



Best's Credit Rating Effective Date

February 22, 2024

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Information

[Best's Credit Rating Methodology](#)

[Guide to Best's Credit Ratings](#)

[Market Segment Outlooks](#)

Financial Data Presented

Financial data in this report: (i) includes data of affiliated entities that are not rating unit members where analytics benefit from inclusion; and/or (ii) excludes data of rating unit member entities if they operate in different segments or geographic areas than the Rating Unit generally. See [list of companies](#) for details of rating unit members and any such included and/or excluded entities.

The financial data in this report reflects the most current data available to the Analytical Team at the time of the rating. Updates to the financial exhibits in this report are available here: [Best's Financial Report](#).

Sun Life Assurance Company of Canada

AMB #: 067413

Associated Ultimate Parent: AMB # 050913 - Sun Life Financial Inc.

Best's Credit Ratings - for the Rating Unit Members

Financial Strength Rating (FSR)

A+
Superior
Outlook: Stable
Action: Affirmed

Issuer Credit Rating (ICR)

aa
Superior
Outlook: Stable
Action: Affirmed

Assessment Descriptors

Balance Sheet Strength	Strongest
Operating Performance	Strong
Business Profile	Favorable
Enterprise Risk Management	Very Strong

Rating Unit - Members

Rating Unit: Sun Life Assur Co of Canada | **AMB #:** 067413

AMB # Rating Unit Members
007101 Sun Life Assur Co of Canada

AMB # Rating Unit Members
008474 Sun Life and Health Ins Co US

Rating Rationale

Balance Sheet Strength: **Strongest**

- Very strong risk-adjusted capital profile, as measured by Best's Capital Adequacy Ratio (BCAR), that has been maintained at a favorable level historically and is supportive of growth initiatives in all geographic territories and market segments.
- The favorable balance sheet strength assessment is bolstered further by the support of the ultimate parent, Sun Life Financial Inc., which has maintained financial leverage and interest coverage at target levels and has the ability to provide capital in a hypothetical stress scenario if ever needed.
- Strong liquidity profile supported by positive earnings and a highly liquid investment portfolio backed by highly rated bonds and strong credit performance in its mortgage-related exposure.

Operating Performance: **Strong**

- The group has a long history of producing favorable operating performance from multiple lines of business despite some volatility related to managing a complex global organization that is sensitive to macroeconomic changes.
- With the exception of a few outlier years, the investment performance of the group over the long term has provided the organization with a stable stream of consistent earnings.
- Underwriting is subject to periodic volatility related to actuarial assumption changes in reserve modeling, strain from direct premiums written, and management actions.

Business Profile: **Favorable**

- Sun Life has several leading market share positions in various products and jurisdictions within the United States, Canada, and Asian marketplaces.
- The organization has been able to demonstrate the ability to expand in various markets through multiple distribution channels with a diversified range of products.
- Execution risk with regard to growth and expansion strategies does exist as part of its business profile pertaining to asset management segments in Asia.

Enterprise Risk Management: **Very Strong**

- The group's ERM program is considered a competitive advantage and is heavily supported by both quantitative and qualitative measures. Active monitoring of these measures coupled with a risk-aware culture allows the framework to be embedded within all levels of the organization.
- The group conducts an array of stress tests above and beyond that which are required by regulators including impacts on earnings, capital, and liquidity.
- Given the international footprint of the organization, a highly sophisticated and integrated ERM program is required within its operations and to date has been successful.

Outlook

- The stable outlooks reflect the expectation that the group will maintain a balance sheet strength assessment in the strongest range with operating results that will contribute to surplus growth needed to support an evolving book of business.

Rating Drivers

- Negative rating action could occur if there is a substantial deterioration in operating performance metrics.
- Negative rating action could occur if there is a substantial deterioration in risk-adjusted capitalization.
- Negative rating action could occur if the holding company's financial leverage or interest coverage metrics were to substantially deteriorate.
- While unlikely over the near term, positive rating action may occur by expansion resulting in dominant market positions outside of Canada, enhancing the overall profile of Sun Life.

