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EDITED TRANSCRIPT

SLF.TO - Q3 2026 Sun Life Financial Inc Earnings Call

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PRESENTATION

Operator

Good morning, and welcome to the Sun Life Financial Q3 2026 conference call. My name is Gaylene, and I will be your conference operator today. (Operator Instructions) The conference is being recorded. (Operator Instructions)

The host of the call is Darko Mihelic, SVP, Head of Investor Relations. Please go ahead, Mr. Mihelic.

Darko Mihelic - *Sun Life Financial Inc - Senior Vice President, Head of Investor Relations*

Thank you, and good morning, everyone. Welcome to Sunlife's earnings call for the third quarter of 2026. Our earnings release and the slides for today's call are available on the Investor Relations section of our website at sunlife.com. We will begin today's call with opening remarks from Kevin Strain, President and Chief Executive Officer. Following Kevin, Tim Deacon, Executive Vice President and Chief Financial Officer, will present the financial results for the quarter. After the prepared remarks, we will move to the question-and-answer portion of the call. Other members of management are also available to answer your questions this morning.

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Please turn to slide 2. I draw your attention to the cautionary language regarding the use of forward-looking statements and non-IFRS financial measures, which form part of today's remarks. As noted in the slides, forward-looking statements may be rendered inaccurate by subsequent events.

And with that, I'll now turn things over to Kevin.

Kevin Strain - *Sun Life Financial Inc - President, Chief Executive Officer*

Thanks, Darko, and welcome to Sunlife and to your new role and good morning, everyone. Turning to slide 5, we delivered solid third quarter results with double-digit underlying EPS growth, a strong ROE and LICAT position and solid insurance growth. Canada, Asia, U.S. stop-loss and GreenOak were all drivers of growth.

We're executing well on our strategy, and that's showing up in our results with higher underlying earnings across all business groups. This growth is driven by our diversified business mix, which is performing well in an increasingly complex business environment.

Underlying net income was $1.15 billion, up from $1.05 billion last year. Underlying EPS was $2.05, up 10% over the prior year, and underlying return on equity was 19%. Reported net income was $785 million compared to $1.1 billion a year ago, reflecting market-related impacts and acquisition and integration costs as well as some restructuring costs related to the GreenOak platform optimization. Tim will share more on this later.

In Asset Management, underlying earnings increased 6% year-over-year. GreenOak delivered strong underlying earnings growth, reflecting growing fee-earning assets, cost discipline and the contribution from Bell Partners, our new U.S. multifamily residential real estate business. MFS delivered consistent earnings despite elevated outflows as market growth offset the outflows. U.S. retail investors continue to favour passive strategies driven by their concentration in the small number of technology stocks driving equity market growth.

Our insurance and wealth businesses also delivered solid growth. Canada underlying earnings increased 6%, in line with our medium-term objective. Strong business growth, particularly across our wealth businesses helped offset lower insurance experience. Asia continues to perform well. Underlying earnings were up 8% against a strong prior year comparison. Asia growth is broad-based across multiple businesses. In the U.S., Health and Risk Solutions continued to perform well, while Employee Benefits experienced elevated incidence and severity reflecting elevated LTD experience consistent with what was seen across the industry.

We delivered strong top-line results in insurance, wealth and at GreenOak. Insurance sales increased 12% driven by continued growth in Asia and strong Group Benefits sales in Canada and the U.S. In Canada, wealth sales increased 21%. In Asset Management, GreenOak gross flows were up 8%. This partially offset lower gross sales at MFS. GreenOak also saw positive net flows of US$4 billion. Overall, this was a solid quarter, reflecting our disciplined execution and our diversified global business model.

Now turning to slide 6. Let me touch on some areas where we made progress this quarter. In Asset Management, we launched GreenOak, our new brand for SLC, and began to bring together the businesses under one platform, building a stronger foundation for growth. We also made progress in building scale, announcing our strategic partnership with Wilton Re, where GreenOak will serve as the lead asset manager for a new reinsurance vehicle, which is expected to grow to US$10 billion over time.

For GreenOak, that means strategic access to permanent capital and significant long-term growth potential. Innovative partnerships like this are just one of the ways we're driving performance and fully realizing the value of the broad asset management capabilities we have built. Our fundraising capabilities in real estate continue to demonstrate the scale and strength of the platform, ranking in the top five globally for private real estate capital raised over the last five years in the PERE 100.

We completed the acquisition of Bell Partners, an established U.S. multifamily real estate platform with specialized expertise that expands the solutions we can offer institutional clients. Finally, we committed $5 billion over five years to Canadian infrastructure. The commitment includes $1.5 billion for equity investments.

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This initiative speaks to our role as a source of patient, long-term capital, which supports economic growth while delivering attractive long-term returns. Together, these developments show how we're leveraging the breadth of Sunlife to scale up, unlock synergies between our capabilities and create new sources of growth across asset management.

Turning to Insurance and Wealth. We introduced our refreshed Sunlife brand and new tagline, Making life brighter, reflecting our continued focus on helping clients live healthier lives and achieve lifetime financial security. We are building on strong market positions across Canada, the U.S. and Asia and bringing more capabilities together to serve more client needs.

In Asia, individual insurance sales increased 9% to $937 million. Malaysia, India and Indonesia led the growth, and Hong Kong showed continued strength. In July, we launched Sun Life Private Wealth, bringing together our global insurance, wealth and advisory capabilities to meet the complex needs and rising demand from high-net-worth clients.

In Canada, Wealth AUMA increased 11% to $284 billion supported by strong rollover activity and mutual fund sales. On the health side, we launched Online Counselling by Dialogue, bringing mental health care to clients when and where they need it. In the U.S., medical stop-loss sales increased 62% as we continue to have success winning high-quality business. Across our Employee Benefits and stop-loss businesses, we help Americans get the care they need through initiatives like personalized care navigation and providing specialized second opinions through Expert Cancer Review.

These capabilities also benefit employers, by improving both health and cost outcomes. Across our markets, we're combining the scale and reach of our leading businesses to deliver differentiated solutions and create more value. We're using AI to help us serve clients better while keeping humans at the centre. With an AI and digital forward mindset, we're freeing up time by reducing repetitive tasks so our people can spend more time with clients when it matters the most.

In the U.S., we are using machine learning on medical claims data to identify when employees qualify for supplemental health benefits. We've also used AI to accelerate reimbursements of claims. In Indonesia, we enhanced claims automation to increase straight-through processing by 20%. Across the Asia region, we continue to launch new AI tools for advisors, including our latest solution, which takes on routine tasks and streamlines client interactions.

