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Sun Life Financial, Inc. (SLF)

National Bank Canadian Financial Services Conference

CORPORATE PARTICIPANTS

Colm J. Freyne
Chief Financial Officer & Executive Vice President

OTHER PARTICIPANTS

Peter Routledge
National Bank Financial, Inc. (Broker)

MANAGEMENT DISCUSSION SECTION

Peter Routledge
National Bank Financial, Inc. (Broker)

All right, everybody. Thank you. We are back with Colm Freyne, Executive Vice President and Chief Financial Officer of Sun Life Financial. Colm has been in his current role since about 2009 and he joined Sun Life in 2003 as Chief Auditor, before which he was at TD Bank Financial Group.

So, Colm, thank you for being here.

QUESTION AND ANSWER SECTION

Peter Routledge
National Bank Financial, Inc. (Broker)

Q

And I'll start with my standard lead-off question. What are the key messages you want to leave for folks here today?

Colm J. Freyne
Chief Financial Officer & Executive Vice President

A

Well, thank you, Peter. And always a pleasure to be here in Montréal for this event. It's a good time to be talking about the key messages because, obviously, the backdrop over the last quarter has been quite volatile, and I know that interest rate movements, equity market movements bring back a lot of questions around the insurance model and how we deal with that and how we think about that.

And I guess as I think about it, I think about what are the topics that the management team and the board at Sun Life Financial talk about, and how do these external factors that we're reading about and talking about in the marketplace impact the conversations that we're having around the business. And I think the great news for us is that so much of our conversations are around the business side of things. We're seeing lots of opportunity on the business front, in our four pillars, we're seeing market opportunities. Yes, of course, we see challenges. Any balance sheet of our size with the interest rates movements that we've seen, of course, we think about that. But those conversations don't dominate the business discussions.

When we think about our four pillars, we're very well diversified. We see great opportunities in the United States. We're excited to be in the midst of closing – well, we've closed on the Assurant transaction, which is a group insurance transaction, and we now have a very strong group platform in the United States, which is very leveraged to real economy – the Main Street economy in the United States, where employment numbers continue to perform well, where evidence of some wage growth is now in place in the United States. So, that's all very good from the group side in the U.S.

In Canada, we've got great momentum. We're very strong on the group side. We've got a very good individual platform, so we see lots of opportunity in Canada. Asia, we've got a nice mix of businesses. We had a very good year in 2015. We've recently announced some buy-ups of our various partnership arrangements in the region where we're increasing our direct ownership interest in the region. So, we're excited about that and it gives us added momentum to drive forward there.

And on the Asset Management side, MFS has clearly been the anchor of our Asset Management business and the foundation and – has been tremendous for us in the last number of years. But we're building on that with interesting acquisitions in the alternative investment space with Bentall Kennedy on the real estate side; Ryan Labs, which is strong in LDI investing out of New York; and Prime Advisors, which provides investment services to insurance companies and other endowments and funds in the United States. So, we're seeing some great traction there.

So, right across our pillars, we're seeing lots of opportunity. So, to me, it's all about execution in 2016, strong diversified business, and, yes, concerns about interest rates and equity markets, but not to this extent where we're saying, well, that drives us into a defensive position, that takes our eye away from the undoubted growth opportunities that we see out there.

Peter Routledge
National Bank Financial, Inc. (Broker)

Q

Okay. I'm going to start with some bigger-picture questions. A common question I get from investors is overlay the Japan scenario on North America. So, we have very low rates, but they trend lower over the next decade. Long-term, 10-year bond yields in Japan are now negative. In that scenario, what happens to Sun Life's underlying ROE and what are – what is the – is there any possibility that you'd have to raise common equity to deal with that?

Colm J. Freyne
Chief Financial Officer & Executive Vice President

A

Yeah. So, that clearly is a big-picture question and the relentless downward movement in interest rates, obviously, has everybody's attention. Of course, the role of central banks and how they're trying to stimulate the economy is a very big part of that. So, trying to distinguish between where is the secular trend and what's driving it from a policy perspective is difficult. But we don't take a view around where interest rates will be in 5 years or 10 years at Sun Life.

