piece. That will continue. There's a lot of opportunity in that space. But at the same time, we are building a nice pipeline on the dealer and agent channels. That's where you would show up on the—more on the admin revenue side, the non-insurance sales. That one has been growing slower than I hoped, but the pipeline is coming. That's why I continue to say there is a gradual recovery coming and it's building, but it's just the DAC piece has come on stronger.

I don't think you'll see this as necessarily the mix forever, what you're seeing right now. Once the dealer and agent channel comes on, you'll start to see a nice build of non-insurance revenue as well. It's just timing from my perspective.

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Éric Jobin:

I will comment on the earnings side. On the earnings side, the thing to remember is that insurance products are showing on the PAA line of the U.S. segment. Moreover, the particularity of the insurance product is that the earnings are earned gradually over the life of the contract. Let's say guarantee goes from four to seven years, so the insurance earnings will flow through gradually and there's a tendency to be more sticky since the earnings—when the contract is sold, the earnings are amortized or somewhat goes gradually over the life of the contract in the earnings.

While on the admin—and this is the segment that's growing more rapidly right now. On the other segment that is more admin product, most of the profit is recognized at issue. I've referred to this in prior calls. It's mostly front-ended, so the profitability comes when the sales are happening. This is why the profitability on this product is lagging right now.

As Sean mentioned, we are hopeful that the pipeline will be delivering soon, but as soon as the pipeline is delivering results, we should see this line improve.

Denis Ricard:

At high level, what I would say, David, is that as far as I'm concerned, the outlook has not changed versus the previous quarter. We're still executing on improving this operation. We've also made some changes, as you know, on the pricing side and we've also made some changes on the sales side. We're going to see some improvement, but we just need to be patient. It's going to be gradual over time, but the outlook is still positive.

David Andrich:

Understood. Thank you.

Operator:

The next question is from Paul Holden from CIBC. Please go ahead.

Paul Holden:

Thank you. Good morning. Two questions for you. The first is on experience and talking about the all-company level, favourable $40 million this quarter. It's a big number. I think the average since IFRS 17 came into force is $8 million per quarter. How are you thinking about the variability of experience from quarter to quarter? How do we think about what's normal? What defines normal and what's normal variability in this line?

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Éric Jobin:

Thank you, Paul, for the question. In fact, variability should be expected in terms of experience gain and loss.

Remember that we said in the past that given our DNA of being prudent in terms of setting reserve assumptions, there's a positive bias. Last time I looked at it, it's still true. Two out of three quarters, we have positive variance.

In reality, if you average out, you could expect a small bias on average, but not sizable recurring experience gain. Those experience gains like we just had, we're happy. I'd like to see more of them more often, but the reality is that we cannot expect those sizable experience gains all the time. We had a quarter similar to this in Q2 last year, and then the quarter following, it was a small positive variance, so it fluctuates. This quarter is not any different than in the past.

As we mentioned, even if the $40 million is big, it's roughly—when I looked at the overall net experience gain, it's mostly 50/50 between an excellent quarter in terms of mortality experience in Canada and good weather conditions at iA Home & Auto. Those are the two.

We talked about the U.S. a bit earlier. U.S. was positive. I was quite happy to see this. We talked about the mortality experience being negative in Q2. Now, it's positive, but we have this experience loss on the lapse side, which is—of course, is not material. It's less than $5 million, but volatility is normal.

Denis Ricard:

I would add, Éric, that this is notwithstanding the additional compensation that we had to incur this quarter.

Éric Jobin:

Yes, absolutely. There are lots of pluses and minuses in the quarter. That's why I refer people—when I look and I spoke at the Board about the quality of our quarter, I prefer to look at the recurring part, which has grown significantly. I talked about it in the speaking notes. Because when you look at the volatile elements in the quarter, it's easy to see only the experience gain. You have to dig a little more to see that variable comp was higher, that we had a double dip in the quarter, that we had a bit more on the risk contract on group insurance. There were a number of small negative variances that kind of nipped the big positive from experience gain. That's why I prefer to look at the quality of the quarter by looking at the underlying growth of the fundamentals of the businesses.

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Paul Holden:

Got it. Okay. Maybe sometimes we make too much of the quarterly experience and should look at the other growth drivers, as you highlighted, and maybe look at experience more on a trailing average type basis. Okay.

Second question. Good quarters, you highlighted, for individual insurance sales, both Canada and U.S. Also, really good quarter again for seg fund sales. I've got to think about how that flows into earnings. When I look at the CSM statement, I'm still a little bit surprised to see the impact of new insurance business was up only 5% year-over-year just given the strength of the sales. How do I reconcile those two? Does that suggest maybe there's some lower margin product that flowed through the sales this quarter?

Éric Jobin:

It's always a question of sales mix, Paul, at the end of the day.

So sales mix and with IFRS 17, there's a small impact when we measure the value of new business that's connected with the locked-in rates for the assessment, so it tends to influence a little bit, but I would say mostly the sales mix in the quarter was the item.

But we're really happy with $180 million. That's still quite strong in terms of new business value creation.

Paul Holden:

Okay. That's it for me. Thank you.

Operator:

The next question is from Bart Dziarski from RBC Capital Markets. Please go ahead.

Bart Dziarski:

Thanks. Good morning. I wanted to ask around the investment portfolio and specifically honing in on private equity infrastructure. Your results have been strong. Your slide calls out these are quality investments. Could you just maybe unpack what type of private equity infrastructure investments you have that are driving those strong results? Thanks.

Denis Ricard:

Alain?

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Alain Bergeron:

Yes. Hi. It's Alain here. Happy to take this one.