And in Canada we received two 2026 Global Insurance Innovation Awards, one for our enhanced mobile app with improved integration of online health capabilities and the second for our digital insurance experience. These recognitions reflect our progress building a faster, more seamless client experience.

Additionally, our continued focus on the digital client experience is delivering results, including a 25% increase in Group Wealth lump sum contributions and a 30% increase in health solutions. These examples are just a few of the ways we're making it easier for clients to choose Sunlife and to deepen their relationships with us. Our AI-forward mindset is strengthening the value of our advice and enabling more efficient, scalable growth.

Turning to slide 7. Our mix of business has built resilience despite headwinds for active asset management and for U.S. benefits and state dental. Canada, Asia, GreenOak and our U.S. stop-loss business continue to deliver strong earnings, ROE and growth. MFS' commitment to build active asset management in the right way is something we support despite the industry dynamics and MFS continues to deliver solid earnings and cash flow to Sunlife, supporting our buyback program.

U.S. benefits and Medicare/Medicaid are experiencing significant change. We are focused on improving the disability experience in U.S. Employee Benefits through pricing actions and cost measures where appropriate. Depending on ongoing experience, these measures will take hold over a few quarters aligned to the pricing cycles.

State Medicare and Medicaid are seeing some signs of improvement and we are focusing on states that see the value in partnering with a high-quality trusted provider. David and his team are taking the right steps, and we have the scale and capabilities to reposition this business for growth over time. As we tackle these challenges, we continue to make meaningful progress against our medium-term objectives.

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Underlying EPS growth this quarter is in line with our objective of 10%. Our underlying return on equity of 19% is within reach of our 20% target, our dividend payout ratio of 47% remains within our target 40% to 50% range. And our balance sheet and capital fundamentals remain strong. Our LICAT ratio is industry-leading, our strong capital position gives us the flexibility to invest in our businesses while returning capital to shareholders.

On that note, I'm pleased to share that our Board has approved a $0.04 increase to our quarterly dividend to $1 per common share. We remain well positioned to continue delivering sustainable, broad-based earnings.

I'll now turn it over to Tim.

Tim Deacon - *Sun Life Financial Inc - Executive Vice President, Chief Financial Officer*

Thanks, Kevin, and good morning, everyone. Turning to slide 9. We delivered solid results in the third quarter with underlying net income of $1.146 billion, up 9% from the prior year. Underlying earnings per share were $2.05, reflecting higher earnings across all four business groups. Reported net income was $785 million. The difference from underlying net income primarily reflects unfavourable market-related impacts largely from the rise in interest rates and flattening of the yield curve during the quarter and costs related to bringing the GreenOak businesses together and the completion of the Bell Partners acquisition.

During the quarter, we completed our annual assumption review, which led to a onetime reduction in reported earnings of $33 million primarily from policyholder behaviour assumption updates in Asia. This year's assumption changes also included a $1.2 billion balance sheet reclassification between CSM and risk adjustment for the Canada par block. In aggregate, we expect these changes to have a slightly positive impact on go-forward shareholder underlying net income.

Turning to slide 10. Sun Life Asset Management underlying net income increased 6% to US$297 million, driven by higher earnings at GreenOak including the contributions from Bell Partners and higher fee-related margins, driven primarily by expense management actions while MFS earnings were broadly consistent with the prior year.

Reported net income reflects ongoing integration and restructuring costs related to bringing our private asset affiliates in GreenOak under one platform, which we expect to continue in 2027 and acquisition and integration costs associated with the closing of the Bell Partners transaction.

At MFS, gross flows were US$25.5 billion and net outflows were US$26.9 billion, primarily in U.S. retail equity mutual funds, where returns continue to be impacted by an underweighting to technology stocks and investors' preference for passive strategies. We expect these conditions to persist in the near term. Last year's comparative included the highest institutional gross and net flows since 2022, driven by several large mandate wins.

While U.S. retail flows remain challenged, the business continues to build momentum in key growth areas, including ETFs and fixed income. ETF net flows of over US$650 million, including two new ETF fund launches this quarter and fixed income net inflows for US$300 million.

Fundraising at GreenOak was US$3.5 billion in the quarter, led by private credit and real estate, following the record close of our largest private credit fund to date in Q2. Gross deployments of US$7.1 billion were up over last year and last quarter, supported by higher activity in real estate across Europe, the U.S. and Asia, while private credit continued to see solid deployment in U.S. lower mid-market lending.

Turning to slide 11. Canada underlying net income increased 6% to $422 million. Growth was driven by higher fee income in our wealth platform, business growth in Sun Life Health, favourable investment earnings and continued expense discipline. Morbidity experience remained positive but lower in the quarter and within our normal range of expectations.

Reported net income was $418 million, reflecting favourable assumption changes and management actions, offset by unfavourable market-related impacts. In Canada's wealth businesses, assets under management and administration increased 11% to $284 billion as a

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result of continued strong rollover in individual mutual fund sales, combined with strong equity market performance. Total insurance sales were consistent with the prior year, reflecting higher large case sales in Sun Life Health and lower participating life sales in Individual Insurance as we seek a balanced insurance portfolio.

Turning to slide 12. U.S. underlying net income increased 32% to US$141 million, driven by strong medical stop-loss performance, reflecting a lower loss ratio compared with the prior year. The January 1, 2026 block is now 30% complete, and it is performing in line with expectations. In-force Management earnings also contributed to growth, supported by favourable mortality and credit experience.

In Employee Benefits, results reflected elevated long-term disability incidence and severity during the quarter, reflecting a broader industry trend. Disability claims were concentrated in specific industries and medical conditions, which we expect to persist in the near term. We are taking pricing and expense actions that should help moderate loss ratios over time. Dental results improved from the prior year, reflecting stabilized loss ratios and a more favourable mix of direct state contracts.

Expense actions are progressing yet lag the pace of Medicaid membership declines from terminated contracts and industry trends. Given these dynamics, we expect U.S. dental underlying net income to remain muted as we continue repositioning the business. Reported net income was US$77 million, reflecting unfavourable market-related impacts, acquisition, integration and restructuring costs, intangible amortization in dental and unfavourable assumption changes and management actions.

Medical stop-loss sales increased 62%, demonstrating our ability to deliver strong growth while maintaining disciplined risk selection in a hardening market. Growth continues to be supported by our differentiated Health and Risk Solutions and advanced analytics capabilities. Commercial dental sales more than doubled this quarter reflecting our strategic focus on this higher margin segment of the dental market.

