

## **Industrial Alliance Insurance and Financial Services Inc.**

### **2021 Investor Event**

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## PRESENTATION

**Marie-Annick Bonneau** — Head of Investor Relations, Industrial Alliance Insurance and Financial Services Inc.

Bienvenue and welcome to the iA Financial Group Investor Event under the theme of Guiding to Solid Growth. My name is Marie-Annick Bonneau, and I am the Head of Investor Relations. We would have preferred to welcome you in person, of course, but we have adapted to the context, and we are pleased that we are able to hold this event virtually.

Please note that our speaker slides are available on our website at [ia.ca](http://ia.ca) in the Investor Relations section under Events and Presentations.

This event will include seven presentations and will end at noon. There will also be two Q&A periods. Please note that you can ask your question at any time during the event by submitting them in the appropriate field in the event platform.

I draw your attention to the forward-looking statements notice on the screen and in the slide package. A more detailed discussion of the Company's risks and uncertainties is provided in our 2020 Annual Report available on our website.

And now, to officially start off the day, let me introduce Denis Ricard, our President and Chief Executive Officer. Denis joined iA in 1985 as an actuary. Over the years, he has assumed positions of increasing responsibilities in different areas of the Company. Among other things, he was Chief Actuary, Executive Vice President of our Individual Insurance and Annuities business, and Chief Operating Officer, prior to being appointed as President and CEO in 2018.

**Denis Ricard** — President and Chief Executive Officer, Industrial Alliance Insurance and Financial Services Inc.

Welcome to the iA 2021 Investor Event. I hope that you're all well, you and your family, because, frankly, we've gone through quite an unusual year the last 12 months. We all have to adapt to the virtual world, and this is what we've done for this event. So we've changed a bit the format compared to the previous Investor Day.

And today, we will focus on some areas of the Company. We'll talk about the strategy and focus on some businesses that we think are going to be quite useful for you to understand. And don't worry. If we don't talk about a certain business, you will have a chance during the Q&A period to ask any question for any business.

With me today, we will have the Executive Committee members, and we will be introducing them as we go along.

So let's start. Let me start by reminding you, the last time that we had such an event was in 2018, like three years ago. And you may remember, at the time, it was a change of guard between the previous CEO and myself. And basically, what we did from that point on is that for the next 12 months, the Executive Committee members have worked very hard on defining a new strategic plan, a four-year plan from 2020 to 2023. That's what we call the 2023 Plan. And today, you are going to hear a lot about that plan.

Now, here we are today, a year and few months after the start of the execution of that plan. And I must tell you that, I mean, the pandemic has proven that our business model has been quite resilient, and there's not much that need to be changed versus the original plan. I guess the only thing that I would say is that it emphasized a lot the importance of the choices that we are making regarding IT investments and, in particular, digital. So we have a very ambitious plan.

The first thing that we discussed with the staff and management when we started the process is to define our purpose. So why does iA exist? It's kind of a mission. And basically, at the end of the day, at the end of the exercise, we came up with that statement to assure that our clients feel confident and secure about their future.

And that reminds me a conversation I had with one of my daughters several years ago, and she was starting her career and, basically, had some issues with her budget, i.e., her expenses were higher than her revenues. And hopefully she's not listening to me today. But long story short, I organized a meeting between her and one of our top advisors. And basically, after the meeting, she said to me, you know, dad, I was listened. I have a plan. I feel quite secure and confident about my financial future.

And this is what it's all about. All the businesses that we're in, the common thread of all our businesses is really about protection. Protecting for death; for disability; for prescription drugs; for, let's say, protecting assets like home and auto; retirement. It's the common thread of all our businesses. And when you think about it, when we think about ESG, for example, the S of ESG, our purpose, our mission is right in line with the social role that we need to play in the society. So I'm very proud and we are very proud. It's really engaged the employees. It really resonates with the employees.

Now let's just go back a bit and talk about our recent results. And here I'm using the last five years because over the last five years, we had like two investor days. And basically, one of the strong messages that we conveyed during those investor events was that we were committed to grow EPS by more than 10 percent a year in average. And also, we had some guidance for ROE along the way of between 11 percent and 12.5 percent. And when you look at those results that we've generated over the last five years, it is very clear that we have delivered.

And when I look at the longer period, and I think it's important to note here why is it that we're looking at a long period. And I started in 2004 because this is after the consolidation of the big Lifecos in Canada had ended with the purchase by Great-West of Canada Life. So from that point until today, over the cycles, we have delivered the best performance in terms of book value growth. Yes, we are the fourth largest in Canada, but we are the first in delivering value in terms of book value.

And why do I use book value? It's because it's all included. It includes all the noise that sometimes you can hear from one quarter to the other for adjusted measures, like the impact of macroeconomic factors and so on. It's all inclusive. So we've been the best performer over that time.

And it's important looking long-term also because we are in a business that is long-term. Same thing can be said about total return. If an investor had invested a dollar at the time of the IPO, iA has generated the best total return for the investor. Best. So again, fourth in terms of size but first in terms of performance over that long period.

Now, that's the past. You may ask me, okay, what about the future? So we are quite confident that what has made success for us in the past is going to continue in the future. And here we say that we've got strong sales, we've had the distribution, very close to distribution, full suites of product. Well, guess what? We are continuing investing significantly on our ongoing digital evolution, both for growth and also for efficiency.

We've made a lot of acquisitions in the past 20 years, and more so in the past, let's say, five years in terms of investments. And we are in a great position right now. We have leading positions, and we are going to consolidate those businesses, continue to grow organically, and take advantage of the competitive advantages that we have built over time.

The third thing is about the risk profile, and this is a theme that is going to be very important today. Over the last decade, we've improved significantly our risk profile, moving from high-capital-intensive businesses to less-capital-intensive businesses, improving our risk profile in all lines of businesses. And so that today, with the changes in the regulatory environment, like the LICAT formula in 2018, those two combined has made us very productive in terms of generating excess capital, which leads to the potential of a great ROE expansion going forward. That's going to be a very big thing today.

Our four-year strategic plan was based on four axes: growth, client experience, employee experience, and operating efficiency. And you see here that for each of them, we have defined an ambition, and I'm going to talk about each of those axes in the next slides.

But let me first say that there's a fifth one that is being added, which is ESG; very important for us. We are part of the community. We are not outside of the community. And I'll have more details on ESG at the end of my presentation.

So let's start with the first axis, which is growth. And I've got several slides on that one. Here I'd like to explain a couple of those boxes here.

First one is the commitment that we have for distribution. We are in a relationship business. We've developed relationships with distributors for a long time. I mean, the most educated distributors to the most independent distributors. We even own distribution right now. That allowed us to be closer to them, obviously, closer to our clients, and also to better anticipate and know about the trends in the industry. It's been quite a competitive advantage for us to be so close to distribution along all the years.

Second box I'd like to comment is about the pricing discipline. Well, I'm sure you know that we are pricing our products continuously. And every year, in November, we do a kind of a snapshot exercise where all the heads of sectors get together with the corporate executives. And basically, we look at how

is it that a new quarter of sales is generating profitability, both in terms of different measures like profit per 1,000 and also per ROE.

And last November, I was amazed as to how the market is disciplined and allows us to generate profitability that is above our target range, and I would say significantly above our target range. And I'm going to say that at the end of the day, I said to the heads of line of businesses, you know what, there's no limit. You can invest in organic growth no problem, because if we can generate that kind of profitability, I'm sure investors will be quite happy.

The other point I'd like to discuss is our smart choices of digital, both for clients, advisors, and for employees. The pandemic has shown that we have made good choices, and not only when the pandemic hit. We had started that years ago. So again, that's why I'm quite confident that we can grow going forward.

Targeted acquisition. Basically, we are focusing on organic growth, as I mentioned. So going forward for the next 18 to 24 months, you should not expect significant acquisitions; something maybe along the way of a bolt-on acquisition.

Now there are two boxes that I haven't spoken about, and I'm going to talk about it in the next slides. It's our business mix; our ambition. What do we want to be? Who are we? I talked to you about the why. Let's talk about the what.

Now 20 years ago, if you had asked me at the time who are we, I would have said we are a Canadian life insurance company. And now we're moving more and more towards a North American financial institution.



And where it is that we want to play? We want to play in markets or segments of the market where we can win; especially the mass mid-market, where it's the middle-class, and where its profitability is quite significant, more significant.

Now, I would divide our businesses in three categories. Sometimes people are asking me, why are you in so many businesses? And they find it hard to understand. I'll explain it to you. Hopefully, it's going to be simple here. We've got our Foundation businesses like the individual insurance in Canada, the Dealer Services in Canada, and our wealth management manufacturing, both in seg and mutual funds, where we have strong expertise, where we have a leadership position in Canada.

Those businesses are at the base of who we are. And they benefit from what I call our Support businesses, like the P&C business, like the group insurance business, that bring crossline synergy opportunities and also add to the branding of those Foundation businesses.

An example would be the referral programs between P&C and life insurance or Dealer Services, for example. And we've got several of those crossline opportunities. But if it was only for those two categories of businesses, we would not have generated the kind of growth that we had in the past years.

So over the last years, we've expanded in other sectors like the Expansion business, let's call it that way, distribution business in Canada, the US business; businesses where we were able to take advantage of our strong leadership position in Canada and expertise, to export that expertise in other fields. So at the end of the day, when you look at all that ecosystem of businesses, I mean, it's all about having synergies in between so that, at the end of the day, one plus one equals more than two.