Key Financial Indicators

Best's Capital Adequacy Ratio (BCAR) Scores (%)

Confidence Level	95.0	99.0	99.5	99.6
BCAR Score	54.1	34.3	26.9	24.8

Source: Best's Capital Adequacy Ratio Model - L/H, Canada

Key Financial Indicators CAD (000)	Year End - December 31				
	2022	2021	2020	2019	2018
Assets:					
General Account	194,039,451	199,356,310	196,766,499	176,512,494	164,997,736
Segregated Funds	125,242,099	139,928,738	125,859,351	116,917,805	103,013,870
Total Assets	319,281,550	339,285,048	322,625,850	293,430,299	268,011,606
Liabilities:					
Actuarial Liabilities:					
Non-Participating Life	27,864,387	30,661,916	31,287,261	28,621,239	26,427,297
Non-Participating Annuity	28,250,158	28,482,999	28,387,390	24,032,107	21,979,307
Non-Participating Accident and Sickness	16,517,263	16,989,451	16,488,319	15,330,280	13,943,415
Participating	32,240,177	33,101,686	30,946,438	28,879,840	26,781,844
Other	26,911,256	30,621,943	30,803,811	27,280,998	25,920,928
Other Contract Liabilities	11,946,657	11,499,415	11,223,246	10,401,327	10,176,829
Other Liabilities, including Segregated Funds	149,880,216	164,177,024	151,780,687	140,696,031	124,815,294
Total Liabilities	293,610,114	315,534,434	300,917,152	275,241,822	250,044,914
Equity	25,671,436	23,750,614	21,708,698	18,188,477	17,966,692
Net Income	1,990,148	2,978,114	1,406,916	1,735,779	2,035,476
Net Premiums	21,830,826	20,504,031	21,145,136	18,888,209	18,521,065
Net Investment Income	-9,187,863	4,691,116	11,160,949	11,441,031	2,442,921

Source: BestLink® - Best's Financial Suite

Local Currency: Canadian Dollar

Key Financial Ratios (%)	Year End - December 31					Weighted Average
	2022	2021	2020	2019	2018	
Operating Return on Net Premiums	13.7	22.3	13.6	10.7	10.6	14.3
Operating Return on Equity	12.1	20.1	14.4	11.2	11.2	14.0
Pre-Tax Investment Total Return	-6.0	2.5	7.0	7.9	1.5	2.4

Source: BestLink® - Best's Financial Suite

Leverage (%)	Year End - December 31				
	2022	2021	2020	2019	2018
General Account Liabilities to Equity	6.6	7.4	8.1	8.7	8.2
Non-Investment Grade Bonds to Equity	11.8	13.7	17.2	11.2	11.1
Mortgages and Investment Properties to Equity	98.7	102.7	104.8	127.7	129.9
Net Unsatisfactory Mortgages to Equity	0.6	0.6	0.7	0.9	0.2

Source: BestLink® - Best's Financial Suite

Liquidity Analysis (%)	Year End - December 31				
	2022	2021	2020	2019	2018
Current Liquidity	81.9	82.6	82.1	79.0	79.0

Source: BestLink® - Best's Financial Suite

Credit Analysis

Balance Sheet Strength

Capitalization

The balance sheet strength of SLA is considered at the strongest level on a consolidated basis relative to its current insurance and investment risks. In addition, SLA maintains a very strong level of risk-adjusted capitalization per Best's Capital Adequacy Ratio model. The company has a capital policy designed to provide the flexibility to take advantage of growth opportunities and to support the risks associated with their business lines.

The company's capital base consists mainly of common shareholders' equity. Other sources of capital include preferred shareholders' equity, limited recourse capital notes, and subordinated debt issued by SLF Inc. and Sun Life Assurance. For Canadian regulatory purposes, capital also includes innovative capital instruments issued by Sun Life Capital Trust.

The group's regulatory capital consists primarily of common equity along with a moderate mix of preferred equity, SLEECs (Sun Life Exchangeable Securities), and subordinated debt. The increase in total capital over time has primarily been the result of profitable operations.

Through Sun Life Capital Trust, SLA has only one outstanding SLEEC at Year End 2022 (SLEECs Series B). The SLEECs is a long-dated subordinated unsecured debt that qualifies as capital for Canadian regulatory purposes. The SLEECs Series B can be converted into SLA's preferred shares that are exchangeable in certain limited circumstances at a future date into SLF common shares at a price equal to 95% of the trading price at the time of the exchange. The SLEECs represents low-cost and tax-efficient capital that AM Best believes provides the company with increased capital flexibility.

Year End - December 31

Capital Generation Analysis CAD (000)

	2022	2021	2020	2019	2018
Beginning Equity	23,750,614	21,708,698	18,188,477	17,966,692	16,938,129
Pre-Tax Operating Income	18,701,208	5,515,761	-3,860,560	-4,711,223	5,215,002
Net Realized Capital Gains (Losses)	291,229	133,669	161,747	377,370	483,665
Income Taxes	312,526	326,495	129,840	45,707	426,523
Net Unrealized Capital Gains (Losses)	-17,629,842	-2,232,634	5,924,787	6,788,442	-3,172,346
Net Change in Paid In Capital and Equity	672,904	1,362,904	547,904	54,509	53,404
Stockholder Dividends	432,228	1,880,860	1,280,875	1,630,860	1,830,860
Other Changes in Equity	630,077	-530,429	2,157,058	-610,746	706,221
Net Change in Equity	1,920,822	2,041,916	3,520,221	221,785	1,028,563
Ending Equity	25,671,436	23,750,614	21,708,698	18,188,477	17,966,692
Net Change in Equity (%)	8.1	9.4	19.4	1.2	6.1
Net Change in Equity (5 Yr CAGR)	8.7	...	...	...	...