Turning to slide 13. Asia underlying net income increased 8% on a constant currency basis to $227 million despite lower mortality experience gains and lower morbidity. Reported net income was $124 million, reflecting the impacts of assumption changes and management actions and restructuring costs. Asia individual insurance sales increased 9% to $937 million with growth across most markets.

In Hong Kong, sales increased 6% across all the channels amid an increasingly competitive environment, supported by the expansion of our advisor force to more than 4,100 advisors. Malaysia, India and Indonesia delivered sales growth of 60%, 33% and 26%, respectively, supported by strong bancassurance performance. New business CSM declined year-over-year, primarily reflecting the competitive environment in Hong Kong. Although margins are lower, they remain healthy and are expected to remain stable going forward.

Turning to our capital position on slide 14. We ended the quarter with a LICAT ratio of 142%, down 3 percentage points from the second quarter, primarily reflecting the impact of interest rates. We continue to maintain an industry-leading capital position, providing significant flexibility to support our growth priorities.

We delivered book value per share growth of 5% to $42.79 and finished the quarter with a financial leverage ratio of 24.1%. Total CSM of $14.1 billion declined 2% from the prior year with the impact of assumption change actions and management actions, CSM amortization and markets, partially offset by new business CSM.

Turning to slide 15. In the quarter, we returned $780 million to shareholders through common shareholder dividends and share repurchases, delivering a dividend yield of 3.4%. We purchased $246 million of shares under our normal course issuer bid, partially offsetting the impact of the share issuance for the Bell Partners acquisition.

In closing, our third quarter results reflect the benefits of our diversified business mix. Our strong balance sheet and capital position give us the flexibility to invest in growth, digital and AI, support our clients and return capital to shareholders.

We're making consistent progress on our medium-term objectives, finishing the quarter with a return on equity of 19%, delivering 10% underlying EPS growth and operating within the target range for our dividend payout ratio. Looking ahead, we remain laser-focused on executing our strategy and delivering continued sustainable long-term value for shareholders.

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With that, I'll turn the call over to Darko to begin the Q&A portion of the call.

Darko Mihelic - *Sun Life Financial Inc - Senior Vice President, Head of Investor Relations*

Thank you, Kevin and Tim. (Operator Instructions) I will now ask the operator to poll the participants.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Doug Young, Desjardins Capital.

Doug Young - *Desjardins Securities Inc - Analyst*

Hi, good morning. Just maybe on the U.S. medical stop-loss results, obviously, encouraging trends, just wondering if you can kind of maybe parse out how much of the improvement year-over-year was from pricing actions or morbidity or favourable prior year development and if you can kind of tail that into how should we think about the sustainability of this as we look into 2027 and some of the actions that you're taking.

David Healy - *Sun Life Financial Inc - President of Sun Life U.S.*

Hi, good morning. It's David. Thanks for the question. Yes, so we're very pleased with our results overall in Health and Risk Solutions. We continue to benefit from a hardened market, and we're clearly benefiting from our differentiated capabilities as well.

In terms of how you should think about it, our earnings were up actually 45% year-over-year after adjusting for the Q3'25 reserve change. So there -- certainly, our results are in line with our expectations, and we feel good about where we sit based on claims development to-date. And we're watching carefully for the rest of the year.

But overall, we see good opportunities looking forward as we look at the pipeline for Q4 and 1/1 sales, and we're continuing to benefit, like I said, from our differentiated capabilities, and we expect to continue to build on the success we've had recently.

Doug Young - *Desjardins Securities Inc - Analyst*

And so maybe just to kind of follow up on that, I guess the...

David Healy - *Sun Life Financial Inc - President of Sun Life U.S.*

Sorry, was someone else speaking there?

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Doug Young - *Desjardins Securities Inc - Analyst*

Okay. I just want to follow up on this. Like can you -- like obviously, 45% up is quite significant. I'm just trying to understand like where that -- like primarily where that came from? Like what was the main driver? Was it the pricing, prior year development, morbidity, like just a little bit more detail on that.

David Healy - *Sun Life Financial Inc - President of Sun Life U.S.*

Yes. So it's really related to our pricing actions coming into the year and how we positioned ourselves for the 1/1 cycle. So if you look at our performance year-to-date, it really reflects the fact that our claims are in line with where we expect them to be. So our loss ratio assumption is the same. But most of it is driven by volume and the year-over-year increase that we saw in both sales and persistency as a result of our position in the market.

Doug Young - *Desjardins Securities Inc - Analyst*

Okay. I mean I'll leave things there. And then just on dental, I guess two-pronged question. Obviously, there's a political change in the U.S. and the prior administration or not really prior administration, but a lot of the change in Medicaid/Medicare was driven by one side and you have a bit of a change in the political landscape in the U.S. How does that change your outlook for Medicaid/Medicare/dental business, if at all? And then as you're going through and repricing the U.S. dental/ Medicaid/Medicare contracts and going through that, how do you think about like the further risks of further intangible asset write-downs?

David Healy - *Sun Life Financial Inc - President of Sun Life U.S.*

Yes. So let me take the first half of that question. So in terms of the outlook at Dental, it's certainly possible that there could be some favourable changes as a result of the recent administration, or the results of the election. I would say it's a little too early to tell. What I can tell you is what we're watching, obviously, is what policies are going to emerge from the administration going forward and from Democrats in particular.

But we'll be watching overall support for government programs and financing and whether there'll be any changes there. We're also going to pay close attention to eligibility and work requirements and whether or not those will be adjusted at all. And then I think we're also paying attention to the local politics at the state level.

Obviously, we have a broad-based business. We operate in 33 states. There were 36 governor races with a few changes. So a lot of funding priorities are also set at the state level when it comes to how they'll approach their benefits. But overall, we're staying focused on serving members in the states and making sure that we're advocating on behalf of those members for the right level of funding and support for access to dental benefits overall.

And then maybe I'll turn it to Tim for the second question.

Tim Deacon - *Sun Life Financial Inc - Executive Vice President, Chief Financial Officer*

Thanks, Doug. On the intangibles question, there's two parts to that. There's goodwill associated with this business and there's also the customer relationship intangibles. And typically, we look at goodwill and intangible impairment testing in the fourth quarter. But where we sit right now, we're feeling good about the overall business and the repositioning that David spoke about overall. And so that's as it relates to goodwill. And on the customer relationships, that's probably more a function of what are the contract mix that we have going forward. As we discussed on the prepared remarks and David's comments, we're continuing on repositioning the businesses. We're looking to exit contracts that are not profitable going forward. And to the extent that any of those have an associated customer relationship intangible, there will be exposure there, but nothing material to report at this time.