I spoke a bit about the acquisitions, just to remind you what we've done over the last 20 years, and 70 percent, in terms of dollar amount, 70 percent of those acquisitions have been done over the last five years. So we're going to take 18 to 24 months to consolidate it, get all the synergies we can from all

those acquisitions, both in Canada and the US, and resume our target acquisition journey thereafter. In the meantime, you may expect some bolt-on acquisitions, not more than that.

But in the US, we've gone a long way. We were nowhere, let's say 10 years ago. In 2020, now it represented 13 percent of our operating profit and a bit more if we count IAS for the full year, it would be around 15 percent, 16 percent. And the goal would be to increase to 20 percent in 2025 in both the sectors that we've invested significantly, which is the individual insurance and the Dealer Services. And we're very pleased because in the individual insurance, we've grown organically significantly over the last 10 years. And on the Dealer Services, it's a fragmented business and it's ripe for consolidation, so there are some opportunities for us there to grow.

We're also very confident on our growth strategy because we have a very strong balance sheet; a solvency ratio at 130 percent. And on top of that, there is a distinctive market protection in the reserve that would add 10 percent to that solvency ratio. And we are generating a lot of excess capital, as I mentioned before, because more and more we are in a low-intensive-capital type of business. And the businesses are quite profitable.

And lastly, we have, I would say, a long tradition of being conservative in our reserves. I used to be myself a chief actuary of the Company, and our chief actuary, last year, like last quarter, took some special provision for the COVID. So it goes along this tradition of being conservative in our reserves.

Now, capital allocation, as I mentioned, the focus will be on organic growth, then resuming dividends whenever the regulators allows it, and NCIB as well, if favourable conditions apply. And acquisition will be bolt-on for the time being.

Now let me talk about the other axis of our 2023 plan, client experience. On the left side of that slide, you see like a three-way relationship between the client, the advisor, and iA. In the past, it was more

like a linear approach, like iA, distributor, and clients, where everything needed to go through the advisor. But with digital and with all the client-centricity initiatives that we're taking, more and more it's a three-way relationship.

But what makes iA different is the fact that we are so close to distribution that we know better the needs of the clients, the needs of the distributor, obviously, and at the same time being able to anticipate the trends in the industry.

Now, around that three-way relationship, you see the future that we're building. We are building the future of the omnichannel experience, the 360 view of the clients. It's all about data. So, we are currently building that infrastructure, and you're going to hear a bit more about it later on today.

Let me move to the employee experience, a very, very important axis for us in our strategy. I think here, what is distinctive of iA versus our peers is our tradition and, I would say, our obsession for internal mobility. We want people to grow internally by giving them challenges and getting them out of their comfort zone. That's the best way to develop talent. And that, combined with the strong culture of feedback and recognition, is really the basis of our pipeline for succession planning, a very strong succession planning process.

And we are shaping the future of work as well. And interestingly, we had a project that we started in 2018, called the Work from Anywhere Anytime, and it was to give flexibility to our employees to work anywhere, anytime. And in March 2020, we moved from that to basically 100 percent work from home for 95-plus percent of our employees. We were prepared. And it's not something that we did over a weekend. It's something that was built over some time. And we were prepared. It'll give you a good idea how we made some smart choices in the past.

The other thing that's very important for the future is upscaling for tomorrow because more and more, the jobs will be less on the admin, more on the technical side.

And also, the employee wellness. We are taking care of our employees. And one thing I'd like you to remember, when we talk about ESG, we walk the talk. Last quarter, we made a choice, basically, to invest in our employees. And it cost \$0.10 per share. You remember? So we did it because we think it was the right decision, not only for the employees, but for the Company. So we walk the talk.

And we measure success. We measure satisfaction of our employees on a regular basis, like every three to four weeks. And more than 97 percent of our employees are saying that they are satisfied or well satisfied with the way we handled the pandemic. So kudo to all of us.

The last axis is about operating efficiency. Two things to say here. The first one is the focused investment we're doing to become more efficient and, at the same time, helping the client's experience and the advisor experience. And you'll hear more about that today.

But the other point I'd like to mention is about the philosophy of lean and agile that we are using in the Company. We've used that for at least 15 years in the Company. And it's working so well during the pandemic because, basically, we organize—just to give an example of what it means—we organize on a daily basis some digital scrum, let's call it that way, at all levels of the organization where we are aligning the priorities as we go. It's very important. So, the strategy is something, but the execution is even more important. And that lean philosophy is helping us focus on the client and focus on continuous improvement.

Now let's talk about ESG for a moment. Post pandemic, the biggest challenge of this century, as far as I'm concerned, is climate change, and we have to do our part. You know that we've said a couple of years ago that we are carbon free, but we have to go a step further. We will be introducing, in the next

sustainability report to be released end of March, targets for emission reduction. As you know, also, we are signatory of the PRI, and there are several initiatives within the organization that are to be part of the report that's going to be tabled at the end of the month.

On the S part, the social part, promotion of diversity and inclusion is becoming more important, especially with the events that happened in the US last year. So, we are doing more there. We are setting targets, and we are putting in our agenda issues regarding the underrepresented groups as well.

I already spoke about clients' experience and, let's say, the employee experience. But also to mention that, during the pandemic, we've obviously helped some of our clients through the process as well.

In terms of governance, well, we are a regulated organization. So, the governance was already at the high level, but we are improving as we go, especially on the risk management side. It's been recognized by some of the rating agencies. And also, on the cybersecurity because we're selling trust, when you think about it. So, clients need to trust us, especially the way we handle their data. So, it's becoming a high priority for iA.

So, let me just summarize. At the end of the day, once I've said that, we're quite confident going forward that we can continue delivering on our commitment to a EPS growth of at least 10 percent a year.

More than that, now with the fact that we are able to generate excess capital, we have good profitability in our businesses, we're moving to low-capital-intensive businesses, we're confident that the target range of our ROE, which now is at 12.5 percent to 14 percent core ROE, could increase in the very near future to 13 percent to 15 percent.

So that concludes my presentation. Basically, the next speakers will be Mike Stickney. Mike will talk to us about our business mix and also our business strategies. Following Mike will be Renée Laflamme,

and Renée will talk about our individual insurance and how is it that we've been successful growing our individual retail business in Canada. And then we'll have a session on Dealer Services. You know that we've invested significantly on Dealer Services. So, Mike Stickney, François Blais, and Kristen will be part of that presentation. And so I'm sure that you're going to find it very instructive. And it's going to be followed by a Q&A session, and then a break.

And following that, we will have Pierre Miron and Renée Laflamme that will talk to us about how is it that our IT investments support growth. And we'll have Alain Bergeron. Alain will give you some of his main findings since he joined the Company in 2019 and probably talk more about his view of the future of investments. And finally, Jacques Potvin will talk about our financial strength and our profitability.

So with that said, I leave it to Mike.

### **Marie-Annick Bonneau**

Thank you, Denis for this overview of iA strategy. As mentioned by Denis, growth is an important strategic axis of our company's success. Members of senior management will now discuss this topic more in-depth.

I will first invite Mr. Mike Stickney, Executive Vice-President and Chief Growth Officer, who will present on growth strategies and synergies among our various businesses. Mike is a seasoned executive with more than 40 years in the insurance industry. He is located in the US where he oversees growth initiatives for all lines of business. In prior roles, Mike was responsible for our Dealer Services and Special Market division as well as for our US operations.

**Mike Stickney** — Executive Vice-President and Chief Growth Officer, Industrial Alliance Insurance and Financial Services Inc.

Good morning. I'm going to spend a few minutes talking about growth with our businesses overall.

So moving to the first slide, the key takeaways for this presentation are: Over the last decade we've had solid growth both from organic growth and acquisitions. We have an interesting mix of diversified businesses that provide good growth and strong financial results. And we have a well-defined plan to grow these businesses well into the future.

Moving to the next slide, I want to touch on some of our successes over the last 10 years. Starting with organic growth, we have a broad and competitive product portfolio, and we've done well to shift the product mix to capital-light, high-ROE products. We've developed a number of great digital tools, and we've had a lot of success with them recently. And we have a large distribution network that has been very loyal to us.

In terms of acquisitions, we've done 40 acquisitions in the last 10 years. We've expanded into the United States. We've expanded into the wealth sector. We've expanded in the Canadian dealer market, and we've also expanded into direct ownership of distribution.

In terms of some of our market positions, we are number one in terms of life policies sold in Canada. We are number one in net seg fund sales. And we are in the top two in the Canadian dealer market.

The next slide shows our growth over the last 10 years. Total premium deposits have basically doubled from \$6.8 billion to \$14.1 billion. And on the right, we've got assets under management plus AUA, and they've grown from \$69 billion to \$198 billion, which is 11 percent average growth rate.

Moving to the next slide we have what I call the triangle. Some of you have seen this before in previous presentations, and it groups our businesses into three categories.

First, on the left are the Foundation businesses. These are the Canadian individual life business, the wealth, and the Canadian dealer business. These are some of our bigger businesses, and they make a strong contribution to the bottom line.

Next, along the bottom are the Support businesses. These tend to be some of our smaller businesses. They make a good profit contribution, and they provide good sources of synergies.