And when we think about the question that Peter has asked, we think about it from the point of view of, well, we have a balance sheet. So, clearly on that balance sheet, it's a legacy – there's a lot of legacy business there, business that was written 10 years ago, 20 years ago. How does – how do interest rates impact the balance sheet and how do they impact our capital position, and if rates were to decline further, what would the impacts be. And we disclose all of that and we think that those sensitivities give a picture that says we would not be in the place where Peter talks about of raising rates – of raising additional equity capital.

And then when I think about the point around the impact on day-to-day activities, does it cause us to say, well, we don't have the products, we don't have the services that are required in the markets in which we operate because of these low rates as it impacted consumer preferences. Well, clearly, it has impacted consumer preferences in certain areas, but for every action, there is a reaction. So, if you're not getting what you want over here and you're a consumer, you still need savings, you still need protection, so you look elsewhere and you look other products and we're developing other products.

We've got a very good – in Canada, just by way of example, we've got a very good track record on the mutual fund side, having started up a mutual fund platform five years ago. We're seeing terrific traction there on the segregated fund side. We've seen a nice increase in sales, having reentered that market with new product last year. So, we're seeing opportunity notwithstanding the impacts.

Now, the bigger question though is if rates are negative. If you have a mismatch balance sheet, well, clearly, you've got a reinvestment risk and that's going to be a big deal. But I think under the Canadian Asset Liability Method, the Canadian companies are generally quite good when it comes to matching their long-term liabilities with long-term assets, and making sure the duration matching is quite strong. So, I think, from our perspective, that's an area of intense focus. Asset Liability Management is a core capability within any life insurance company, and I would say at Sun Life, we have a very strong ALM capabilities. So, we feel that, yes, it's a headwind, but it's not insurmountable.

Peter Routledge
National Bank Financial, Inc. (Broker)

Q

Okay. Over the past year, or a little bit longer than a year, Sun Life has been very acquisitive. The company spent, by my count, over CAD 2 billion. You made three acquisitions, sort of, in the alternative asset management and liability driven investment space of Bentall Kennedy, Prime Advisors, and Ryan Labs. You spent almost CAD 400 million increasing your stakes in Birla Sun Life Insurance in India, and Sun Life in Vietnam. And then you also spent CAD 1.2 billion to buy Assurant's Employee Benefits business in the United States.

So, I guess, a couple of questions. Why were you able to – where'd you find the money? Maybe you can remind us of where those funds came from. And then, what do you have planned 2016, 2017?

Colm J. Freyne
Chief Financial Officer & Executive Vice President **A**

Yeah, and it's an interesting observation that there has been a flurry of activity and it might appear as though that was all generated in the past year or so, and of course, the real story is that it goes back a lot longer in terms what gave rise to this. And if you think back to our decision a number of years ago to exit the variable annuity and fixed annuity business in the United States, that was a decision which was an important decision in Sun Life's evolution, because it freed up capital from a business that was a subpar business from an ROE perspective, was very capital-intensive. And we felt with – back to our comments earlier around equity market volatility, interest rates, et cetera, that it was a business that we did not see a longer-term future with.

So, we took the admittedly painful decision to exit that business by way of a transaction, by way of the sale because, of course, when you sell a business, you give up earnings on the business even if those earnings are volatile and you have to then redeploy that. And we took our time to redeploy the capital that was freed up. So, that capital was freed up back in a couple of years ago when we made that decision, and then we carried that excess capital on the balance sheet.

And of course, during that period, there's lots of questions about, well, why do you have excess capital? What are you going to do about it? Are you going to buy back stock? Are you going to redeploy it? Well, we did redeploy it, largely in 2015; a couple of those transactions, as Peter alluded to, are closed recently. So, the capital has been redeployed. But we still have opportunities to participate in further transactions, because we have a low leverage ratio and we feel that we're well-positioned.

Now, having said that, execution is key when you make acquisitions, and acquisitions – that magnitude of acquisitions – now, they're in different areas of the company, so it's not all in one area, so that there's capabilities across the different groups to transact and to execute well, but will require us to be very focused on execution.