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Doug Young - *Desjardins Securities Inc - Analyst*

Appreciate the colour. Thank you.

Operator

Alex Scott with Barclays.

Alex Scott - *Barclays Services Corp - Equity Analyst*

Hey, Just wanted to see if you could opine on disability and just give us a little more detail around the types of claims you're seeing, frequency, severity, what you expect in terms of 4Q and into '27 on some of those trends.

David Healy - *Sun Life Financial Inc - President of Sun Life U.S.*

Yes. Sure. Thanks for the question. So as Tim noted in his remarks, we have seen elevated LTD claims in the quarter. They were both -- we saw them in terms of incidence, but also higher severity of those claims as well. And it was consistent with what we're seeing being reported from other industry competitors in the market. While the disability loss ratio has been trending up over the last year or so more broadly across the industry, it was very -- it was more acute this quarter, not just for us but for others.

In terms of the types of claims we're seeing, certainly elevated mental health claims across the board, but it was somewhat broad-based. Maybe a little more pronounced in some industries versus others, but we did see it more broad-based, consistent with what we've heard from others in the industry as well.

In terms of our approach to what we're going to do about it, really, our focus is around, first of all, just helping people return to work and our claims and clinical management to help people get through their disability event and return to work, but also, obviously, pricing, given the broader dynamic here, we will be continuing our pricing actions and make sure that we're working to get paid appropriately for the risks that we're taking.

And then as Tim also noted, there will be a little bit of focus as there always is on good expense management as well. So that's our focus going forward and really reflecting, our experience is reflecting what we are hearing from the rest of the industry as well.

Alex Scott - *Barclays Services Corp - Equity Analyst*

Okay. That's all helpful. And maybe if you could dig into MFS and some of the industry level flow headwinds that have been out there. But is there anything you can tell us about the outlook for flows at MFS specifically, and just how that will dovetail with the expense management you seem to be executing on there. I'm just trying to get a better understanding of what to expect out of the trajectory of earnings just considering sort of closer to 15% to 20% annualized outflows at this point?

Ted Maloney - *Sun Life Financial Inc - Chief Executive Officer, MFS*

This is Ted. I'll take the first part of that question, at least. Thank you. The industry dynamics really are the driver of outflows, so every truly active manager is experiencing the same headwinds that we are in the space. And as was mentioned in the prepared remarks in this environment, equity indices have become dangerously concentrated, which creates a high level of risk for equity investors and we're positioned to protect our clients better than the indices and the peers when markets broaden.

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But in the current environment, indices have become more concentrated and as that's happened, we've underperformed along with pretty much all of our active equity peers. We're concentrated in active equity space. We have a number of strategic initiatives to make sure that we're growing in a number of other active public spaces. But for the moment, those industry headwinds led by shifts to passive as passives has outperformed active pretty much across the board is what's driving the flow experience, and we would expect those trends to persist.

Alex Scott - *Barclays Services Corp - Equity Analyst*

Thank you.

Operator

Gabriel Dechaine, National Bank Financial.

Gabriel Dechaine - *National Bank Financial Research - Analyst*

Hi, good morning. My first question is about the Canadian group business. You're a bit of an outlier there. It sounds like your group disability experience is still positive. And I'm wondering if you can explain why that might be relative to the industry and what your outlook is? Is there still a need to reprice, given that you're doing relatively well?

Jessica Tan - *Sun Life Financial Inc - President - Sun Life Canada*

Hi, Gabriel, this is Jessica. Yes, I think last quarter, I explained that, I think our group business, we've been very focused like on one disciplined pricing, a lot of management actions on both, I think, our operations front, using technology also to help us that and investing in our people. We continue to do that. And I think this quarter there's fluctuations every quarter, but it still remains within the kind of variation that we see across. So I think we haven't seen any kind of out of the ordinary pieces, yes.

Gabriel Dechaine - *National Bank Financial Research - Analyst*

Okay. And then in the U.S., a bit of a different story. The US$81 million of negative experience or experience losses, how much of that was a group LTD. Then bigger picture, you talked about some specific industries where you're seeing these incidence rates.

Is this AI fallout, some industries where job losses or attrition, whatever you want to call it, is accelerating. So that's having an impact on the incidence rates. And if it's possible to quantify the exposure to these industries, how -- what percentage of your overall book. Thanks.

David Healy - *Sun Life Financial Inc - President of Sun Life U.S.*

Yes, Gabriel, it's David. Thanks for the question. In terms of the morbidity experience, it was predominantly driven by LTD. And so both of us said in both incidence and severity that was really the driver. In terms of industries that we have a broad book, we certainly saw it show up in health care and manufacturing, but I wouldn't say at this point that we can point to AI as a specific driver here.

What we do know is that the economy and broader concern about jobs typically can lead to a spike like this, although we haven't seen that for quite some time. I think the industry has had very favourable disability experience for many years now, but that certainly has been disrupted very recently. So I think we're just focused on the actions that I mentioned before. And certainly, because of the nature of our book, we have a broad base across many industries, it's not particularly overly concentrated in one segment or one industry or one type of occupation.

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Gabriel Dechaine - *National Bank Financial Research - Analyst*

Okay, thank you.

Operator

Tom MacKinnon, BMO Capital.

Tom MacKinnon - *Bank of Montreal - Equity Analyst*

Yes, thanks very much and good morning. Tim, I think in your remarks, you mentioned the expense discipline. If I look at the expense, other line in your consolidated DOE, I see that at $459 million that's down 5% year-over-year and even down more quarter-over-quarter. Is that like -- is there anything unusual in that number? Or do you just kind of see that as being maintaining flat to down going forward with respect to that? And I have a follow-up. Thanks.

Tim Deacon - *Sun Life Financial Inc - Executive Vice President, Chief Financial Officer*

Thanks, Tom. It's Tim. You're right. The expenses are down year-on-year and quarter-over-quarter and it really is primarily a reflection of the continued focus on expense discipline. And it's broad-based. It's across most of our businesses. You see that in Canada, in our investments part of our businesses, and in the U.S. as well. And a good chunk of that is going to be sustainable.

As you know, we ran a restructuring program that really started in 2024. We took a restructuring charge at that time. That program was largely completed in the first quarter of this year, and now you're seeing some of the effects come through.

But I would also say that there is always going to be quarter-to-quarter fluctuations as we look at incentive compensation accruals and other variability. So I would take the average that you would be seeing through 2026 as a good solid base, and we continue to remain disciplined and that's a key area of focus for us in '27 and beyond.