And finally, on the right, we've got what we call the Expansion businesses. They provide good growth and good profit contribution. And these are mainly businesses that have been acquired in the last 10 years. And it is important to point out that these businesses are capital-light, high-ROE businesses.

So moving to the next slide, I'm still working with these three categories of our businesses, and this chart shows our operating profit from 2010 to 2020, both in dollar terms and in percentage of the total. So there's two key issues here, I think.

First, the operating profit has grown from \$283 million to \$755 million in this 10-year period, which I think is a great result.

Secondly, the expansion businesses have grown from 4 percent of the total operating profit in 2010 to 21 percent of total operating profit in 2020. And we expect that this percentage will continue to grow into the future.

One other key message I'd like to make is that back on Slide 4, you saw that we'd developed a strong top-line growth. And now, for the same period, you can see on this slide that we have developed very solid bottom-line growth as well.



Moving to the next slide, I just talked about the importance of our moving into capital-light, high-ROE businesses. But it's also important to recognize the work we've been doing in some of our traditional high-capital businesses to improve our capital position.

The chart on the right at the top shows the percentage of seg fund sales in low-guarantee products. This percentage has increased from 76 percent in 2016 to 94 percent in 2020.

Similarly, for the line just below, we've increased the percentage of individual life sales in low-guarantee products from 56 percent in 2016 to 72 percent in 2020.

The bottom line here is that we have improved our ROE, both for these businesses and the Company overall, by shifting the product mix in these businesses to a higher percentage of capital-light products.

Moving to the next slide, let's spend a minute talking about how we've created synergy between some of the businesses in the Company. This slide shows two types of synergies. First, we've developed a referral system for career agents in Quebec to refer their life customers to the home and auto business to potentially sell them a home or an auto policy.

Secondly, we have done the same thing with car dealers in Quebec. The car dealers can refer their customers to us for the sale of an auto policy or even a home policy. Today both of these referral systems have turned into solid distribution channels for us.

Another area of synergy we believe we can take advantage of is our deep knowledge of the dealer business in Canada. If you add it up with the Seaboard years, we've been in this business for over 55 years, and we believe we can use this deep knowledge to develop a similar business in the United States. And this is well underway with DAC and IAS.

Moving to the next slide, this slide shows a few other synergies that we are working on. We believe one of our strengths is distribution management, and by owning distribution, we can create synergies in a few ways. We can leverage these relationships by staying even closer to distributors. And secondly, we can participate in distribution consolidation.

Another type of synergy comes from our strong brand in the retail life market in Canada. It helps us with our marketing of group insurance in the group insurance and Group Savings business, and it also can help us marketing individual products to group customers.

Moving to the next slide, I want to talk about the future growth of our businesses, and I'll start with the Foundation businesses. We've certainly had quite a bit of success with these businesses in the last year or so.

The Canadian individual life business, our sales increased by 19 percent in 2020, and this was a very big improvement over previous years. Gross seg fund sales increased by 30 percent in 2020, and as I mentioned earlier, we are number one in net sales. And then gross mutual fund sales also increased, and they increased by 21 percent in 2020, which is an outstanding improvement. So these are outstanding results, and they certainly make me optimistic about our future with these businesses.

Moving to the Support businesses, I think the most interesting story here is our home and auto business. If you go back five years, this was a break-even business and did not have a lot of growth. We've made significant improvement utilizing the synergies I just talked about as well as improved digital marketing. Also, we reviewed the pricing for this business, which has helped to significantly improve margins. Today we have a profitable business with solid growth potential.

Finally, moving to the Expansion businesses, there's a number of growth stories going on here. First, with distribution, we've had strong growth in 2020 in our MFDA channel, and now we are focused on generating similar results for our IIROC channel.

Moving to the US life insurance operation, this has been an outstanding story for us. When we acquired American-Amicable in 2010, the sales were about \$25 million. We just finished 2020 and came in just over \$125 million. So we've grown that business by a multiple of five in the 10-year period. This has been an outstanding growth story for us.

Finally, in the US dealer business, this is being built from the DAC and IAS acquisition. We saw good growth with the DAC business in the first few years. Obviously, it slowed down a bit in 2020 due to the pandemic. However, I am optimistic that we're going to see a vaccine-led recovery later in 2021 fueling an improving growth story.

So back to the key takeaways, I want to reinforce that we have had strong top-line growth for the last 10 years. We have a good mix of diversified businesses delivering solid growth and a strong bottom line, and we have a well-defined roadmap to continue to perform into the future.

This concludes my presentation. And I will turn it over to Renée. Thank you.

### **Marie-Annick Bonneau**

Thank you, Mike. And now to continue with our growth segment, I am pleased to invite Renée Laflamme, Executive Vice-President, Individual Insurance, Savings and Retirement, to say a few words on the key aspects of iA strategy to successfully grow in the Canadian Insurance Market.

Renée is a fellow CPA and also a chartered financial analyst. She has been with iA for more than 20 years. Among other things, in previous roles, she was the Head of Group Benefits and Retirement Solutions. Over to you, Renée.

**Renée Laflamme** — Executive Vice-President, Individual Insurance, Savings and Retirement, Industrial Alliance Insurance and Financial Services Inc.

Good day, everyone. Well, at iA, individual insurance, savings, and retirement has a strong momentum. We have had outstanding growth in 2020, and this is the result of a strong strategy. What I would like you to remember from this presentation are four things.

First, our products. We have a wide range of products. We have all the products to answer the client needs as well as the advisor's needs. Second, distribution. Distribution is a strength at iA. It is the backbone of our organization. Number three is technology. We believe that we have a significant competitive advantage, and this has proven to be true during the pandemic. And number four, we have a plan to pursue profitable growth.

As you know, we are a leader in individual insurance. We have grown by 19 percent year over year in 2020. Not only that, we're number one in number of policies sold, and we have gained market share on that same metric. In 2016, we were at 17 percent. In 2020, we're now at 21 percent. In fact, one policy out of five is sold by iA in Canada. One policy out of three for critical illness is sold by iA in Canada. This really speaks to our strong leadership position in the mass and mid-market.

The mass and mid-market is a broad market. It is a resilient market. We have a leadership position in the mass market, and we're gaining and growing market share into the mid-market. And this is very well in line with our overall strategy.

We are also leaders in the seg fund business. We've grown 30 percent in 2020, and we are number one in net sales since 2016. Well, that doesn't happen by luck. I'd say it happens by design. In fact, if you look at the industry, so the seg fund industry in Canada, over the last three years, the industry has grown its assets under management by 2 percent. And at iA, we've grown by 10 percent.

There are many reasons for such a tremendous growth and outstanding performance. Technology is one of them, and I'll speak to that later in the presentation. But I need to give you the information and to provide you the information that we do have a strong lineup of funds. We have a very competitive line-up of funds. And we also have a strong governance to monitor the performance of those funds.

I mentioned when I started the presentation that I'd like you to remember four things, and the first one being the fact that we have a wide range of products. We have all the products from the simplified issue products all the way to the most sophisticated products. You will remember that in 2020, we've launched two new products: a UL YRT, a universal life yearly renewable term, and a participating whole life insurance policy. Both of these products were very well received in the marketplace and by all distribution networks.

When we do launch new products, develop new products, and review our fund lineup, we have a rigorous pricing discipline. With the existing persistent low-interest-rate environment, with this pricing discipline, it's not surprising to see that the proportion of our capital-light products is very large in the new business. In fact, the capital-light products provide a more affordable solution to the clients while it is providing the protection that they are looking for.

We know what the advisors are looking for, and we know what the clients are looking for, and we believe that owning distribution is a competitive advantage because we're actually sitting in the front row to see what the market trends are.

Distribution is critical. It's a competitive advantage to us. And we are dealing with all distribution networks. We have our career network, a dedicated network in the province of Quebec with 2,000 advisors. We're dealing with all the MGAs, the more dedicated MGAs as well as the very large

MGAs called the consolidators, one of which is PPI that we own. We've been able in the last two years to grow by 17 percent the number of advisors that are doing business with iA.

We do have a customizable approach to the MGAs that we're dealing with. So for networks like the current networks that are recruiting young advisors and provide training, or we're dealing with also the other MGAs that are recruiting more seasoned advisors or more sophisticated advisors. In one case, we will provide more training. In the other cases, we'll provide more expertise. But in all cases, we provide the best digital tools so that we can support the MGA into its operational efficiency, and we can also provide the advisor the tools to do the business easy with us.

We're convinced that the role of the advisor is critical. And even though the clients are connected, even though the clients are going on the web to do their research and they do some transactions on the web, the advisor is still playing a critical role. In fact, it is very interesting to see that, in a survey done by LIMRA in the US in January 2020, they say that the proportion of the clients that are looking for a financial advisor is at its highest point, and it's growing. McKinsey is echoing the same thing in a report that they published in September 2020.

While you know it's not that simple to buy life insurance or to buy critical insurance, the clients need advice before they actually confirm the purchase of the insurance. Most of them are looking for that final advice, that comfort that they're doing the right thing. So the advisors are playing a critical role and, as an insurer, we also recognize, however, that we must embrace the integration of physical and digital channels. And this is why we're investing so much into technology. We're investing into our EVO platform.