Source: BestLink® - Best's Financial Suite

Local Currency: Canadian Dollar

Asset Liability Management - Investments

The majority of the general fund is invested in medium- to long-term fixed income instruments, such as debt securities, mortgages and loans. Debt securities represent the largest portion of invested assets. The quality of the bond portfolio remains high, with a minimal amount of below investment grade issues, as a percent of total invested assets. Impaired assets to total invested assets is considered low and not a material risk factor at this time. SLF's bond portfolio is very diverse, represented by a large number of credits and good diversification across multiple segments. Its bond portfolio is actively managed through a regular program of purchases and sales directed at optimizing yield quality and liquidity, while ensuring that asset/liability matching requirements are met. The company maintains exposure to private placements (approximately one-third of fixed-income securities), collateralized mortgage obligations and mortgage-backed securities in its United States branch operations and indirectly through its U.S.-domiciled subsidiaries. Although these investments are highly rated, they are volatile in price and duration during changing interest rate environments coupled with volatility in the global economy. The company utilizes derivative instruments to manage risks related to equity market, interest rate and currency fluctuations and in replication strategies for permissible investments, but does not engage in speculative investment in derivatives.

Balance Sheet Strength (Continued...)

SLF's mortgage loan portfolio is almost entirely in first mortgages. Mortgages are diversified by type including multi-family, office, retail, industrial and other. Given more recent concerns with office real estate, the company has reduced its exposure to office type properties over the previous several years. The portfolio is supported by low weighted average loan-to-values and the estimated weighted average debt service coverage adequately supports the underwriting of the asset class.

The company also originates and manages mortgage-backed investments for institutional clients. The fee-based business allows SLF to leverage its commercial mortgage underwriting expertise and enhance its asset management strength. SLF's actively manages its real estate portfolio focusing on acquisitions and dispositions, leasing and rehabilitation, and the management of foreclosed properties.

SLF's equity portfolio represents approximately four percent of invested assets and remains well diversified by industry classification and issuer. To attain desired spreads and maintain appropriate matching, the company adheres to stringent asset/liability management guidelines for interest-sensitive products. A somewhat less conservative strategy is maintained for non-interest-sensitive products.

SLF has a hedging program, involving the use of derivative instruments, to mitigate a portion of the equity market-related volatility in the cost of providing these guarantees. For segregated fund products (including variable annuities), SLF has implemented hedging programs involving the use of derivative instruments to mitigate a large portion of the equity market risk associated with the guarantees. The unhedged portion of risk for these products reflects equity market risks associated with items such as provisions for adverse deviation and a portion of fee income that is not related to the guarantees provided.

Year End - December 31

Composition of Cash and Invested Assets	2022	2021	2020	2019	2018
Total Cash and Invested Assets CAD (000)	169,930,354	176,820,071	174,514,488	154,580,323	145,646,909
Composition Percentages (%)					
Unaffiliated:					
Cash and Short Term Investments	4.2	4.0	4.7	3.4	3.7
Bonds	67.0	68.9	69.9	71.0	69.4
Stocks	4.1	4.6	3.8	3.1	3.2
Mortgage Loans	9.0	8.8	8.8	10.3	11.2
Other Invested Assets	14.8	12.8	11.9	11.2	11.6
Total Unaffiliated	99.1	99.1	99.1	99.0	99.0
Investments in Affiliates	0.9	0.9	0.9	1.0	1.0
Total	100.0	100.0	100.0	100.0	100.0

Source: BestLink® - Best's Financial Suite

Local Currency: Canadian Dollar

Year End - December 31

Bonds - Distribution by Issuer	2022	2021	2020	2019	2018
Bonds CAD (000)	113,791,949	121,862,885	121,999,516	109,817,632	101,066,881
Government (%)	23.5	27.0	28.0	28.6	27.8
Municipal, Public Authority (%)	11.6	10.7	11.0	11.4	11.4
Corporate:					
Investment Grade (%)	62.7	60.2	58.4	58.6	59.1
Below Investment Grade (%)	2.2	2.2	2.6	1.4	1.6