However, having said that, a couple of the areas, Peter, where additional ownership interest in businesses that we know, so India for example, we already are very familiar with that business, so we're stepping up our interest from 26% to 49%. In Vietnam, we're going from a minority interest, 49%, to an ownership interest set at 75%. And we recently announced, in Indonesia, a similar type of transaction. So, that's a little different because you've got capabilities.

But having said that, there's more Sun Life money on the table. There is more of the shareholders' money at risk, so we take that very seriously. So, we will be ramping up our own involvement both at the regional level, at the business group level, and also at the Corporate level to make sure that we're getting the returns on those investments that we contemplated in the business case.

So, a lot on the go, but it's diverse, so that it's not all in one area. So, there's obviously a little bit of benefit there that if one business case doesn't come to fruition, maybe another one will outperform. So, a little bit of risk management around that and – but I don't think you'll see that level of activity in the near term because that's quite a bit to digest.

Peter Routledge
National Bank Financial, Inc. (Broker)

Q

Right. I'll go out to the audience. Do we have any questions out there? Shoot your hand up. All right. I'll come back in a couple minutes. Colm, I thought we could sort of jump into the United States in a bit more depth. We mentioned the acquisition of the – of Assurant's Employee Benefits business. What businesses – can you remind us what business the acquisition added to Sun Life's U.S. platform?

Colm J. Freyne
Chief Financial Officer & Executive Vice President

A

Yeah. So, essentially, the group business from Assurant has the same core products that we had in the United States. So, we in the United States, on our group platform, offer group life and group short-term and long-term disability. But what Assurant brought to the table in addition to those core products was a greater presence in the dental market.

So, we had a capability, but it was not as well-developed, whereas the network – the dental network that Assurant has developed is a very large one across the United States. And that's important, because that is a core offering in group supplemental plans and, consequently, we think that, that addition will energize the Sun Life sales force with the Sun Life products. And then the other product was vision, we didn't have a vision product. And, again, think of your own plans, people like to have a vision offering so that they can buy glasses and look after their vision requirements.

So, again, in the United States, you can have different providers providing all of this, but if you have a more of a one-stop-shop, it gives you better opportunities. And then it also brought a disability management system where Assurant provided a third-party arrangement where it offers and manages other insurance carriers' group platform, group offerings. So, that's something we didn't do and it's a bit unique and it run as a separate company – separate division, I should say. So, that's an additional offering.

It also focused on the smaller end of the market, whereas Sun Life has had small case, middle case, and larger case. So, this really bolsters our strength in the small end of the market and we can now focus on bringing some of those capabilities to the larger case market. So, it's a very complementary fit.

They didn't have stop-loss; Sun Life has stop-loss. And stop-loss is little bit of a – we don't have a similar product in the Canada. So, stop-loss is something in the United States that is a bit more niche – of a niche market, but we're very strong in that, and it is very complementary to the group space. And so, we think that we'll be able to offer the stop-loss offering to clients that Assurant brings along. So, very, very complementary.

In terms of geography, based out of Kansas City, and its strong presence in markets that we were in, but maybe not as strong. So, turned out to be an excellent fit overall.

Peter Routledge
National Bank Financial, Inc. (Broker)

Q

Now, just to stay on the U.S. for a minute, as you talk about your business there, I don't hear much talk about traditional U.S. life insurance or traditional U.S. annuities businesses, both – by the way which you – the company made a distinct decision to get out of.

Colm J. Freyne
Chief Financial Officer & Executive Vice President

A

Yeah.

Peter Routledge
National Bank Financial, Inc. (Broker)

Q

So, can you talk about how – looking out, how – what future acquisition activity might look like and have you forsaken traditional annuities and life insurance businesses in the U.S. completely?

Colm J. Freyne
Chief Financial Officer & Executive Vice President

A

Yeah. I think the question, I'd like to reframe that a little bit and say, [ph] position it as in (14:44) is there enough growth opportunity in the group space that you could continue to be viable and grow and be relevant in the United States or do you run out of capacity, so that you really should be thinking about other offerings, and maybe conversely, if you're not in other product areas does it somehow impact you on the group side.