The EVO platform is the platform that the advisors are using to buy insurance; the platform that they are using to obtain instant acceptance at point-of-sales for insured amounts of up to \$2 million. Ninety-four percent of all the applications we receive at iA are electronic applications coming through

EVO. And not only that, out of those 94 percent, 75 percent are signed electronically by the client and the advisors.

On the seg fund side, we also have digital processes from end to end. You can actually enroll in less than nine minutes, and you can do subsequent deposits almost instantaneously.

So we're very proud and very confident in the tools that we're offering to the client, and it's nice to see that others are seeing that too. In a survey done by Munich in 2020 over 18 insurers in Canada, they state that iA is 15 percent faster than the industry in issuing policies and that 44 percent more business is settled within 10 days at iA. Now, some of you may say, well, Renée, maybe your average policy is smaller than other players. Well, this is only partially true, because if you look at the survey over the last couple of years, you see that iA is improving faster than the industry.

So, what's next? Well, going forward, we will certainly continue to improve our EVO platform. We want to go from the current technology to the full web-based technology; go from a standard sell cycle for the advisor to a much more sales process where the client can be involved with the advisor; going from a platform offering product to a platform using data to provide the next best offer to the client and the advisor. We want also to use more AI into our accelerated underwriting and provide more self-serve capabilities to our clients to be easy to do business with.

We will continue to grow the business. Going forward, we want to grow the business in individual insurance by 5 percent to 8 percent and, in the seg fund business, from 10 percent to 12 percent. Some of you may say, well, you've delivered 19 percent. How come you're only aiming at 5 percent to 8 percent? Well, going forward, 5 percent to 8 percent is an ambitious task. You need to know that the industry, the Canadian insurance industry in Canada, has grown in the past five years and even in the past ten years by

less than 3.5 percent. So aiming to grow 5 percent to 8 percent is really outpacing the market, and it's also gaining market share.

How is it that we're going to do this? Well, of course, we will continue to invest into our digital solutions to remain at the leading edge. We will leverage our new products and be proactive in providing new products and improving our line-up of funds. And we will keep that strong momentum we have with all our distribution networks.

We will provide profitable growth going forward. We have multiple earnings growth initiatives. Of course, there's the 101 rule that you need to grow your sales and revenues faster than the expenses, but as well, we will continue to improve our operational efficiency with digital. We will optimize our product offering and profit margin. We will continue to deliver a ROE on new business that is higher than the corporate target, and we want to optimize our asset-liability matching and risk management.

We will provide profitable growth. And we will provide profitable growth with the right product shelf, with our unparalleled breadth of distribution, and with best-in-class technology. We have the capabilities to outpace the competition in this mature market. Thank you.

### **Marie-Annick Bonneau**

Thank you, Renée. To conclude this growth segment, we have lined up for you three executives who will present on Dealer Services. First up, Mike Stickney, EVP and Chief Growth Officer, will present iA's 20-year history in Dealer Services.

He will be followed by François Blais and Kristen Gruber who will give you more insight on the strategic direction of these businesses in Canada and in the US. François is an actuary who has been with iA for 16 years. He is currently Executive Vice-President for Dealer Services and Special Risks. Previously, he occupied various positions at iA, including as President of iA Auto and Home.



Kristen, who is the President of US Dealer Services Operations, has a degree in finance and has been in the industry for about 30 years. Previously, she has occupied other senior roles in our Dealer Services business in the US.

Prior to their presentation, I would like to remind you that you can send us your questions for the Q&A period that will follow shortly.

And now to Mike, François, and Kristen.

### **Mike Stickney**

Good morning. Next, I'm going to talk about our dealer businesses in both Canada and the United States.

I think it's fair to say that we get a lot of questions about our dealer businesses. The questions are along the lines of, why are you in this business or how did you get in this business. And I think these questions make a lot of sense. A lot of people think of us as a traditional life insurance company. So I'd like to address these types of questions by answering the question on this slide, which is, why do you like this business?

Starting with the Canadian market, the reasons we like this market in Canada are that we have a strong market position in Canada. We are one of the top two players in Canada. Second reason is that it is a capital-light, high-ROE business. And the third is that it has been a good growth engine for us for many years.

Shifting to the US, the answer is a little bit different because it is a different market. The reasons we like the market in the US is that we feel we can leverage our knowledge that we've gained from operating in Canada. Like Canada, it is a capital-light, high-ROE business. And finally, the US market is quite fragmented, and we believe it could be a good growth engine for us for many years into the future.

The next slide shows our top-line growth for these businesses. On the left is the Canadian sales for the last 10 years, and we've shown good growth, going from \$261 million of sales in 2010 to about \$970 million of sales in 2020. That's a 14 percent average growth rate.

On the right, we've got the US sales since we acquired DAC in 2018. We've had good growth for DAC for the last few years, and we will see further growth in 2020 and 2021 because of the IAS acquisition. However, we have hit a bump in the road in 2020 due to the pandemic.

Moving to the next slide, this provides a timeline on our development in this business in Canada. The story starts in 1999 when iA acquired Seaboard Life. Seaboard was a leader in this market at the time and had been in the business for 35 years up to that point in time. A footnote in the Seaboard story is that I came from Seaboard Life, and I have been connected with this business for most of my career.

Next, we acquired a broker in Montreal in 2000 named Mecagroupe, and that was really our first entry into the Quebec market. Seaboard had not operated in Quebec up to that point.

In 2007, we entered the warranty market on an organic basis. And then in 2010, we acquired a company called National Warranties, which gave us more market share and scale in the warranty business. And then National Warranties also provided us entry into the used car market in Canada. Then in 2015, we acquired CTL, which put us into the auto finance business.

So the growth in our Canadian business has really been driven by a combination of organic growth, acquisition of distribution, and acquisition of new product manufacturing capabilities.

The next slide shows a high-level comparison of our Canadian and our US businesses. I think the easiest way to look at this slide is to focus on the differences. There are two main differences.

The first is creditor insurance. It is an important market in Canada but doesn't really exist in the United States because of regulatory issues.

The second difference is that we are in the auto finance business in Canada. However, we have no intention of entering this market in the United States. I think there'll be a lot of scale and competitive issues in the US, and it's just not an area of interest for us.

So as you can see, there are more similarities than differences between the two businesses in the two countries.

Moving to the next slide, this sums up our story in the dealer markets quite well. Our ambition is to become a North American leader in these markets. We are already a leader in Canada. Obviously, we have work to do in the US. We believe that the combination of DAC and IAS puts us in the top 10 in the US market, and our objective in the US is to gain market share and move up this market share ladder.

Finally, in closing, I want to say that we are focused on organic growth in these businesses. I believe we have a tailwind coming in during the next few years due to a vaccine-led recovery in these markets. And we also believe we have opportunities for growth and marketing products through OEMs. Overall, I am quite optimistic about our future in these businesses.

So this concludes my presentation, and I'll turn it over to François. Thank you.

**François Blais** — Executive Vice-President, Dealer Services and Special Risks, Industrial Alliance Insurance and Financial Services Inc.

Thanks, Mike, and thank you, everyone, for being here. I will focus my attention today on Dealer Services Canada.

There are four key takeaways I would like for you to leave with today. First, we are top of mind when it comes to virtually all types of insurance and warranties products sold through the dealership network. Second, it is in a business that has a strong contribution to IA ROE. Third, in every business that

we're in, we have a deliberate growth strategy and a rigorous risk management strategy tied to it. Last, once COVID lifts, we have a clear path towards growth.

So first, let's just start by brushing up a portrait of who we are in this industry. We are clearly a top-of-mind provider when it comes to virtually all types of products distributed through the finance and insurance manager office. So whether it is life insurance, disability insurance, extended warranties, appearance protection packages, interactive devices, we are the manufacturer of all these products. And these are available for all types of vehicles—car, power sports, farming equipment. So in every type of vehicles, we do manufacture these products.

Historically, we've been quite strong in the new car space, but now with the recent acquisitions, we are also strong in the used car space. And in that, I would say that we are diversified in every possible dimension.

Now, just to outline a bit of the significance of who we are in this market, here's a few KPIs. So over the last 5 years, we outgrew the market by 14 percentage points. So that has helped to solidify our top-one position in the insurance and warranty space in Canada, but also secured top three in terms of non-prime auto loans. And remember that this growth has a purpose. It is in businesses that are capital-light and, hence, contributing greatly to iA ROE.

You probably have noticed that, over the past few years, we have been shifting from traditional creditor insurance to more of a warranties, or referred to here as P&C insurance products. This has been a deliberate shift as most of our acquisitions have been in this field. We will still continue to focus on these as we expect most of if not all of our growth to come from this line of business. We do also see opportunities to grow moderately in near-prime car financing.

Talking about auto loans, it is a business that we found to be quite complementary to our expertise in insurance and warranties, in three ways, actually. First, well, it provides strong internal synergies in completing our 360 view of the dealership distribution. While second, it brings also great internal synergies with other lines of businesses of iA, and especially with the individual sector in providing competitive cost-of-fund access. And third, well, we were able to export our sound risk management practice and actuarial expertise to deliver stability and sustainability of results.

Now, I'd like for you to draw your attention to the right-hand side of Slide 6, where we see the graph. Since the acquisition of CTL, we've worked actively to increase the quality of the portfolio. The share of near-prime loans has grown 18 percentage points over that period, and now it represents the vast majority of all of our outstanding loans. So great impact in terms of decreasing the volatility of results.