Tom MacKinnon - *Bank of Montreal - Equity Analyst*

Okay, thanks. And then I have a question with respect to Canada. There's an other fee income line there that is kind of had a nice sharp jump up in the quarter. And that -- I'm just wondering sustainability of that number, it's $126 and it's been running like in the $80s and $90s. As I understand, you've got GRS business in there, ASO, you've got probably some wealth, so which contributed to that, the lift in that number? And how sustainable is that? Thanks.

Jessica Tan - *Sun Life Financial Inc - President - Sun Life Canada*

Tom, this is Jessica. Yes, actually 80% of the line is from our wealth segment. So what's driving it is really our wealth asset management business that Tom, that Tim alluded to, whereby we say that our $284 billion is growing 11%. So that income grows at least with 11%, which I think drives higher fees. We also benefit actually from your previous remark about the efficiency from a lot of scale benefits. As we increase or actually have a 25% increase in the margin of the wealth business. So I think that will continue to grow with the market and also scale efficiency.

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Tom MacKinnon - *Bank of Montreal - Equity Analyst*

Okay. So that line is kind of net of expenses associated with that. So operating leverage is going to be all reflected in that other fee income line. Is that correct then?

Jessica Tan - *Sun Life Financial Inc - President - Sun Life Canada*

It reflects the operating leverage for the wealth business. So 80% of that line is wealth net fee income which reflects the operating efficiency there. If you want to see Canada overall efficiency, there is one page at the back that has the total Canada expenses. And if you look at it, we are also getting total efficiencies. I think at year-to-date, our total expenses is only growing 2%, whereas our earnings have grown 12%. So we're also getting efficiencies actually across the Board as Tim alluded to.

Tom MacKinnon - *Bank of Montreal - Equity Analyst*

That's great. So this level now that's been running $126, is there anything unusual in that? Or do you think that, that number is kind of sustainable at this level?

Jessica Tan - *Sun Life Financial Inc - President - Sun Life Canada*

Yes, that line is going to be hard to model because it's basically all the other expenses, it reflects only about 20-plus percent of expenses.

Tom MacKinnon - *Bank of Montreal - Equity Analyst*

I'm referring to the other fee income line -- that $126. How should I be looking at that going forward?

Jessica Tan - *Sun Life Financial Inc - President - Sun Life Canada*

The other fee income line, 80% of that will continue to be driven by our wealth business. And so we've tracked very closely to our AUMA and then you will get some benefits again from scale benefit. But at least it will grow with the AUMA line.

Tom MacKinnon - *Bank of Montreal - Equity Analyst*

Okay, thanks.

Operator

Mario Mendonca, TD Securities.

Mario Mendonca - *TD Cowen and Company LLC - Analyst*

Good morning. I want to go to MFS, but not the flows. That's been well discussed. What I want to focus on instead is the capacity of the business to manage expenses lower and to be fair, it's extremely well done. Now when I look at average assets, there really hasn't been much of a degradation. So any kind of impact on fees has been modest, and the company has done a good job of managing expenses lower.

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But barring a pretty healthy equity market recovery in this quarter, average assets will start to decline high single digits as early as next quarter and certainly throughout 2027, unless we get some pretty aggressive move in markets.

So what I'm getting at here is, if assets start to decline year-over-year in the high single-digit range, can expenses be managed down at a high single-digit range. We certainly see your capacity to do it at a lower level, but can you do that? Can you manage the expenses lower when average assets start to decline more abruptly.

Ted Maloney - *Sun Life Financial Inc - Chief Executive Officer, MFS*

Hey, Mario, this is Ted again. We'd agree with your analysis there. So we have managed, I think it would be helpful to go back and look at the long-term history of the firm to answer this question. So we've managed expenses, particularly fixed expenses extremely carefully for decades. And as a result, we run very lean, very efficiently. Everything we invest in is designed to deliver excellent outcomes for our clients. As our assets and profits were growing at a reasonably high level, our expenses grew at a much lower level. That's because we don't think that investing more in those periods is going to help our clients. But at the same token, investing less in our business as assets are down with either markets or flows is also not going to help our clients. So we have a very variable cost structure, roughly speaking, two-third of our costs are directly variable. But that fixed part is pretty fixed because of how prudently we've allocated it.

So in an asset decline environment, there will be operating leverage commensurate with that. And we think that it's the right thing to do for our clients. It's worth, therefore, getting into what we are doing, what we are spending on, what we can control. And importantly, our extreme conviction that we will grow organically over the long term. So while we have an unwavering conviction in active management and public markets, we're also constantly evolving, innovating and making adjustments on the margin within that strategic focus.

So we're growing in fixed income, continuous inflows, almost $100 billion in AUM. We're seeing consistent growth in equity retail SMAs, given the challenges to the mutual fund wrapper, we've launched 13 active ETFs in the past two years and are seeing growth every quarter. And blended research, where lower tracking error strategies are gaining traction, AUM is over $30 billion with consistent inflows.

So then also in selected areas where we have outsized underperformance, we're taking clear action including appropriate people and process changes where necessary. All that's designed to deliver successful outcomes for our clients. So the key is that when we deliver for our clients, we will grow, and that will drive the business.

To answer your question, within that, we prudently manage costs to date. We'll continue to do so. But we won't be able to nor would we desire to take meaningful additional action because we're going to be investing on behalf of our clients so that we can grow and deliver the excellent outcomes for our clients and therefore, our company over the long term.

Mario Mendonca - *TD Cowen and Company LLC - Analyst*

So short term, we could see some negative operating leverage in this business, but you think it's worth that sacrifice for the long term. I think that's where you're going with that.

Ted Maloney - *Sun Life Financial Inc - Chief Executive Officer, MFS*

Everything that we do is to drive value for our clients over the long term for many reasons, but very much including that because it will drive the most long-term value for our business and therefore, Sunlife shareholders.

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Mario Mendonca - *TD Cowen and Company LLC - Analyst*

Got it. Let's -- we go to U.S. health care now, maybe Kevin and David philosophical question here. Having watched this business over the last few years and certainly under the public administration, the commitment to public health care is not strong under Republican administration. Now you could argue that in two years, Democrats win the White House, and we're back to normal.

But it's also clear that U.S. health care is not viewed in the U.S. the way we view it here in Canada. What is your impression on this business long term? Is it -- does it make sense inside Sunlife when health care can be so polarizing in the U.S. relative to what we see in Canada. Is this a business that we still have long-term confidence in as being a meaningful part of Sunlife.