Source: BestLink® - Best's Financial Suite

Holding Company Assessment

The holding company, Sun Life Financial Inc. (SLFI) is viewed as a positive factor in the assessment of SLF. SLFI maintains positive metrics including unadjusted financial leverage under 30%, interest coverage over 8 times, and significant absolute capital of over \$36 billion for year-end 2022 under IFRS 4 reporting. While year-end 2023 capital is expected to be reported lower due to moving to an IFRS 17 accounting standard the balance sheet continues to be viewed favorable. The company has the ability to access the capital

Balance Sheet Strength (Continued...)

markets, which increases financial flexibility of entities enterprise wide. SLFI has over \$11 billion of cash and short-term investments and operating results remain favorable through 3Q 2023.

Financial Leverage Summary - Holding Company

Financial Leverage Ratio (%)	25.30
Adjusted Financial Leverage Ratio (%)	15.50
Interest Coverage (x)	8.40

Operating Performance

Direct premiums written in most lines grew year over year in 2022 with participating lines, individual annuities, and group accident and sickness products in particular demonstrating a year of material improvement compared to the previous year. Group annuity, individual life, and Asian business saw modest declines from the previous year, somewhat offsetting the more modest growth in group life and individual accident and sickness business. Total direct written premiums from all lines and regions were up 6.6% from the previous year. Despite a slight slowdown in Asia sales non-Canada business has generally increased over the long-term with substantial US growth in most recent years. Overall, Canadian insurance sales have been on an increasing trend since 2015 due to multiple factors over the past several years along with a fundamental effort to reprice products. Asian wealth sales are expected to continue a trend of growth with potential volatility year over year due market volatility and money flow behavior related to client activity.

The group reported statutory net income from operations of CAD 2,106 million in 2022, compared to CAD 3,313 million in 2021 which was considered an outlier year after a 5 year income trend that was essentially flat. The results for 2022 represent an operating return on equity of just approximately 9.5%. This is below the 3-year and 5-year total returns on equity of just under 12%. On a per line basis every line of business was profitable overall for year-end 2022. This is an improvement over the previous year which had group life produce a small loss. Earnings through 3Q 2023 remain favorable with overall profitability trending towards further improvement from year-end 2022 results.

Year End - December 31

Net Premiums by Line of Business CAD (000)	2022	2021	2020	2019	2018
Non-Participating Life:					
Individual	1,163,170	1,124,467	1,102,990	1,117,205	1,128,533
Group	1,620,491	1,509,121	1,518,805	1,549,646	1,545,142
Non-Participating Annuity:					
Individual	788,086	612,194	841,898	660,297	697,782
Group	2,854,308	2,982,618	2,459,766	2,343,654	2,137,322
Non-Participating Accident and Sickness:					
Individual	473,659	453,421	436,922	418,093	398,236
Group	7,724,281	6,981,634	6,991,047	7,567,538	8,131,250
Participating	3,779,732	3,362,555	2,943,459	2,767,686	2,441,319
Other	3,427,099	3,478,021	4,850,249	2,464,090	2,041,481
Total	21,830,826	20,504,031	21,145,136	18,888,209	18,521,065

Source: BestLink® - Best's Financial Suite

Local Currency: Canadian Dollar

Operating Performance (Continued...)

Total Revenue By Line of Business CAD (000)	Year End - December 31				
	2022	2021	2020	2019	2018
Non-Participating Life:					
Individual	-1,091,662	1,693,805	2,970,102	3,068,026	1,345,173
Group	1,650,043	1,570,412	1,627,188	1,657,828	1,593,716
Non-Participating Annuity:					
Individual	521,194	880,750	2,171,372	1,849,519	1,401,672
Group	3,378,855	3,983,630	4,003,004	3,597,538	2,925,551
Non-Participating Accident and Sickness:					
Individual	-28,201	463,207	797,231	710,539	393,496
Group	7,729,957	7,644,109	8,258,825	8,774,332	8,776,452
Participating	2,454,015	5,662,168	5,435,446	5,507,052	3,393,292
Other	293,951	5,711,135	9,111,804	7,191,613	3,089,287
Total	14,908,152	27,609,216	34,374,972	32,356,447	22,918,639