Looking now more at the future of our growth and where it will come from, historically, well, we've been built through acquisitions. That has created an impressive breadth of financial and insurance products. Now it's time for us to shift from a more traditional product-centric approach to more of a client-centric approach. We have all the tools in our hands to partner with dealers in providing superior client experience and then helping to provide financial peace of mind to car buyers.

We've been historically quite strong in the dealership business, and we have a lot of potential to work closer with car manufacturers. We hold relationships already, but we will be looking to expand these. We have a manufacturing capability that is unmet, and we need to capitalize on this.

Well, over the past years we have also grown iA Auto and Home in a success, also as a growth generator for iA distribution network, as well as a door opener, at the same time, for discussions on life insurance products. We need to continue to expand this value proposition, to export it, and make it

available to other lines of businesses to help further to protect the financial well-being of Canadians and iA clients.

To sum it all up, I've demonstrated to you how well positioned we are in this market. We are clearly top-of-mind provider when it comes to virtually all types of insurance and warranties sold through dealership network. This is a business that has a strong contribution to iA overall ROE.

In every business that we're in, we have a strong commitment towards risk management. And looking forward, we have a promising growth potential. And with the position we have in the market, we are very well positioned to seize it.

And with that, over to Kristen.

**Kristen Gruber** — President of US Dealer Services Operations, Industrial Alliance Insurance and Financial Services Inc.

Thanks, François. Hello, everyone. I'd like to start and finish today with four key messages. First, US Dealer Services has delivered strong profitable growth. Second, the IAS acquisition was strategic, and we created a leadership position in this market. Third, industry conditions support us, and they're favourable. And finally, we have a robust plan for a profitable growth strategy.

Let's go back to 2018 when iA first acquired DAC. At that time, DAC had about a 1 percent market share with \$348 million of sales. In the last 3 years, DAC has grown its business by 16 percent CAGR, strongly outperforming retail new vehicle sales and generating ROEs above target.

We did this with two primary sources of revenue at the dealership point of sale. We generated administration fees from the sale of F&I products, and we generated insurance fees. And while we were successful with this model, our growth opportunities without an acquisition were limited, based on the breadth of services that we provided.

Our position following the IAS acquisition is much stronger, for four primary reasons. The first is, we got immediate scale with our two existing sources of revenue in the dealer channel. We basically brought two administration companies together, and we grew our market share from 1 percent to 4.5 percent, and we became a top-10 provider. To put this into perspective, the largest provider in the space is estimated to have about a 10 percent market share.

We also got scale with our insurance company, DAC. We now insure the vast majority of IAS's business, and we're starting to see these synergies.

Secondly, IAS introduced new revenue streams that diversify and enhance our dealer relationships. We now have the ability to participate in 3X the revenue opportunities every time a product is sold at point of sale.

Third, we now have a post-sale distribution channel, which is our direct-to-consumer platform. Now while dealer sales still represent the vast majority of F&I products sold today, the post-sale segment is large, and it represents about 100 million vehicles that are on the road today in the US whose manufacturer warranty has expired, but they're still in that sweet spot for our coverage eligibility.

And finally, we now have a lead-generation company that mines a dealer's data to reengage customers at the optimal point in their vehicle ownership cycle. This lead-gen platform has a history of innovation around technology and solves two critical problems for dealers.

First, it helps them identify new customers. Second, it sources inventory for their used car department. This tool moves us from being just another F&I product provider to being the dealer's partner, generating vehicle sales in addition to F&I revenue, and allowing us to engage in the full customer lifecycle.

We now have all the tools to deliver a superior client experience. We have a much larger and more diversified distribution network. We have agnostic technology that plugs into any digital retailing solution that a dealer chooses, and there are a lot of choices out there. We have a speed-to-market advantage with our own A-rated insurance company, which means that we are the ones who control the pace, the priorities, and the pricing of all of our products.

Our integrated platform means that we do it all. Nothing is outsourced. And that gives us a tremendous amount of control and flexibility when it comes to customizing solutions for our clients, and that's an important differentiator in this industry.

Speaking of the industry, we have some favourable tailwinds that support our initiatives. There are more than 100 F&I product providers in this fragmented industry, and that makes it ripe for further consolidation and market share gains.

The demand for F&I products is increasing due to escalating repair costs and longer loan terms that are making our products even more affordable. F&I now accounts for about 30 percent of a dealer's gross revenue, and our products are an important component.

And finally, the outlook for car sales has improved, thanks in part to some demographic trends such as suburbanization into areas without established mass-transit systems where personal car ownership is required. A recent survey from Cox Automotive indicated that the number of people who plan to use ride sharing services this year is down significantly, and 24 percent of customers surveyed plan to actually add another vehicle. This all leads to a very robust story for both top-line sales, as well as bottom-line earnings.

Our primary initiative in 2021 is to leverage our full suite of products, services, technology, and training. What I found is that we deliver the best client experience when we have all of our products



installed, when we service the account with training and income development, and when our dealers benefit from our lead-gen technology. And we have a lot of room to cross-sell these services.

We will continue to build a pipeline for new agents and dealers as part of our rebranding strategy that will be publicly announced later this month as we rebrand to iA American Warranty Group. And we will expand our post-sale vehicle channel to capture more of those 100 million vehicles that are on the road today.

On the earnings side, DAC has historically been a stable source of profitable earnings, and that will just be augmented by the addition of IAS's business. We will also add synergy gains once our integration with IAS is complete, especially when we consolidate IAS's legacy admin systems.

In conclusion, our story is about adding two businesses together to generate more than the sum of the parts, and we are in the first chapter. So to remind you, US Dealer Services has delivered strong profitable growth. The IAS acquisition was strategic, and we created a leadership position in this market. Industry conditions are favourable, and they support our initiatives. And finally, we have a robust plan to execute a profitable growth strategy.

Thank you very much.

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## Q&A

### Marie-Annick Bonneau

Thank you, Mike, François, and Kristen for this presentation. It is now time for our first Q&A session, and we already have received some questions, but it is still time to send questions if you have any.

Just so that you are not surprised, Jacques Potvin, our CFO, will be presenting during the second portion of the event. Questions that are more oriented to the financial aspects will be kept for the second Q&A session.

So I will now start with the first question from Gabriel Dechaine. What do you mean by favourable conditions to justify a buyback? The only time you had an active buyback was in response to conditions that were not favourable; for example, the Ituna litigation response.

**Denis Ricard**

So thank you, Gabriel. It's Denis here. I will answer your question. Actually, when we did use the NCIB, I guess the favourable conditions at the time were, first of all, that we had significant excess capital. And second, that the price of our share was very much quite low, basically, when you look, for example, compared to the book value. So the price-to-book was quite small.

So I would say that right now, I mean, the NCIB would be our last use of capital. The focus is on organic growth, as I mentioned during my presentation. Obviously, some tuck-in acquisition if we can be opportunistic. Nothing major, however. And increase in dividends, but under favourable conditions. Don't read too much into it. It's more like, if for any reason there is, let's say, huge excess capital position and that the price of our share is attractive, I mean, for us to buy, then we would use that option.

**Marie-Annick Bonneau**

Moving now to the second question from Meny Grauman. Meny sent two questions; one more related to IFRS 17, which I will keep for the second Q&A. So I will go with your other question, Meny.

There are lots of articles about the decline of auto dealership as manufacturers increasingly look to go direct; Volvo's recent announcement, for example. How dramatic is this trend? How adaptable is your business to these changes?

**Denis Ricard**

I think I will direct that question to Mike Stickney. Mike?

**Mike Stickney**

Sure. Thanks for the question, Meny. This is a trend we're watching. I think it's important to bear in mind, Volvo has got very small market share in the US. So I don't think in itself it's a big deal. They sell less cars than Tesla does. So as I said, it's something that we are monitoring, and obviously there's a risk there if there's a big shift in dealer distribution of automobiles. But my own view is we're a long way away from there.

**Denis Ricard**

Yeah. Maybe one thing that I would add to Mike's comment is that, some years ago, I would say probably four to five years ago, we had started talking to the OEMs, the auto manufacturers, and we've struck some deals, for example, in Canada with Honda and Nissan, where we develop the relationship with the OEMs.

So for us, traditionally, and we're still much more concentrated on the dealerships. But at the same time, we are open, and we are trying to get some deals also with the OEMs in collaboration with the dealers.

**Marie-Annick Bonneau**

Okay. Thank you, Mike and Denis. Moving now to a question from Darko Mihelic. What about the risk of being committed to distribution? The lobby against consumer-friendly policies; the fight against standardized titles; seg fund trailers commissions; insurance sales through bank branches. Will a backlash ensue?

## **Denis Ricard**

Yeah. Darko, thank you for your question. Well, this is, let's say, a huge topic in a sense that the value to customers, there's definitely a trend towards providing more value to the customers and also be more transparent with the customers. So to me, it's a trend that is not going to stop, and we have to adapt as an organization to that.

I would say that, I mean, we work very, very closely with the CLHIA and also with the regulators to improve what I would call the fair treatment of customers, which is a big thing these days. And we're used to that, and we are used on the IIROC side and MFDA side, we're used to work with the regulators and being I would say customer friendly. On the insurance sides, we are, through the CLHIA guidelines, but there are more to come. And we have to adapt as an organization, and we are pleased with the direction this is taking.