Actually, there's nothing that's very specific about these investments. I would say in general, it's that the team has been effective at finding good deals and they have—it's true. I think you picked up that over this quarter or even over the last several years, it tended to have outperformed. That's been true for both private equity and for infrastructure.

Bart Dziarski:

Okay. Thanks. Then on the seg fund sales momentum that you called out, you hit a milestone with $50 billion of AUM. You talked about in the prepared remarks the distribution and the competitiveness of product offerings. Could you just help unpack that? I'm trying to get a sense of how durable these advantages are over time. Thanks.

Renée Laflamme:

Thank you. This is Renée speaking.

Yes, we're having a very good momentum in the seg funds. Distribution is critical and we do have a great distribution reach. Same with our product that is competitive and the electronic or the digital tools that we have.

I bring you back to the Investor Day, where we're still very positive on the growth. We indicated at the time 8% to 10% growth in savings, and we're very positive about our growth, our continued growth in the seg fund business.

Bart Dziarski:

That's it for me. Thanks for taking my questions.

Operator:

The next question is from Gabriel Dechaine from National Bank Financial. Please go ahead.

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Gabriel Dechaine:

Hi. Actually, what I want to ask here? Expenses, those variable comp expenses in Corporate, the $13 million figure, it's been a noticeable expense for the last—well, a few of the past few quarters anyway. Just wondering if you could give some sense of, I don't know, sensitivity or whatever, stock goes up X% in a quarter, we should expect this type of expense, because it does move the needle.

Denis Ricard:

Thank you for the question. Interestingly, this is part of the compensation of the top management and there are many, many components there. Obviously, the stock price is one of the top ones, and as you know, the stock price of the organization has gone up significantly.

Now, on top of that, there are other components like the relative positioning of our total return versus some benchmarks companies is one of them. If we do outperform the industry or a group of companies, you get a boost on that. Also, the profitability over the three-year period for PSU is one other component.

The reality is that we have outperformed significantly on all the elements. At the end of the day, it's very positive when you think about it, but the reality is that we do incur some of those expenses in the statement.

I wish that in the future, we can continue to outperform the market and so at the end of the day we all benefit from there.

Gabriel Dechaine:

I guess there's some three-year components to it. It's not just one quarter stock price move type of thing. It's more complicated than something.

Denis Ricard:

We do evaluate it on a quarterly basis, Gabriel. Obviously, if you are in a situation where in the quarter you outperform in terms of the stock price or the relative positioning on a total return, it will affect the evaluation. That's the way it works.

Gabriel Dechaine:

Okay, great. I just want to go back to an earlier question—a response to an earlier question. I it was David's question about the Dealer Services in the U.S. I'm not quite sure I understood the answer.

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It sounds like there's something on your end that was resulting in fee-based product sales being down and insurance products being up. I would have thought that was more of a customer end type of phenomenon, but maybe I'm wrong in thinking that. Can you just explain what's going on then?

I guess more importantly, and this is Éric's answer, part of that answer was that the emergence of profits is over the duration of the contract, four to seven years, something along those lines. You're ultimately getting fee versus insurance product. The profitability is about the same. Is that correct?

Denis Ricard:

I'll take that one.

The way I will summarize what was said is that, first of all, last year or the year prior to that, we basically made some changes in the portion of the business which we call DAC, which is more the insurance business. On that insurance business, the revenue recognition or the earnings recognition is spread over time. That's certainly an area where we've been very successful in terms of growing the business, but you're going to see the earnings coming in the future on that part.

The other part that Sean mentioned is on the—more the admin side, where the profit is recognized at issue. Most of it is recognized at issue, so it's really dependent on the revenue. On that part, we are in the process. We've changed some of the products. We've changed some of the sales organization, and so we've suffered some attrition on that part. Now we are building the pipeline, and we're going to see over the next quarters and years a return on profitability on that part. But it will be a bit more volatile based on the revenue that we can—or the business that we can acquire.

Gabriel Dechaine:

Okay. So it's...

Denis Ricard:

Hopefully it's really clear here.

Gabriel Dechaine:

I usually have to reread these transcripts anyway, but that was clear.

But just to clarify that this isn't an issue with auto dealers favouring one product over another, like the fee-based products they would buy and they would self-insure, it's not an issue of dealers maybe not wanting to self-insure for financial reasons or something like that. That's not the case.

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Denis Ricard:

There's no anti-selection, if that is where you're trying to get here. It's not the dealer anti-selecting against the Company. Not at all.

Gabriel Dechaine:

Okay. Okay. I'm hogging the talks here a bit, but the U.S. lapse issue. When you say mass market, you're observing the lapse rates picking up across in your peer results as well. That's just an affordability issue. People that are buying final expense type coverage are a little bit more stressed these days financially. That's it?

Éric Jobin:

Gabriel, it's Éric. When I was referring at the importance of looking at the trends, affordability is, of course, one item. Our customers are more sensitive in this segment to what's happening in terms of macroeconomic. That's obviously one item that I have to carefully look at for year-end change of assumptions.

Gabriel Dechaine:

Okay. Great. Thanks for the answers.

Operator:

This concludes the question-and-answer session. I would like to turn the conference back over to Caroline Drouin for closing remarks.

Caroline Drouin:

Thank you everyone for joining us today. Our Q3 earnings release and slides for today's conference call are posted in the Investor Relations section of our website at ia.ca.

A recording of this call will be available for one week starting this evening and the archived webcast will be available for 90 days, and a transcript will be available on our website in the next week.

Our 2026 fourth quarter results are scheduled to be released after market close on Tuesday, February 16, 2027.

Thank you again, and that concludes our call.

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Operator:

This brings to a close today's conference call. You may disconnect your lines. Thank you for participating and have a pleasant day.

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