Source: BestLink® - Best's Financial Suite
Local Currency: Canadian Dollar

Net Income by Line of Business CAD (000)	Year End - December 31				
	2022	2021	2020	2019	2018
Non-Participating Life:					
Individual	17,003	555,689	-107,155	-41,191	-46,984
Group	68,262	-12,527	96,444	157,623	114,679
Non-Participating Annuity:					
Individual	103,355	205,167	-109,814	123,217	25,442
Group	338,519	368,912	256,698	325,631	391,991
Non-Participating Accident and Sickness:					
Individual	47,173	131,625	-86,914	-37,919	30,973
Group	618,071	468,242	657,988	349,019	462,922
Participating	229,262	305,783	270,074	221,508	689,506
Other	683,883	1,290,254	712,655	868,452	664,804
Total	2,105,528	3,313,145	1,689,976	1,966,340	2,333,333

Source: BestLink® - Best's Financial Suite
Local Currency: Canadian Dollar

Business Profile

Sun Life Assurance Company of Canada (SLA) is the Canadian insurance company and lead insurance company for Sun Life Financial Inc. (SLF).

The key life insurance subsidiary of Sun Life Financial Inc. (SLF) is Sun Life Assurance Company of Canada (SLA). SLA owns Sun Life and Health Insurance Company (U.S.) (SLHIC), which markets group life and A&H products. With the sale of Sun Life Assurance Company of Canada (U.S.) (SLUS) and Sun Life Insurance and Annuity Company of New York (SLNY) in August 2013, SLHIC became the U.S. marketing arm in New York.

SLA maintains a market leading position in Canada through their workplace segment. SLA has three main business units: Individual Insurance & Wealth, Group Benefits and Group Retirement Services. These units offer a full range of protection, wealth accumulation and income products and services to individuals in their communities and their workplaces. SLA also has investments in the Canadian asset management sector.

GB provides life, dental, drug, extended health care, disability and critical illness benefits programs to employers of all sizes. In addition, voluntary benefits are offered directly to individual plan members, including post-employment life and health plans to members exiting their plan. Products are marketed and distributed across Canada by sales representatives in collaboration with

Business Profile (Continued...)

independent advisors, benefits consultants and the Sun Life Financial Career Sales Force (CSF). To further support this business SLF acquired Dialogue Health Technologies Inc., a Canadian-based health and wellness virtual care platform in October 2023.

While each of its business units remain focused on their respective markets, SLA recognizes the opportunity to serve its clients through the combination of some aspects of these businesses. This has led to the formation of SLA's Total Benefits offering for group clients and customer solutions, which addresses the needs of individual and group clients as they do business with the company through the exclusive CSF. The CSF provides solutions to members at the worksite while they are enrolling in group plans and through ongoing services at important life events including transition guidance for members changing jobs or retiring. Client Solutions (CS) business was created in January 2009 to address these needs and help manage retirement planning while giving them access to products such as term life insurance, health coverage, home and auto and travel insurance, as well as providing solutions to members at the worksite while enrolling in group plans, and changing jobs. The Defined Benefit Solutions (DBS) business, which falls under GRS, provides de-risking solutions to pension clients through annuity buyout and liability driven investment solutions. SLA's Canadian Individual Insurance and Wealth business comprises permanent life, participating life, term life, universal life, critical illness, long-term care and personal health insurance. Savings and retirement products include internally manufactured Sun Life Global Investments (Canada) Inc. (SLGIC) mutual funds, third-party mutual funds, segregated funds, accumulation annuities, guaranteed investment certificates and payout annuities. These products are marketed through a multi-channel distribution model consisting of the CSF and third-party distribution channels, such as independent insurance and mutual fund licensed brokers and broker-dealers. Certain products, including accidental death insurance and personal health insurance, are marketed directly to retail clients in partnership with advisor channels.

SLF U.S. Group Benefits provides protection solutions to employers and employees including group life, disability, medical stop-loss and dental insurance products, as well as a suite of voluntary benefits products. In-force Management includes certain closed individual life insurance products, primarily universal life and participating whole life insurance. SLF acquired Assurant Inc.'s (Assurant) employee benefits business in 2016, which created the sixth largest group benefits business in the U.S., with the combined business having one of the broadest product portfolios in the industry. The transaction added significant new capabilities to the SLF U.S. Group Benefits business, including a strong dental business with the second largest proprietary provider network in the U.S. and will also significantly increase the size and scale of the SLF U.S. Group Benefits business.

In June 2022 Sun Life acquired DentaQuest for just under \$2.5 billion to become the top dental carrier in government programs within the U.S. while allowing for further opportunities to grow in the commercial dental space. The company projects that by the end of 2024 the integration of systems and conversion of Sun Life dental clients to the DentaQuest claims platform will be complete.