My last comment would be about future of distribution. We are very committed to the distributors. But at the same time, we know that digital is going to take more and more place. And so we develop our tools, our digital tools, for example, in a way such that, in the future, if there are more and more let's say digital interaction in terms of sales, that we will be prepared to do that.

So our investments in technology is such that it would be quick for us to adapt to a different kind of distribution as well.

## **Marie-Annick Bonneau**

Okay. So now another question from Gabriel Dechaine. Gabriel is asking, you state that ROE on new business is higher than your corporate target. To be clear, does that mean that it is superior to 14 percent? And does the statement apply to both seg funds and life insurance products?

**Denis Ricard**

Yeah. Well, yeah. In my presentation, I mentioned that the ROE was significantly higher for all lines of businesses. In fact, that includes the insurance business, the seg fund businesses, all the businesses. I mean, to some degree, some are way more profitable than others. But, yes, you should include also in that the individual life insurance.

And you knew that Renée has explained to you that we've improved the product mix significantly, and it helps a lot in terms of ROE expansion for that specific line of business as well. You may remember that several years ago, we gave messages like, well, we would like to emphasize other businesses; we want to go away from the long-term guarantee products in the individual insurance line of business. But today, when I look at the product mix of that line of business, I would be pleased if we could increase the sales even more.

**Marie-Annick Bonneau**

Okay. Now from Tom Mackinnon. How were you able to grow the number of advisors doing business with iA in Canada by 17 percent over the last two years? How much was organic?

**Denis Ricard**

So, Renée, we'll leave you to own that one.

**Renée Laflamme**

Yeah. Thank you very much. How did we do this? I would say three things. The first is a very disciplined approach to sales. So being close to the MGAs and being close to the advisors. So that's very disciplined approach.

As I mentioned in the presentation, we've launched two new products, one of which is a participating whole life. So, of course, that interested new advisors. And finally, during the COVID, some advisors turned to iA for the solutions for non-face-to-face or remote sales.

To your question, how much of it is organic, I assume you mean how much of it comes from the networks that we own, whether it's PPI or the carrier network. Well, the great majority would come from all distribution networks from all MGAs. So the majority would come not necessarily from the networks that we own.

**Denis Ricard**

Yeah. This is an interesting question. Anecdotally, I spoke with some sales manager last year, and it was quite fascinating that some of them told me—because they recruit green agents most of the time—but basically, some of them told me that they were able to recruit advisors from other organizations because of our digital tools. It may be just anecdotal, but I think it reinforces your point here.

Next question.

**Marie-Annick Bonneau**

Yeah. Before I move to the next question, I'd just like to outline that today, questions are open to everyone; so not only to analysts, but also to investors. I do notice that we received a few questions from investors too. But I just want everyone listening to know that you can ask questions.

So the next question will be from Doug Young. Doug is asking, for US Dealer Services, organic growth avenues are from agent recruitment and signing new dealerships. Can you provide an update on both?

Mike, expand on growth opportunity for US Dealer Services through OEM. So I assume Doug would want Mike to comment further on this.

**Denis Ricard**

Yeah. We can start with Mike here.

**Mike Stickney**

Well, actually, I'll deal with the last part, but I think, Kristen, that's a good question for her. Where you asked about the OEMs, Doug, we've had some pretty good success in Canada signing deals with OEMs. François talked about it in his remarks. We are confidentially working on a situation in the US, but it may or may not come together. The US is a different market, and there's a few large players that do a fair amount of the OEM business.

And I'll let Kristen talk about the meat and potatoes part of the business, which is the agents and direct dealer distribution.

**Kristen Gruber**

Sure. I'm happy to. Despite COVID and despite less travel in 2020, we've actually made very good inroads on signing new agents and new dealers. I want to say we signed about 300 dealers the second half of 2020. Now, obviously, not all these dealers we signed for all of our products, but the important thing is, you get your foot in the door, you start to make some inroads with say one or two products, and hopefully we expand our share there. So I'd say we're making good progress despite the travel restrictions.

**Marie-Annick Bonneau**

Okay. So next question from an investor this time. Could you give us some examples of synergies that will result from IAS? And can we expect to see the results of these synergies in 2021?

**Denis Ricard**

I'll ask Kristen on that one.

## **Kristen Gruber**

Basically, fall in three buckets. We've got our insurance premium synergies. That was basically moving all of IAS's contracts from a competitor insurance company over to DAC. That project has been completed in 2020, and we're starting to see those synergies. Now we have to be patient for those earnings to materialize, but the business has moved to DAC on a written basis.

The second example of synergies is revenue synergies. It's basically cross-selling the products and services that we now have between our, let's say, in our combined platform.

And then the third synergy is really operational synergies. And the biggest operational synergy will come from sunsetting or consolidating, let's say, IAS's legacy admin systems. So we've started that project, and we'll start to see those synergies when we sunset the first one, which is due basically Q1 of 2022.

So those are really the three categories of synergies that we are pursuing.

## **Marie-Annick Bonneau**

Okay. So thanks, Kristen. Now we have a question for Sean O'Brien.

So the question is, since Sean joined the wealth management very recently, I am interested to know what are his main findings so far about that business?

**Sean O'Brien** — Executive Vice-President, iA Wealth, Industrial Alliance Insurance and Financial Services Inc.

Yeah. Hi. Thanks. I'd say there's kind of three areas I sort of honed in on, I think, since I joined wealth. And the first one was kind of the strength of our distribution. Coming from outside in, when I came into it, I don't think we get recognized for sort of the power of our advice channel.



The advisors that I've been meeting, these are entrepreneurial, business-oriented advisors that are really focused on growing their practice. And to me, it's exciting because really, it's about just building the platform, helping sort of showing the best practices how to do it, but because of the way they're engaged in building their businesses, I can see some nice organic growth coming out of that platform.

The other one is just on from looking at the MFDA and the IIROC, investing in private wealth, I see them as very distinct strategies. So really, so we're just kind of working down a path of really understanding what we need to grow. But both of them should be growth stories, and both of them we'll be looking to invest in to help build up a platform.

And the last one is Clarington. Clarington, it's a pretty neat opportunity. I mean we've been focused over the last couple of years on really focusing on fund performance, so rationalizing the shelf and starting to now leverage some of the capabilities that are Alain Bergeron is building from an asset management perspective to get some investment scale in that business. And I'm excited about it, and our affiliates are excited as well about this sort of where we're beginning to show some nice shifts on that. Those three areas are quite exciting for me.

### **Marie-Annick Bonneau**

Okay. We now have another question on the US Dealer Services business. So the question is, looking at Dealer Services business model in the US, what is the main source of profit in the business model or life cycle?

### **Denis Ricard**

Yeah. I will leave Mike and also maybe Kristen on that one. Probably interesting to note that, versus Canada, there are some differences. Mainly the fact that in the US, there are more, let's say, profit-sharing type of agreements. Something probably that Mike, you want to comment?

**Mike Stickney**

Sure. Yeah. The US, when you boil it all down, is a pretty simple business model. We charge fees for administration and basically insurance fees. And our costs are our costs. So the margins come from these variable fees. The more policies you sell, the more fees you get, minus your cost. And so there's not a lot of typical insurance risk with that business. It really is a fee-for-service business.

**Marie-Annick Bonneau**

Okay. So—oh. Go ahead, Kristen. Sorry.

**Kristen Gruber**

And I was just going to add that we have a lot more opportunities now with our combined platform to generate fee income in a lot of different ways. So the breadth of fee income has expanded with the IAS acquisition.

**Marie-Annick Bonneau**

Okay. So we will take one last question for this—oh, I see there's another one. Well, we'll take one and maybe a second-last question for this segment.

So first one, you are doing very well with your P&C business in Quebec. Do you plan to expand your P&C activities outside Quebec?

**Denis Ricard**

I think it's important to understand first why are we in that business in Quebec. Basically, that business has been really a support business for others, really helping the other, let me say Foundation businesses thrive. So if we ever want to go outside Quebec at some point, it will have to be some strategic reason like that. I mean we're not going to go outside Quebec and try to compete against the big players without some kind of competitive advantage.

So this is something we're looking at in terms of more distribution as opposed to manufacturing. It could be that in the near future, that we'll look at distribute some P&C products in collaboration with some of the other sectors that we're in. But I mean, we're just analyzing it as we speak. So we don't know, but it's something that could be on the table.

**Marie-Annick Bonneau**

Okay. So now moving to another question from Doug Young. For US Dealer Services, any new regulatory rules spending or any new regulations being discussed that could impact margins on any of the products?

**Denis Ricard**

Kristen, you want to comment on that one?

**Kristen Gruber**

Sure. Yeah. To my knowledge, there aren't any regulatory—there isn't any pending regulations that would have a material impact on our sales. We're actively watching the CFPB as they, under a new administration, we anticipate that they will become more active. All our dealers have traditionally been exempt from the breadth of the CFPB regulations. But they certainly can affect dealer business by looking at lender practices. But we feel very confident that our business model is not going to be negatively affected by any regulations on the horizon, I'd say.

**Marie-Annick Bonneau**

Okay. Thanks, Kristen. Another question from Paul Holden this time. And this will be the last question prior to the break.