And I think the answer to both of those questions is, no, we don't see any need to go beyond the group platform. So, within the group space, there is a lot of activity. So, there's the products I talked about. But there's also the voluntary products, which is a little bit more similar, Peter, as you know, to the – to an individual platform, where individuals at the work site are buying up additional products, so they might acquire additional coverage, whether it's cancer care coverage, for example, or whether it's additional life insurance. So, voluntary is a little bit similar to an individual chassis, but it's done on the group platform.

So, we see opportunities there. There's the Affordable Care Act and all the ramifications of that; very, very complex, not fully baked yet and what it does to private exchanges, for example, and how we participate in distribution in the United States. We're making investments in that area and building that out. So, there's lots of opportunity there. Notwithstanding the CAD 1 billion plus that we spent on Assurant, we still see other opportunities in the U.S. If other books of business were to come to market, we would certainly be interested.

As I said earlier, job one is integration, but we certainly see other opportunities there over time. And then the other way we participate in the United States, of course, is on the Asset Management side, so Ryan Labs and Prime were asset management acquisitions in the United States; Bentall Kennedy has both Canadian real estate and U.S. real estate, so we're benefiting from that; and MFS continues to be a very relevant and strong player in the U.S. So, we've got lots of U.S. presence, but we don't see us getting back into an annuity-type platform or an individual life-type platform.

Peter Routledge
National Bank Financial, Inc. (Broker)

Q

Right. I'm going to come to up north now, talk about Canada for a minute, and like to focus on a couple of areas, your mutual fund business and then what you're doing in seg funds. So, on the mutual fund side and under the radar, below-the-radar story is a rising share of mutual fund sales that Sun Life's proprietary investment management products have won from or taken away from third-party managers.

So, you're selling your own products and your own [ph] capital (17:19) distribution channel and that share has gone from 0% of sales in, I think, 2011 up to 40% today. So, can you talk about what it – what's enabled that share expansion? And then, how much of that rising Sun Life-managed AUM, how much of that is contributing today to the bottom line and what might that look like going forward?

Colm J. Freyne
Chief Financial Officer & Executive Vice President
A

Yeah. That's a great example of an overnight success that takes years in the making, because we really started this journey back in 2010, and I remember reviewing the business case at the time and thinking that, well, this is not going to be easy, because Canada obviously is well-served with mutual fund platforms and companies. So, launching something that's other than a boutique in a well-served market is never easy. But we said, no, this is the right thing to do, because we have the capabilities, we have a national footprint, we have a terrific career sales force, we have the knowledge on the investment side, and we have a holistic view of customer needs.

And I think a lot of it starts around in saying, well, what do – what's the need that we're trying to fill here. And of course we had a very good partner in the past with CI where we had, we were selling CI Funds, and as you know years ago, we had an investment in CI and it was substantial and that was the platform. But times change, and back in 2010, we said we're going to do this and make the investment.

So, the results we're seeing today are really the combination of that and it was a big investment, continues to be a big investment in terms of our capabilities in wholesaling and looking at product lineup, looking at the manufacturing side. And today, we're seeing the returns on that, and we see lots of traction there.

And our offering is very much a managed solutions approach. So, we've got Granite funds, we've got the Milestone funds, so we're looking at solving customers' needs from a holistic financial planning perspective as opposed to one-off, individual, unique funds that [ph] may be hot (19:20) at one time, but really don't provide an overall solution to clients longer term.

And in terms of impact to the bottom line, the impact to the bottom line to-date has really been negative, because it's been an investment, and a number you have commented on our fairly significant expense build-up over the past number of years. That's obviously one type of area that has given rise to that. But we've seen that now come to a breakeven position and as we move forward, having – it's a very much a scale business, as you know. So, once you get passed that breakeven point, you start to see a very nice uplift and we're at that point at this stage.