Prior to 2019 Sun Life Investment Management Inc. (SLIM) in Canada was created to help Canadian pension funds and other investors seeking additional yield in a low return environment by giving them access to SLF's investments in commercial mortgages, private fixed income and real estate, as well as liability-driven investment (LDI) capabilities. Since 2019 the group's global asset management pillar has been managed by SLC Management, an institutional investment management business focused on LDI, alternative fixed income, and global real estate solutions. SLF has an extensive history of acquisitions over the years that has provided the company an excellent platform for serving institutional clients and expanding business in the U.S. Strategic acquisitions is expected to part of the company's growth strategy as they continue to grow in the business segment.

MFS, headquartered in Boston, MA, is a global investment management company. MFS has investment teams located in Hong Kong, London, Mexico City, Sao Paulo, Singapore, Sydney, Tokyo, Melbourne and Toronto and offer products and services that address the varying needs of retail and institutional investors over time. Retail investors have access to MFS' advisory services through a broad selection of financial products including mutual funds, variable annuities, separate accounts, college and retirement savings plans, and offshore investment products. These products are distributed through financial intermediaries that provide sales support, product administration and client services. MFS provides asset management services to institutional clients for corporate retirement plans, separate accounts, public or government funds and insurance company assets. Institutional clients are serviced through a direct sales force and a network of independent consultants. MFS' strategy has expanded in recent years to include institutional product sales. Over the last few years, MFS has initiated several institutionally focused investment products, designed to better meet the market diversification of investment performance linked to an index and investment performance based on the management of investment vehicles.

SLF Asia operates in eight markets, through subsidiaries, joint ventures (JV) and local partners in the Philippines, Hong Kong, Indonesia, India, China, Vietnam, Singapore, and Malaysia. It provides individual life and health insurance as well as group life insurance and savings products in the markets in which it operates as well as pension and retirement products in Hong Kong and India, and mutual funds in the Philippines and India. These protection and wealth management products are distributed to middle and upper income individuals, employer / employee groups and affinity clients. SLF Asia's parent is Sun Life Assurance. The international segment,

Business Profile (Continued...)

which was previously held in SLF U.S., was moved to SLF Asia in 2019. International offers individual life insurance products to high net worth clients outside of the U.S. and Canada.

The Corporate segment includes the results of Corporate Support operations that consist of the company's run-off reinsurance business as well as investment income, expenses, capital and other items not allocated to Sun Life Financial's other business segments. Since 2008, SLF began consolidating the results of SLF Reinsurance into Corporate Support as reinsurance business is a closed block that consists of reinsurance assumed from other insurers with coverages of individual disability income, long-term care, group long-term disability and personal accident and medical coverage, as well as guaranteed minimum income and death benefit coverage. The block also includes group long-term disability and personal accident which are 100% retroceded. Discontinued Operations in Corporate relate to Corporate Support only.

2022 By Line Business	Direct Premiums Written		Reinsurance Premiums Assumed		Reinsurance Premiums Ceded		Net Premiums Written		Business Retention
	CAD (000)	%	CAD (000)	%	CAD (000)	%	CAD (000)	%	%
Non-Participating Life:									
Individual	1,925,370	7.2	29,963	7.7	792,163	14.7	1,163,170	5.3	59.5
Group	1,950,339	7.3	3,620	0.9	333,468	6.2	1,620,491	7.4	82.9
Non-Participating Annuity:									
Individual	785,659	2.9	2,427	0.6	...	...	788,086	3.6	100.0
Group	3,121,378	11.6	...	...	267,070	5.0	2,854,308	13.1	91.4
Non-Participating Accident and Sickness:									
Individual	580,116	2.2	1,886	0.5	108,343	2.0	473,659	2.2	81.4
Group	10,925,758	40.7	351,553	90.3	3,553,030	66.0	7,724,281	35.4	68.5
Participating	3,906,662	14.6	...	...	126,930	2.4	3,779,732	17.3	96.8
Other	3,629,750	13.5	-101	...	202,550	3.8	3,427,099	15.7	94.4
Total	26,825,032	100.0	389,348	100.0	5,383,554	100.0	21,830,826	100.0	80.2

Source: BestLink® - Best's Financial Suite
Local Currency: Canadian Dollar

Enterprise Risk Management

SLF maintains a strong risk management framework that emanates from the Board of Directors and is reflected throughout the management and employees. This framework highlights six major categories of risk: credit risk, market risk, insurance risk, operational risk, liquidity risk and strategic and business risk. Qualitative and quantitative measures have been set out to control the amount of risk the company is willing to bear with respect to each of these risk categories in aggregate. This risk appetite defines the type and amount of risk SLF is willing to assume in pursuit of its business objectives. The same set of considerations is used in developing business strategy. This risk appetite is laid out in a formal policy that is approved by the Board of Directors. In addition to the company's risk management framework, SLF uses the Financial Condition Test (FTC) process that is required by the regulator to project income and capital for a five-year period based on plausible adverse scenarios. SLF also stress tests the company's earnings and LICAT ratio to key emerging risks and scenarios on a regular basis.