So the question from Paul is the following. Can you provide some colour around the global chip shortage and its impact on automotive production and IAS in the next 12 to 18 months?

**Denis Ricard**

I see that there are a lot of interesting questions on the US Dealer Services business. So Kristen, I guess you can take that one.

**Kristen Gruber**

Sure. Yeah. We're definitely watching the global chip shortage. We're hearing from manufacturers that there is definitely going to be some pressure on new car inventory because of these shortages.

But new car inventory pressure is something we've been dealing with since Q2. I mean the COVID pandemic, when most manufacturers shut down their production lines, we saw inventory shortages on new cars that really bled into Q2, Q3 and Q4.

So we've done a very good job managing through those inventory shortages, and we'll continue to do that until—these things have a way of balancing eventually. And until then, we'll just continue to do what we've done, which is grow our business one dealer, one agent at a time.

**Denis Ricard**

Yeah. I can testify that it is applying also in Canada because I'm still waiting for the car I ordered in last December. So I'm supposed to get it in April. Hopefully, I'll get it. Okay.

**Marie-Annick Bonneau**

Okay. So thanks for your questions, and thanks to our speakers for answering them.

In terms of logistic, you can see that there are still three questions outstanding, but they will be prioritized during our second Q&A session when Jacques is with us.

And just to explain, you know that we're doing this event in the context of the pandemic. So the Q&A sessions, they were staged in advance. We all have our place. So that's why Jacques was not with us

for this first session. It was for sanitary conditions. But he will be here for the second session and he will answer these questions.

The other thing, all of our speakers will be available during the second Q&A session. So if you have other questions that you'd like to ask to Renée, Kristen, Mike, or François, they will be available to answer them during the second session.

And last item, we will now take a break, and the event will resume at 10:45 sharp. Thanks.

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## PRESENTATION

### Marie-Annick Bonneau

Welcome to the second portion of our event.

Technology is continually evolving, and it is a key aspect of our strategy. I'll now invite Pierre Miron, Executive Vice-President, Information Technology and Investment Operations.

Pierre joined iA in 2018 with more than 30 years of experience in IT and finance sectors. Among previous roles, he has worked at the Caisse de dépôt et placement du Québec where, as EVP and Chief Operations and IT Officer, he modernized CDPQ's technology and operational infrastructures.

Today, he will be accompanied by Renée Laflamme, EVP, Individual Insurance, Savings and Retirement, to comment on our digital strategy.

**Pierre Miron** — Executive Vice-President, Information Technology and Investment Operations, Industrial Alliance Insurance and Financial Services Inc.

Good morning. I'm happy to discuss with my colleague, Renée Laflamme, the iA digital transformation investment plan. As you will see during the course of this presentation, this plan helps to

strengthen our strategic position on the distribution of iA products in order to support the Company growth strategy.

This \$500 million investment plan, which runs until 2025, is strictly dedicated to the iA digital transformation strategy. It is in addition to the regular IT investment we make. It is particularly devoted to the implementation of state-of-the-art business platform to modernize and simplify our legacy system and also to add specific components of improving the customer and advisor experience.

In addition, part of this sum is also devoted to the automation of business processes and increase the use of data, including the use of artificial intelligence and predictive analytics.

In summary, in terms of value creation or return on investment, if you wish, the work that we've done so far shows that the investment will contribute to the improvement of the earnings per share by at least 1 percent over the next few years.

I turn it over to Renée to briefly present the progress made in 2020. Renée?

**Renée Laflamme**

Thank you very much, Pierre.

Well, yes, in 2020, the technology was ready to support growth. We've already discussed the outstanding growth of individual insurance and savings and how the digital technology supported that growth.

We've had growth in all lines of business. It's interesting to note that in the wealth business, and more specifically in the MFDA business, we can recruit and onboard new advisors 100 percent online. In fact, we've recruited \$1.2 billion of assets under administration 100 percent digitally. So we can say that at iA, the digital technology is truly supporting growth.

Less visible but just as important, technology is also supporting operational efficiency. For example, in the Group division, we can do 100 percent of health claims electronically. It's also interesting to see that more than 95 percent of our employees are currently working from home; they're working remotely. In fact, when COVID hit a year ago, over the weekend, 95 percent of our staff were working from home.

We would like to show you an example of how technology is truly supporting growth. And we will show you the EVO platform. EVO is the platform that our advisors are using to sell insurance. Ninety-four percent of all the applications we receive are electronic, and they're coming through EVO. Watch this.

**Narrator**

At iA Financial Group, we are in digital evolution mode, pioneering the next in tech to stay ahead of the competition. Enter EVO, our experience-driven platform. EVO is an intuitive digital sales platform that streamlines insurance, delivering an unmatched experience for clients and advisors.

Features include easy-to-use illustrations that paint a clear picture for the client, using strong, predictive underwriting models; live updates so you can compare pricing for different insurance solutions in real time, from simple to more complex products, from one scenario to another to best suit client needs; all that with instant approval of up to \$2 million. EVO simplifies and accelerates the sales process so advisors can focus on what matters the most, providing expert advice.

It also makes it possible to complete a sale 100 percent online from the initial contact to the electronic signature and contract delivery.

In 2020, advisors ranked iA number one in the industry for online tools. Having the best distance-selling solution led to a significant increase in the number of advisors selling iA insurance. Straight-through processing has doubled, and almost one out of three transactions is now instantaneous.

But innovation never sleeps, and we're continuously investing in the latest tech to improve our EVO sales platform, which is a key component within our global digital strategy. Powered by AI, EVO's evolution promises to push our digital experience even further. That means more advisor/client online interactions, more accelerated underwriting, and even more new insurance business, with advisors completing sales from any device, anywhere, anytime.

Propelled by our success and a clear vision of the future, iA is firmly positioned as an undeniable leader of our industry for today and tomorrow.

### **Pierre Miron**

To give you a more detailed view of this plan, we have decided to focus our investment in three axes that will contribute to fuel the growth of the Company.

The first one and maybe the most important one is the client and advisor experience. Our digital tools helped outpace the market growth by obtaining a more detailed view of the customer through the use of the data and improve the customer and advisor experience by providing sophisticated sales tools and self-serve capabilities. Because of this investment, it will be easier to do business with iA, whether it's a direct connection with a client or to an advisor.

The second one is business efficiency that will help reduce our direct operational costs by 20 percent. The renewal of our business platform, as well as the process automation component, will make it possible to achieve this gain in efficiency. In addition, part of the strategy is to reduce IT costs by adopting cloud-based solutions and removing old, expensive legacy systems.



And finally, the third one is related to the people pillar by having the right talents and skills at the right moment. You can imagine an evolution of the talent pool with the achievement of this pillar with the two other pillars: fewer clerical staff with process automation and more high-calibre professionals for the use of artificial intelligence and predictive analytics. And finally, we are continuing to search for strategic partners to enable us to speed up certain initiatives.

To fully support these axes, we are investing in four enablers. And the first one, already covered, is system and technology by deploying our business platform with straight-through processing, automation, and robotization capabilities. In addition to our process-driven efficiency, we leverage our data and analytics ability by adding artificial intelligence and predictive analytics. So you can imagine both at the same time, high efficiency on process-driven and being driven by data to be triggered by live events coming from our customers, from the data coming from the customers.

Talent and culture. In everything we do, we take a digital stance. This contributes to the rapidly evolving talent pool; less operational, more analytical, like I said earlier. Obviously, we are continuing to invest in the concept of work-from-anywhere. For sure, we worried that one day, the COVID has been declared last year. But more than that, we are heavily investing on this concept of this new way of working. Therefore, we are already promoting this new way of working.

And finally, the operational model and partnership. The key message here, we are really looking for technologies that are scalable and flexible enough to support our organic growth as well as future acquisition. In a sense, we are creating a kind of recipe for the future for scaling our growth strategy.

### **Renée Laflamme**

Yes. As mentioned by Pierre, technology is truly supporting operational efficiencies. And in the individual insurance sector, we are in motion. We are modernizing our back office. We are actually

implementing a new solution in a new modern ecosystem. And we will do this to favour straight-through processing, as well as a better connectivity with our partners and with the internal ecosystem at iA. We will retire the legacy system, and we will save almost \$25 million per year.

This project is a five-year project, and we are one year in. It's going to be multiple deliveries, and we are very proud with the deliveries that have been done so far and that will continue to be done in the next steps.

With this new technology and the increased operational efficiency, we are clearly building ourselves another strong competitive advantage.

### **Pierre Miron**

So in addition to what Renée just presented and I just presented, our plan is to replicate the same strategy for the other business units such as the wealth, the dealers, and maybe the group insurance as well. So the whole idea is not only to revisit the back-office modernization, but it's also to go over our complete integration from the front to the back office operation in that sense.

So now, to give you a closer look about what we mean by improving the client and advisor experience, I'll turn it over to Renée again to talk to you about this notion of 360 view of the customer.

Renée?

### **Renée Laflamme**

Well, going forward, having a 360 view of the client is critical. We already know our clients very well; we know our advisors. We're using the data, and we have multiple initiatives.

And just to name one, for example. With the consent of the client, we cross-reference between individual insurance and iA Auto and Home. We have multiple of those initiatives that we do across our

organization. However, we want to go further. We want to do more. So we want to be able to use the data to be able to identify the next-best offer to our clients or to the advisors.