Peter Routledge
National Bank Financial, Inc. (Broker)
Q

And then on the segregated fund side, can you talk about the strategy and earnings potential behind the new segregated fund product in Canada known as Sun Life Guaranteed Investment Funds?

Colm J. Freyne
Chief Financial Officer & Executive Vice President
A

Yeah. So, Sun Life Guaranteed Investment Funds are the relaunch of a seg fund. It's very important, I think, in the Canadian marketplace to have a seg fund offering. The role of guarantees in volatile markets is important. Consumers again will look for those types of guarantees, but so much has been learnt around the role of guarantees, the capital requirements on seg funds in the last number of years, and the key around these products is to make sure that they're sustainable.

The last thing that a manufacturer or a distribution company wants is to have uncertainty out there as to whether product features will have to change, because markets have become more volatile, capital rules have changed. So, we spent a lot of time thinking about a very sustainable product offering, a suite of funds that will meet Canadians' retirement needs and savings needs, and we think we've got a terrific offering and we're seeing good traction there.

But the key for us is sustainability, because what we don't want to do to our customers, nor to our shareholders, is to be in and out of these types of areas, because it's very costly and it's confusing and it's not a good customer proposition.

Peter Routledge
National Bank Financial, Inc. (Broker)

Q

Okay. Over to Asia, I want to talk about your joint ventures in Asia, particularly in India and Vietnam, and you mentioned that you've increased your stakes this year or this past year. What's the end game for these properties and what sort of challenges do you have managing a joint-venture structure?

Colm J. Freyne
Chief Financial Officer & Executive Vice President

A

Well, I think the joint venture conversations are always interesting, because we are a Canadian domiciled insurance asset management company and we bring that profile to our partnerships and our partners value that, and we look at our partners and we say, well, what are they bringing to the table and of course they're bringing their own set of knowledge and expertise to the table, but they will be often in very different arenas, so India is a great example.

The Birla Group in India is a very iconic name and is involved in many different types of activities, but the piece around financial services is definitely an area where the Birla Group see tremendous opportunity for growth. India has a large number of people that are under-served from the financial services perspective and, yet, the country has made great strides in trying to use digital technology and other means to bring more people into the financial service space.

So, we look at our alignment of interest and we try to bring what we can to the table around product design, around risk management, around investment strategies. They often will bring knowledge of the local market, distribution expertise, brand, et cetera. And between the two of us, we try to make sure that we build a very sustainable platform. But one needs to be very flexible, because relationships change, different players on each sides will change and having something that's sustainable long term is not an easy task.

But I think we've managed quite well and then when it makes sense for us to increase our interest as was the case in India; we moved it up to 49%. And 49%, by the way, is the maximum permitted investment in India in a life insurance company. And that's by statute and I don't see that changing. I think there [ph] was – even to allow (23:28) investment firms to move up from 26% to 49% was a fair bit of back and forth on that.

But we see tremendous opportunity in India, and I felt that way for many years and on the – and we participate in India in two parts, in the investment management space. So, we have a 50%-50% joint venture with the Birlas on the asset management side and that's been doing very well. And then the life insurance side has had more ups and downs, but again long term protection needs in India are substantial and we see lots of opportunity there.

Vietnam, a little bit different. We entered that market more recently and we recently agreed with our partner that on the insurance side, we really bring more to the table in terms of managing that and we've moved our interest up to 75%, and the partners has agreed that that made sense that – for that type of venture that having one driver in the driving seat made sense as opposed to two of us, and they participate through their 25% interest.

Peter Routledge
National Bank Financial, Inc. (Broker)

Q

Right. We'll do one more search, see if there are any questions out there. Right here.

Q

Hi. Thanks for the question. So, as Peter alluded to, you've had several acquisitions in the past couple of years. Just going forward, thinking about that, when you go to your board and you see an acquisition opportunity, let's say, hypothetically, over the next two years, there's only capacity to really do one. What sort of conversations do you have with the board on thinking would you go into U.S. group insurance, whether you going into Asia, or whether you go into asset management, wealth management? And how do you sort of look at that in a holistic framework on where you see Sun Life going into the future as far as that business mix going?