SLF's risk culture is well-defined. Employees at all levels of the organization share a common philosophy and set of values regarding risk. Every employee must feel accountable for achieving the best results for his or her business unit and for SLF as a whole. Business decisions are made at all levels of the organization, and every employee has a role in managing risk, including identification of exposures, and communication and escalation of risk concerns.

SLF's risk philosophy is based on the premise that SLF is in the business of accepting risks for appropriate return. In conducting its business activities, SLF, driven by shareholder and policyholder expectations, external ratings and its positioning in the marketplace, will take on those risks that meet the objectives of the organization. Risk management is aligned with the corporate vision and strategy, and is embedded within the business management practices of every Business Group and Corporate leader.

SLF defines its risk appetite as the level of enterprise-wide risk that the company is willing to assume in pursuit of its business objectives and is used in determining the types and levels of risks that can be assumed in the design and pricing of products offered. It

Enterprise Risk Management (Continued...)

represents a foundational element of the overall Enterprise Risk Management Framework by providing important context to the risk identification, measurement, risk response development, monitoring and control and reporting elements of the framework. SLF has integrated its Risk Appetite and Enterprise Key Risk processes with its Strategic and Business Planning processes.

SLF has developed a list of significant risk categories and sub-categories. These categories reflect the business environment and facilitate consistency in reporting and aggregation. Changes to the risk categories or sub-categories must be approved by the Board of Directors as changes to the Risk Management Framework. The Risk Management Framework outlines six major categories of risk (credit, market, insurance, operational, liquidity and strategic and business risks) and sets out the key risk management processes in the areas of risk appetite, risk identification, risk measurement, risk management, risk monitoring and risk reporting. The Risk Management Framework sets out qualitative and quantitative measures that aim to control the amount of risk the Company will bear in respect of each of these risk categories and in aggregate.

Risk measurement involves determining and evaluating potential risk exposures, and includes a number of techniques such as monitoring key risk indicators, stress testing including sensitivity and scenario analysis, and stochastic modeling.

A robust stress testing program is an essential component of the Company's Risk Management Framework. Stress testing plays an important role in measuring, monitoring, understanding and mitigating the company's risk exposures and ensuring on-going capital adequacy under plausible stress events. Stress testing is performed on earnings, regulatory capital ratios and liquidity which is used to set the company's risk appetite and evaluate risk exposures versus limits and enables us to identify and monitor potential vulnerabilities to key risk drivers and ensure that the company is operating within its risk appetite.

Monitoring processes include oversight by the Board of Directors, which is exercised through four Board committees. Senior management risk oversight is provided primarily through the Executive Risk Committee. The risk oversight is supported through several other Senior Management Committees, each of which focuses on specific risks.

The Senior Management Committees, Board Committees and the Board of Directors review reports that summarize the exposures across the company's principal risks including any changes in risk exposures and trends on a quarterly basis. These committees also review the effectiveness of the mitigation strategies presented in the reports. On annual regular basis, the Board of Directors and the Board Committees review and approve significant changes to key policies for the management of risk and review compliance with these policies.

Reinsurance Summary

On a single life or joint-first-to-die basis retention limit is \$40 million in Canada and is US\$40 million outside of Canada. For survivorship life insurance, maximum global retention limit is \$50 million in Canada and is US\$50 million outside of Canada. In certain markets and jurisdictions retention levels below the maximum are applied. Reinsurance is utilized for numerous products in most business segments, and placement is done on an automatic basis for defined insurance portfolios and on a facultative basis for individual risks with certain characteristics. Reinsurance is used to provide catastrophic mortality and morbidity coverage for the Canadian group benefits business.

Environmental, Social & Governance

AM Best believes that there is low risk to ESG factors at this time and that the company has been active in the area to remain ahead of peers. Credit quality, investment risk, and underwriting activities are viewed as having limited ESG risk. Despite this limited risk to date SLF maintains a focus on sustainable investing and other initiatives related to ESG.

Rating Lift/Drag

Sun Life financial Inc. is viewed as a positive rating consideration to the balance sheet assessment of the rating unit. Factors supporting this view include the access to public debt markets at the parent along with an ability to obtain additional leverage if needed. The level of financial leverage at the parent and operating unit is considered at an acceptable level compared to the insurance industry as a whole. This access to the capital markets, along with current convertibility of outstanding debt into the parent's capital structure, provides an added level of financial flexibility to the company structure. The parent also provides additional sources of liquidity to the group through an available line of credit for quick access to funds in addition to current high levels of cash held at the parent.