And when you think about answering that question, let me know how big a contribution U.S. health care generally makes to that, say, $200 million quarterly Canadian earnings you get out of the U.S. Is that something like 80% of that $200 million quarterly. Is that businesses that are leveraged U.S. health care.

Kevin Strain - *Sun Life Financial Inc - President, Chief Executive Officer*

Mario, it's Kevin. Let me start. And back in 2012, we made the U.S. Employee Benefits and stop-loss business one of our four pillars. It was a conscious decision to make that a pillar because it was low capital business, repriceable, and we had the skills to grow it. And you've seen that with Employee Benefits and stop-loss over that period of time.

As you've heard me talk about before, we've performed very well in the stop-loss business. The earnings growth in stop-loss has been aligned to the growth in premiums. And Doug had asked a question earlier on if you -- just looking at the premium growth in the sup-pack this quarter, Q3 2026, we had $879 million; Q3 2025, it was $679 million in premiums.

That's a 30% volume increase where we consistently hit above our margin other than one year and one particular quarter, which was Q4 2024. That hit in Q4 2024 is what's allowed us to grow at our margins in 2025 and 2026.

In fact, most of that happened in 2026 because 2025 was almost too early to get it. And on the Employee Benefits side, we bought Assurant, we've added capabilities. We're seen as a strong player here. I can tell you, when I talk to U.S. CEOs or the CFOs, they all love the Employee Benefits business in the U.S. It offers diversification, and it's been a consistent performer.

So the Employee Benefits business and the stop-loss business have been core to us, one of our pillars, and they performed really well. This quarter has been less than we would like on the disability side. The whole industry is experiencing that, and we'll be able to price through that and build our capabilities.

And David ran that business, and we feel pretty confident in that. The state business is a different sort of thing. The state business is going through a structural change. And we're positioning ourselves to do that. And you've heard us talk about it and you heard David talked about it and was asked earlier about how we view the changes.

So the state business, dental has been much tougher. And I do see David and his team taking all the right steps there. So if you step back and you go, we're -- the Employee Benefits/stop-loss is an important piece of our operation. We are the largest player in Canada on the same if you include the dental business. And so we have the skills to operate that. It's been a good performer for us.

You are seeing a cycle on disability that's challenging. But at the same time, you're seeing stop-loss perform really well, and we think we have the right team and the right capabilities. I don't know, David, if you'd add to that or?

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David Healy - *Sun Life Financial Inc - President of Sun Life U.S.*

No, I think that's right on. Certainly, we feel very confident about the capabilities that we have in play in stop-loss and how it's hopefully going to accelerate our Employee Benefits business. But to your point, just on Dental, specifically, we are taking the actions, and that's where I'm focused. For sure, pricing continues to -- and we've been repositioning the book this year heading into '27, the share of direct contracts we have with state plans is now 70% of our government premium revenue as opposed to 55%.

We have been repositioning the book. You can see that progress in the Medicaid loss ratio. We're somewhat exiting that phase of the work. Now I'm focusing more about expense discipline and then continuing to grow commercial dental, which is a big opportunity for us and certainly works well with our Employee Benefits business and value proposition more broadly. So I'm focused there, and we're making solid progress, but there's still ways to go to make further progress in dental.

Kevin Strain - *Sun Life Financial Inc - President, Chief Executive Officer*

Not to pile on, but I might add to it that the disability and life insurance benefits side of the business is not as tied to the U.S. health care and some of the changes that's happening as other parts of that business are. And I would say even on the stop-loss business, it's -- we're of a size and scale and capabilities that we are able to work with that. And you're getting into -- we see the claims when they're at a really high level. So it also experiences the U.S. health care space differently. So those are two businesses we really do like.

Mario Mendonca - *TD Cowen and Company LLC - Analyst*

So just to be clear, though, is U.S. health care, when I think of Employee Benefits, stop-loss, dental, anything U.S. health care related, am I right in suggesting that, that's about 80% of U.S. earnings?

Kevin Strain - *Sun Life Financial Inc - President, Chief Executive Officer*

Well, the Employee Benefits and the stop-loss business are basically the U.S. earnings other than IFM, which we've seen the material.

Mario Mendonca - *TD Cowen and Company LLC - Analyst*

So it's greater than 80% then because like I'm assuming the international business makes some contribution.

Kevin Strain - *Sun Life Financial Inc - President, Chief Executive Officer*

Sorry, I think the international business is part of the IFM, right? That's the closed block out of the UK.

Mario Mendonca - *TD Cowen and Company LLC - Analyst*

All right. So do you disclose earnings on that?

David Healy - *Sun Life Financial Inc - President of Sun Life U.S.*

Yes, we do. That's segmented out in the supplement.

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Operator

Paul Holden, CIBC.

Paul Holden - *CIBC World Markets Corp - Analyst*

Thanks for taking my questions. So first one is with respect to Asia. So we saw a bit of a slowdown in year-over-year earnings growth this quarter. If I looked at expected insurance earnings, I see it's up 6% year-over-year. If I look at pretax underlying earnings down 2% over year-over-year. So with some noise of experience, et cetera. Is this now -- at least in the near term, it's sort of a mid-single-digit growth business? Or maybe more importantly, how do you get it back to double-digit growth, which is, I think, where you want it to be?

Manjit Singh - *Sun Life Financial Inc - President - Sun Life Asia*

Good morning, Paul, it's Manjit. As you know, every quarter is going to have some items that can impact sort of the year-over-year growth trend. So the story is really about last Q3'25. As you will recall, we had an elevated level of security gains in our joint venture line. So that's skewing the trends a little bit. So I think you want to look more at the year-to-date growth rate and year-to-date earnings are up 14% on a year-over-year basis, and we continue to feel very comfortable in generating double-digit earnings growth going forward.

Paul Holden - *CIBC World Markets Corp - Analyst*

Thanks for that. Second question is with respect to higher interest rates. I remember the last time we went through a rate hiking cycle. Sunlife was opportunistic and shifted some securities into floating rate notes to capture that move quickly. Just wondering if you've taken any such actions or if there's any plan to kind of shift duration to accelerate the ability to capture higher rates?

Randy Brown - *Sun Life Financial Inc - Chief Investment Officer*

Paul, it's Randy Brown. Thank you for the question. We pretty closely match ALM up through 30 years. So we're not really taking interest rate bets. The place you're referring to in surplus, we built up some cash and floating rate positions a while ago. And some of those continue and some of those as we have new cash you'll see as short in surplus as we built up cash to refund a debt pay down.