Colm J. Freyne
Chief Financial Officer & Executive Vice President

A

Yeah. No, I think you're right to point out the business mix, because the acquisition activity, when there's excess capital on the balance sheet, always feels a little bit different, even though of course we should always be as disciplined as though there's no excess capital. But the reality is that excess capital is excess by its nature and, consequently, transactions will look somewhat more attractive on an excess capital basis than if you say, well, now we're at optimal capital and any future transaction needs to be funded with a mix – an appropriate mix of debt and equity capital.

So I think, the next phase here will be more interesting in terms of the discipline that we need to bring to bear. I think we are pretty disciplined as it is, but we'll need to be extra diligent and vigilant going forward. Having said that, we do have some debt capacity that we can avail of. But in terms of the mix, I think it is important that we are relevant in all of our pillars and we have, as you have noticed, we've spent activity and time on each of the pillars other than Canada.

And Canada, by its nature, is a more consolidated industry, so the types of opportunities here are fewer and further between. But what we do in Canada is more by way of organic growth and investments and I mentioned the Sun Life Global Investments for example, we're making significant investments in Canada through the [ph] expense lens (26:55) on our digital capabilities in the group space, Digital Benefit Assistant, for example. Use of technology in our group platforms is very, very important and we have a lot going on in that space.

So, I wouldn't say that I would call out any particular pillar and say that one gets first opportunity at the next acquisition. I think, one would love to time all these things perfectly, but that's never the way it comes at you in practice. And your question about what comes at the board and what comes at management, it is a little bit opportunistic because you can have your dashboard of, well, this is the one I'd like to have first, but maybe something else comes up, but it's a unique opportunity and whatever.

The real key [ph] is be able (27:37) to say do we have a very strong strategy, so that we're not just reacting to something and saying, well, let's do that, because it just became available. It has to really fit within the strategy. And I think the strategy that we have and we've been focused on over the last few years gives you a good sense of how we think about opportunities.

Peter Routledge
National Bank Financial, Inc. (Broker)

Q

All right. I'd like to shift gears, talk about oil and gas exposure. Sun Life, [ph] this is by my (28:03) numbers, has about $5.6 billion in fixed income oil and gas exposure, and that's primarily investment-grade, we should mention, and $1.6 billion in mortgage and real estate exposure in Alberta. So, I'd like to get your thoughts on those portfolios. I think what investors ask me is if we had a mid-1980s level situation, what would be the stress losses that would come out of that?

Colm J. Freyne
Chief Financial Officer & Executive Vice President

A

Yeah. Well, I think, clearly, we're spending time on the portfolio and looking at the stress events and evaluating – more importantly, rather than just [ph] determining (28:42) well, what's the loss likelihood and what's the impact, it's, well, what are we going to do about it and how are we thinking about the quality of the portfolio and other actions that we should be taking?

So, we've spent a lot of time on that. I would say you're right around the numbers, the $5.6 billion of bonds and private fixed income in that space and then also we have the mortgages and the real estate in Alberta. On the mortgage and real estate side, very good quality portfolio and we think it's well-diversified. So, we haven't seen any untoward signs of stress at this point, but it's really going to depend on how long this downturn lasts and what happens with energy prices.

And similarly on the public bond portfolio and private fixed income, we think we have strong investment-grade – by and large, investment-grade credits there. So, again, we think we're more exposed on that side to down ratings – downgrades, and you'll see that come through the reserve impact. But, Peter, it really does depend very much on how long are we going to see energy prices at very depressed levels and that will play out over time.

So, I'm quite sure it will be a topic for quarterly calls and the meetings with investors, but again, at this exact moment in time, we're not seeing anything that causes us any particular concern.

Q

One other question on that. A good credit analyst would ask about granularity of that portfolio. So, in the financial crisis, there were [indiscernible] (30:22) Sun Life.

Colm J. Freyne
Chief Financial Officer & Executive Vice President

A

Right.

Q

Have you changed the way you approach your portfolio construction, are you more – do you have a more granular oil and gas portfolio than, say, you might have a few years ago?