Financial Statements

Year End - December 31

Balance Sheet	2022		2021	
	CAD (000)	%	CAD (000)	%
Cash and Short Term Investments	7,078,976	2.2	7,125,555	2.1
Bonds	113,791,949	35.6	121,862,885	35.9
Preferred and Common Stock	6,967,956	2.2	8,177,693	2.4
Other Invested Assets	42,091,473	13.2	39,653,938	11.7
Total Cash and Invested Assets	169,930,354	53.2	176,820,071	52.1
Accounts Receivable	2,807,666	0.9	1,694,831	0.5
Reinsurance Recoverables	13,325,891	4.2	13,966,254	4.1
Goodwill and Other Intangible Assets	3,477,454	1.1	3,448,199	1.0
Other Assets	4,498,086	1.4	3,426,955	1.0
Total General Account Assets	194,039,451	60.8	199,356,310	58.8
Segregated Funds Assets	125,242,099	39.2	139,928,738	41.2
Total Assets	319,281,550	100.0	339,285,048	100.0
Gross Actuarial Liabilities	131,783,241	41.3	139,857,995	41.2
Other Contract Liabilities	11,946,657	3.7	11,499,415	3.4
Other Liabilities	24,638,117	7.7	24,248,286	7.1
Total General Account Liabilities	168,368,015	52.7	175,605,696	51.8
Segregated Funds Liabilities	125,242,099	39.2	139,928,738	41.2
Total Liabilities	293,610,114	92.0	315,534,434	93.0
Capital Stock	4,536,684	1.4	4,536,684	1.3
Paid In and Contributed Equity	2,524,882	0.8	1,851,978	0.5
Retained Earnings	13,782,549	4.3	12,375,066	3.6
Accumulated Other Comprehensive Income (Loss)	331,264	0.1	809,084	0.2
Other Capital and Equity	4,496,057	1.4	4,177,802	1.2
Total Equity	25,671,436	8.0	23,750,614	7.0
Total Liabilities and Equity	319,281,550	100.0	339,285,048	100.0

Source: BestLink® - Best's Financial Suite
Local Currency: Canadian Dollar



Income Statement CAD (000)	Year End - December 31	
	2022	2021
Net Premiums Earned	21,830,826	20,504,031
Net Investment Income	-9,187,863	4,691,116
Other Revenue	2,265,189	2,414,069
Total Revenue	14,908,152	27,609,216
Net Policy and Contract Benefits	15,729,335	14,202,679
Net Changes to Actuarial and Contract Liabilities	-9,506,686	3,004,141
Commissions	1,763,964	1,683,758
General and Other Expenses	5,652,709	5,429,869
Net Transfers to (from) Segregated Funds	-1,149,224	-350,871
Total Benefits and Expenses	12,490,098	23,969,576
Pre-Tax Income	2,418,054	3,639,640
Income Taxes Incurred	312,526	326,495
Income before Attribution to Participating Policyholders and Other Funds	2,105,528	3,313,145
Income Attributable to Participating Policyholders and Other Funds	115,380	335,031
Net Income	1,990,148	2,978,114

Source: BestLink® - Best's Financial Suite
Local Currency: Canadian Dollar

Related Methodology and Criteria

[Best's Credit Rating Methodology, 01/18/2024](#)

[Available Capital & Insurance Holding Company Analysis, 01/18/2024](#)

[Scoring and Assessing Innovation, 02/27/2023](#)

[Understanding BCAR for US and Canadian Life/Health Insurers, 03/07/2024](#)

Additional Rating Types

AM Best assigns Best's Issue Credit Ratings. Refer to the profile page to view current Issue Ratings for [Sun Life Assur Co of Canada \(AMB#007101\)](#)

A Best's Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance obligations. The ratings are not assigned to specific insurance policies or contracts and do not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. A Financial Strength Rating is not a recommendation to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

A Best's Issue/Issuer Credit Rating is an opinion regarding the relative future credit risk of an entity, a credit commitment or a debt or debt-like security.

Credit risk is the risk that an entity may not meet its contractual, financial obligations as they come due. These credit ratings do not address any other risk, including but not limited to liquidity risk, market value risk or price volatility of rated securities. The rating is not a recommendation to buy, sell or hold any securities, insurance policies, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser.

In arriving at a rating decision, AM Best relies on third-party audited financial data and/or other information provided to it. While this information is believed to be reliable, AM Best does not independently verify the accuracy or reliability of the information. Any and all ratings, opinions and information contained herein are provided "as is," without any express or implied warranty.

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