Paul Holden - *CIBC World Markets Corp - Analyst*

Okay. So no shift then. It's more the liabilities backing surplus I think is where captured it previously. But no plans to sort of try to manage that interest rate bet, if you will.

Randy Brown - *Sun Life Financial Inc - Chief Investment Officer*

Correct.

Paul Holden - *CIBC World Markets Corp - Analyst*

Alright, that's it for me. Thank you.

Operator

Mike Rizvanovic, Scotiabank.

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Mike Rizvanovic - *Scotiabank GBM - Analyst*

I wanted to go back to David on LTD in the U.S. Can you talk a bit about the repricing dynamic. I'm sure those contracts are staggered throughout the year, but -- what is a reasonable timeline? How does the repricing timeline work for that business?

David Healy - *Sun Life Financial Inc - President of Sun Life U.S.*

Yes, Mike, thanks for the question. So in terms of repricing, so -- the majority of the business, first of all, is effective for 1/1. It's generally at least half of the business overall for the year, but there is some off-cycle and then these contracts are typically two to three years in duration, depending on the size and the commitment made.

So you would see typically affecting about one-third of the premium volume each year as you work your way through any repricing work on renewals. Obviously, immediately your new business gets impacted right away, but for renewals themselves, which is where the majority of the premium is, that takes some time. So you're typically looking at a two- to three-year time frame.

Mike Rizvanovic - *Scotiabank GBM - Analyst*

Okay. That's helpful. And then just in terms of your comment about this quarter being the experience lots being acute. Just wondering, it sounds like you're not expecting anywhere near this level of noise in the quarters ahead. But -- what's the risk that there could be similar size losses in the quarters ahead? I'm not sure if there's something, this is maybe out of your control, but like just how unique is this level of loss for the business versus like historical precedent?

David Healy - *Sun Life Financial Inc - President of Sun Life U.S.*

Yes. So I would say -- like I've mentioned earlier, there's really been quite a tailwind over the past really 20 years with the exception of COVID around disability in general, and there's many contributing factors to that. The most recent has probably been just virtual work where people can return to work in certain occupations without necessarily having to physically return to the office.

So there's been quite a bit of tailwinds. So this is quite an anomaly, we're seeing across the industry. In terms of the outlook, I would say, first of all, we do expect it to remain elevated in the near term, but I think it's too early to say how long this will persist because it is so different than what we've seen in the past.

Our focus is really, like I said, just on helping the individuals that are coming through so that we can get them the right case management and clinical support, get them back to work and off claim, it's good for them and it's good for us. And that's where our focus is, along with the repricing work that I mentioned.

Mike Rizvanovic - *Scotiabank GBM - Analyst*

And then just on the expense partial mitigation that you alluded to, is that in the numbers this quarter? Or is that something more so for the quarters ahead? Like how far into that expense mitigation for the U.S. business are you in?

David Healy - *Sun Life Financial Inc - President of Sun Life U.S.*

Yes. So I would say, first of all, just expense discipline in general is really a priority across our businesses. Tim talked about that. It is also the same in the U.S. We've been able to demonstrate that in the last number of quarters and certainly within our Dental business and more

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broadly in the U.S., it's something we're going to continue to focus on. So -- that's just a part of really how we think about operating the business – it is a core fundamental principle and something we'll keep doing.

Kevin Strain - *Sun Life Financial Inc - President, Chief Executive Officer*

It's Kevin, Mike. I just want to add a couple of quick things. One, like this is, we started to see in the industry last quarter a little bit. We're seeing the entire industry see the pricing impacts this quarter. I've been in this business a long time. You start to see this when you see people worried about their jobs and job loss and that could persist for a bit of time. And it's the fact that the whole industry is seeing it gives me more confidence in the ability to reprice, right? But that repricing will take some time, as David had talked about.

At the same time, we're seeing -- we continue to see good sales results in the stop-loss business at a way we can earn our margin. And that's coming from other competitors that are having a more challenging time there. And so the combination of those two, it's important to look at them in combination. And I would also say that there is synergies between the two because David is using the same distribution channel to tap into those.

And so having the combination of stop-loss and benefits together, we think is powerful and it will help us to manage through this higher disability that we're seeing this quarter that we'll be watching closely as we head through the rest of the year.

Mike Rizvanovic - *Scotiabank GBM - Analyst*

Thank you for the colour.

Operator

Bart Dziarski, RBC Capital Markets.

Bart Dziarski - *RBC - Analyst*

Great. Thanks for taking the questions. I wanted to ask around GreenOak and the FRE margins. So I look kind at a business that's got about $200 billion of AUM, high 20s FRE margin. seems low for that asset base. So is there an expense opportunity there as well? Should we think about margin expansion over time? Or is high 20s the right margin for this business? Thanks.

Sonny Kalsi - *Sun Life Financial Inc - Chief Executive Officer, GreenOak*

Hi, Bart. It's Sonny Kalsi from GreenOak. No, I don't believe that high 20s is the right ending margin for the business. We have a target out there to get to 35% plus, and we remain very confident in our ability to get there. What I might do is just take a step back. I think we have said before that we view 2026 as a bit of a transition year, kind of taking five independent businesses and integrating them into one business.

And if I think about the year, we -- in March of this year, we finished the put calls for BGO and Crescent, which are the two biggest businesses and Sunlife was able to increase its ownership of those platforms. And as a result of that, since April, we've been operating as one kind of integrated business. That's allowed us to do a couple of things. Brand is the first thing.

So we're now GreenOak no longer SLC. We've launched a management equity plan. We have 300-plus employee shareholders. We created two operating divisions instead of five individual businesses. We've got a global credit arm and a real assets arm. And I think that will bring a lot of both revenue and expense synergies. We've centralized institutional distribution.

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We've consolidated corporate functions kind of I think about more of an integration than a restructuring, but we've been able to kind of bring basically five different middle and back offices together into one, and that will create a significant amount of synergy. We've focused on wealth. We've launched a number of new strategies.

So I think that, look, the results to date this quarter have been strong year-over-year. I just think we're getting going. I feel very confident that we're going to be able to kind of unlock a lot of these synergies, both from a revenue standpoint in terms of integrating -- running as one firm top down, but also from an expense standpoint. So that's required a bit of investment that's come through in the restructuring charge, but we really believe the ROI on that investment will be very accretive.

So look, I -- we've got the 35%-plus target out there. I'm very confident we'll hit that. That will be a combination of top line AUM growth, and we have some good momentum there and then being smart on the expense side.