Colm J. Freyne
Chief Financial Officer & Executive Vice President

A

Yeah. I think you're absolutely right to point back that during the financial crisis, we had a larger exposure on financial services firms and some large exposures there that were obviously painful. I think the oil and gas portfolio is quite diversified and you see that in our disclosures, and we have obviously looked at our whole portfolio construction and we do that all the time, but particularly after the financial crisis to look at the limit structure, to make sure that we have a more diversified portfolio where we're less exposed to any one large single name, right.

Peter Routledge
National Bank Financial, Inc. (Broker)

Q

Okay. One question down here.

Q

Yes. My question is, I would like to hear about your views on majority ownerships versus minority ownerships. Are minorities – and why would minority ownership be as interesting as majority? And if that's not the case, why do – and why would a minority ownership becomes more interesting in the future? And we could hear about the plan for your India minority ownership?

Colm J. Freyne
Chief Financial Officer & Executive Vice President

A

Yeah. So, I think one has to be realistic around majority versus minority. So in some cases, it's – you could have a view, but it doesn't matter. If you want to be in that market, you can only be there by way of a minority interest. So, if you decide that, that market is sufficiently attractive, that you'd like to participate in that market, your mechanism is by way of minority interest and that's the case in India with the life insurance side. It's not the case on the Asset Management side; and in that case, we are – we could envisage a larger Asset Management presence in India going forward.

And – however, if your question is really, would you always rather take a majority interest in a company, in a foreign market, as opposed to minority interest, I think the answer to that is generally, yes, we would rather be a majority owner. But again that's a little bit abstract, because so much depends on, well, who is the partner and what do they bring to the table and what's the nature of the partnership.

And the reality about joint ventures is that, you can't always predict how the market will evolve over time, so there could be opportunities in the future for a public float at some case – in some instances. So, that might be a part of the future. Because again think about some of these markets, the financial services sector is actually growing and it's quite undeveloped.

So, in India, is a great example. You've got the Life Insurance Company (sic) [Corporation] (33:22) of India, which is a iconic company that's owned – majority owned by the government, but there is no equivalent of Sun Life or a MetLife or a Great-West Life or whatever. There is no large public companies, but yet, this is a company – country of 1 billion people. So at some point, they will have large public companies in the life insurance protection space. They don't have today, so by being there and participating, you can envisage over time the market will evolve, so we'd rather be there than not be there.

Peter Routledge
National Bank Financial, Inc. (Broker)

Q

One over here.

Q

Question on the group insurance. First off, in Canada, seeing a spike in unemployment in Alberta, does that have any material impact on your book of business? And on the U.S. side, I'm curious, have you started seeing wage growth in your book? And if we do indeed see wage growth, how significant is that on your results or on the other end, do we see companies kind of ratcheting down on the protection side, so then they kind of offset the gains that you might do on that front?

Colm J. Freyne
Chief Financial Officer & Executive Vice President

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Yeah. Yeah. So, on the second point around wage growth, there's been remarkably little and I pointed that out earlier, because I think we are seeing now the emergence of some wage growth and likelihood of that as we reach levels of employment in the United States that are clearly more in line with a full employment picture. Although there is still some capacity there. But, no, we are seeing that and we do see that as an opportunity because clearly, that helps our premium growth and that's something that's been missing in action in the last few years, so it would be great to see that come back.

In terms of Canada and Alberta, we haven't seen a direct impact in our results. But clearly, higher levels of unemployment and the impacts on our sponsors and our clients in the region is not positive in the longer term. In the short term, sometimes that can result in additional activity as individuals who are now thinking about their future have to transition out of their employment and they may provide us with – there may be discussions with us on the group retirement roll-over business side. So, we do see a couple of impacts there, but nothing that we would say is significant at this point.

Peter Routledge
National Bank Financial, Inc. (Broker)

I think with that, Colm, I'll thank you for your time and wish you all the best for this year.

Colm J. Freyne
Chief Financial Officer & Executive Vice President

Great. Thank you.

Peter Routledge
National Bank Financial, Inc. (Broker)

Thank you.