Bart Dziarski - *RBC - Analyst*

Okay. Great. Thanks for that. It's helpful. And then I just want to step back and ask a question on ROE. So on the Investor Day, the two biggest drivers of the 20% target were asset management and U.S. and just hearing the comments this morning on the call, you're running at 19% today. Like how should we think about that 20%? Is that now a stretch goal, if you will? Or you still think you'll get there? And if so, what are the drivers? And of the confidence to hit that. Thanks.

Tim Deacon - *Sun Life Financial Inc - Executive Vice President, Chief Financial Officer*

Thanks, Bart. It's Tim. I'll start and see if anyone wants to supplement. We -- as you know, are making great progress towards our medium-term objective of 20%. We ended the quarter at 19%. We were over 19% last quarter as well. The world has evolved since we set up those targets in the fall of '24. So the mix of businesses that were contributing to that in the bridge that I had laid out have shifted slightly as you noted the U.S. was the largest contributor at that time based on the projections that we had.

We're still confident in the growth, in the outlook for the U.S., as David talked about, but in the medium term, it's really been Canada and Asia, and now with GreenOak coming along that are contributing outsized relative to the contributions that were originally laid out.

So we still have strong conviction in our medium-term objective. The mix shift has altered slightly since 2024, but that really shows the power and diversification of our business mix is that allows for that because you do get volatility, obviously, from time to time. And we did express that as a medium-term objective, which for us means three to five years. When we first set that out on the early side would have been three years. But we're midway through that time period, and we're on a good trajectory.

Bart Dziarski - *RBC - Analyst*

Great. Thanks, Tim.

Operator

Tom Gallagher, Evercore ISI.

Thomas Gallagher - *Evercore Inc. - Analyst*

Hi, thanks. One disability question, one stop-loss question. The disability question, are there any differences in the type of disability risks you take in Canada versus the U.S. that would limit this behavioural health impact for the Canadian business? Or is it possible you start to see the same impacts there? I guess I'm just trying to compare what happened in the U.S. to why Canada is holding up better?

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And also, do you have any, at least thing to offer in terms of why your business is holding up better versus the Canadian peers related to that? Is it you think it might be differences in reserving? Or do you have any kind of underwriting structural differences that we should consider?

David Healy - *Sun Life Financial Inc - President of Sun Life U.S.*

Tom, it's David. I'll start on that question. First of all, there are quite a number of differences between really the benefit offering and the contract requirements that are associated with them within the U.S. business or the U.S. market, I should say, versus the Canadian market. So one example of that is mental health.

So there are two-year limitations typically in the U.S. industry around mental health claims, whereas that is not the case in Canada. So I would say it is important not to just compare because the industries work quite differently and the competitive environment is different, too. But maybe I'll turn it over to Jessica to talk about the Canadian business.

Jessica Tan - *Sun Life Financial Inc - President - Sun Life Canada*

Yes. As David was saying, the nature of the market is very different, what's in scope is quite different. So if you look at the Canadian disability market, actually, the bulk is long-term duration, which are five years and beyond. And then the whole market also about 40% is mental related, illness related. So the mix, the -- what you pay et cetera is very different. So I think there's -- we do compare trends. For example, the impact of the economy or unemployment, et cetera. But by and large, I think because the nature of the business is different, we don't often see the same thing.

Thomas Gallagher - *Evercore Inc. - Analyst*

Got you. And any sense why your results are holding up better than Canadian peers? Do you have any underwriting differences, the structure of the contract?

Jessica Tan - *Sun Life Financial Inc - President - Sun Life Canada*

That's very good. -- as I said, I think because this is long-term disability where it's five years and then there's also a long-duration block. Traditionally, we've just been very disciplined across all dimensions, and we care a lot about the sustainability as opposed to short-term pieces. So that's something that I think we've learned in the past, and we continue to try and do so, yes.

Kevin Strain - *Sun Life Financial Inc - President, Chief Executive Officer*

It's hard to point exactly at this, but we've invested a lot into health and into client experience and working closely with our clients, and we work with Dialogue, and we've invested in Pillway and are doing pharmaceuticals there and building these deep, deep relationships with our clients and understanding them.

And a little bit then also comes down to mix of business and where you're seeing it. And we have been investing, as Jessica said, into the disability process. But I think the work we do to stay close to our clients is really important. It's also a difference between Canada and the U.S., and Canada, you typically have the entire benefits program.

In the U.S., you may have one piece of it or a slice of it. And in fact, in no case, we have all of it, but in Canada, we typically have all of it. And so you build those deeper relationships at the customer/client level.

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David Healy - *Sun Life Financial Inc - President of Sun Life U.S.*

I just want to mention that -- also just you have to look at disability in the broader context of the U.S. business. So it is a smaller part of our business overall. We have a very diversified portfolio. We're certainly benefiting from our medical stop-loss business, as Kevin and Tim noted, and we feel good about where we sit today and as we enter into 2027.

And so we're really well positioned in that business, and disability, of course, is an important part of our business, and we pay a lot of attention to it. But we have a broader portfolio here, and we're certainly looking to the full portfolio to contribute over time.

Kevin Strain - *Sun Life Financial Inc - President, Chief Executive Officer*

Tom, I may say one other thing. If you lose your job in Canada, you don't lose your health care.

Thomas Gallagher - *Evercore Inc. - Analyst*

Got you. Yes, that's an important difference. Just a quick follow-up on U.S. stop-loss. David, just curious how you're feeling into January '27 renewals. I'm hearing on Cigna call this morning, they're the industry leader in stop-loss. They sounded more positive on the trends and the outlook for that business, Voya said the same thing a couple of days ago. So it sounds like it's getting more competitive there after there was a lot more caution last year. How are you thinking about growth? How are you thinking about pricing into Jan renewals? Thanks.

David Healy - *Sun Life Financial Inc - President of Sun Life U.S.*

We feel very good about our position right now, like I mentioned, and we're paying a lot of attention, of course, to 1/1/27. There is quite a large pipeline, which we're encouraged about. And we certainly see us continuing to build on our position and the growth that we've been seeing as we enter into 2027. We feel good about our pricing position and our differentiated capabilities of these and so we're really well positioned coming into the close of the year as we look into '27. So it is -- remains a hardened market, and we expect that to continue through the 1/1 cycle.

Thomas Gallagher - *Evercore Inc. - Analyst*

Thanks.

Operator

We have no further questions at this time. This concludes today's conference call. You may disconnect your lines. Thank you for participating, and have a pleasant day.

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