We want to be able to give more self-serve capabilities to our clients to be easy to deal with. We want to be able to automate some of the tasks that our people in the contact centre have so that they're more efficient and they also have a better employee experience. In fact, it's a seamless experience for both the client and the advisors, easy to do business with.

In order to do this, we of course need to have the right strategy. And I'll let Pierre speak to this.

**Pierre Miron**

Talking a bit more about what we mean by technology behind this is, yes, considering the implementation of the department of a global CIM, if you wish, but also leveraging as much as possible all the data that we're going to get, that we're going to collect from all the different sources, and improving the customer experience by leveraging as much as possible the data coming from all over the place and trigger some action coming out from the CIM and the other tools that are going to be implemented.

Finally, in a nutshell, we are really shaping the iA ecosystem to fully support our business plan. As you may know, IT is business, and business is IT in the financial services.

Some of the targets we've discussed today, including our drive to maintain superior growth through digital technologies, greater uptake of product offerings, and efficiency gains, are realistically achievable. Therefore, and as I mentioned at the beginning of our presentation, I'm deeply convinced and we are deeply convinced that this IT investment contributes to an improvement of at least 1 percent in the earnings per share for the next year.

I hope that we have succeeded to give you a very short overview of what we are intending to do.

Key messages here. We're already in action, and the objective is to maintain our strategic position related to the efficiency of our distribution product. We've already captured some of the benefits related to this investment. It's a journey. Everything will not be completed tomorrow. But we know exactly what we're going to be doing with the \$500 million investment, and it's a real positive return on investment of at least 1 percent. Thank you very much for listening.

**Marie-Annick Bonneau**

Thank you, Pierre and Renée.

It is now my pleasure to invite Alain Bergeron, Executive Vice-President and Chief Investment Officer. In addition to his Master's in Financial Engineering, Alain is a CFA and a Chartered Market Technician. Previously, Alain was Senior Vice-President at Mackenzie. He also spent more than 10 years at the Canada Pension Plan Investment Board.

Over to you, Alain.

**Alain Bergeron** — Executive Vice-President and Chief Investment Officer, Industrial Alliance Insurance and Financial Services Inc.

Good morning, everyone. It's a pleasure to speak with you today. In my session, I'll focus on three things. Having joined iA 18 months ago, I'll give you some of my initial impressions, I'll give you insights about iA's investment portfolio, and I'll finish by focusing on the future.

Many of you know me from my days on the buy side, but it's the first time you see me on the issuer side at an investor day. Let me start by saying why I came to iA. I came to iA because I saw something. I felt there was great potential, and I felt that I could help the investment team realize that potential.

It reminds me of my last two roles, which I really enjoyed. Take the CPP Investment Board role, for example. When I joined in 2003, it was hard to recruit talent. CPP didn't have anything close to the reputation it enjoyed when I left 11 years later or today. It was definitely a team effort, and I really enjoyed the role that I played in that.

Here at iA, I'm starting with a much stronger base, however. If you look at the chart on the left, it shows that iA now has scale, \$100 billion of AUM. There has been a massive evolution at iA in the last 10 to 15 years. Managing \$25 billion is not at all the same as managing \$100 billion, and you all know the importance of scale in asset management.

iA has a strong balance sheet. It has capital. It has a strong distribution. There are many teams with solid investment performance. The portfolios are well managed. There's more investment talent. There's more scale. There's more breadth here than I expected coming in. And that gap between external brand—external perception and reality, that's clearly an opportunity.

If you combine all this with a collaborative culture and a real desire to get to another level, from Denis, from the board, from the investment team, that's a very attractive combination of factors.

Let me give you a sense of the current capabilities of the investment team. This team has over 100 investment professionals that allow us to get exposure to quality assets. Yes, in the traditional asset classes such as equity and bonds, but also in private assets such as private debt, private equity, real estate, commercial mortgages, infrastructure. In fact, we manage over \$13 billion of private assets, and you can see the breakdown of that on the chart on the left.

The chart on the right shows you the AUM, broken down by type of clients. The key point here is that the investment team serves both retail and institutional type of clients, which are, roughly speaking, of similar size.

That concludes my first point that iA has an investment platform with critical mass.

Now, let's do a quick overview of iA's investment portfolio. That's the \$45 billion portfolio that you see on the table on the right.

This slide shows you the portfolio allocation. The key takeaway here is that the investment portfolio of iA is positioned conservatively. This is mainly in fixed-income portfolio, 71 percent in bonds. So that keeps the risk low. It provides a reliable income stream that serves to back our liability. The majority of those bonds are government bonds, and 2020 was a good year to show the resiliency of the bond portfolio. Credit impairments were less than 0.1 percent of the corporate portfolio.

In terms of sectors that are making the headlines in the market these days or where risks are elevated, I thought I'd take a moment to focus on those and, in the process, demonstrate that our exposure is either small—if you look at our holdings and sectors that are worst affected by COVID, 1.1 percent of portfolio—or that our positioning is fairly defensive relative to typical institutional portfolios, which help mitigate the risk.

Commercial mortgages, over 70 percent are insured. In terms of our investment properties, retail allocations, less than 10 percent. Our leases are long term, and our WALT, weighted average lease term, is 9.6 years. The biggest type of tenants we have are government. So those characteristics should help our portfolio navigate the uncertainty of the next few years.

To look at the evolution of our assets over the last five years, there are three main points. Number one, the credit quality of the portfolio has increased. As the chart shows, AA and AAAs are now 53 percent of the bond portfolio. I would also point out that our allocation to BB and lower is 1 percent.

The allocation mix between government and corporate has remained fairly stable. It's also worth noting that our allocation to corporate is lower than other lifecos. And that provides some dry powder for the future.

And as the chart shows here, we have decreased our public equity allocation, and we've replaced them with infrastructure and private equity, and with also an option strategy. The option strategy decreases the risk of the equity exposure. And as such, it also makes the portfolio more capital efficient.

Let me say a few words on our risk management. We have four main risk management programs. They allow us to manage and decrease the risks that are coming from segment guarantees or interest rate exposure or currency exposure and in public equity, the option strategy that I just talked about on the previous page.

All of them have been effective at reducing vol, in general and in 2020. And as such, and because the capital formula recognizes good risk management, all of them have also been effective at reducing the regulatory capital.

I want to bring your attention to our interest rate sensitivity, because there was a big shift in our exposure in the last few years. Look at the chart on the left. The blue line shows a measure of interest rate sensitivity called IRR or Initial Reinvestment Risk. The orange line shows the 30-year Canadian rates.

So the chart shows that we have executed our plan to eliminate our exposure that my predecessor had talked about at the last investor day. In fact, we actually accelerated its implementation a few weeks after I joined. It also shows that the timing was favourable. The exposure was eliminated a few months before the rate collapsed. We've clearly enjoyed very quickly the benefit of that protection during 2020.

The table to the right shows how we're using derivatives. It shows you the breakdown of how we're using them. The key takeaway is that 99.98 percent of the derivatives on our balance sheet are used to implement the hedging programs of the previous page.

Now let's shift to our future evolution and ways we think we can add more value to this organization. Now despite the strong base that I've mentioned at the beginning, I don't think we're capturing the full potential of our scale. Historically, our investment capabilities were somewhat fragmented. For example, think of iA Clarington. Had its own investment department, its own trading desk, its own investment oversight function. It's hard to make the economics work as a stand-alone \$10 billion investment shop.

But it's a complete different story within a \$100 billion ecosystem. To get the benefit of scale, we've consolidated all portfolio management capabilities in one investment department, and we've merged the trading desks and the oversight function.

There's a second dimension to this. There are some areas that would benefit from more resources, from augmented capabilities, to realize the full value that can be derived from the assets that we manage. It's not clear that smaller pools of \$10 billion or \$20 billion could afford certain capabilities in isolation, but that's a very different story when you take the \$100 billion view. An example of these capabilities is asset allocation and portfolio construction, and it's big enough that I've made it a separate point on the next slide.

I'll finish this slide by saying that the investment team is relatively unknown in relation to its size and depth. So we have the opportunity to decrease the gap between the perception and the reality and, by doing so, supporting further the lines of business in their sales effort. And by adding talent, it would positively reinforce that brand effort as well.



I've mentioned asset allocation and portfolio construction a minute ago. I believe that iA as a whole would benefit from having deep, world-class capabilities in this area, something of the calibre of the large and sophisticated pension funds. I'm very happy to say that deepening these capabilities has good momentum. We've had some talent joining us recently with experience at leading global investment firms, and we'll have more to say in the next few months.

We've also made some internal changes and are dedicating more talent and focus on this. Why the focus? If we can improve the total portfolio return with a similar risk profile, that could be meaningful. iA's investment portfolio is \$45 billion, so the math is simple. Every basis point of extra return is worth \$4.5 million a year.

There's also the coming of IFRS 17, which could provide an opportunity to enhance our portfolio construction and our SAA, strategic asset allocation. Research is underway. It's too early to share the conclusions at this stage, other than saying that the initial results are encouraging.

The other reason for the focus is that, for iA's clients, these augmented capabilities should improve the expected risk-adjusted return, but also create a differentiated narrative for multi-asset funds such as the managed solutions. And these funds represent a huge category, and so that should help move the dial with our mutual funds and our seg funds.

Optimizing capital. That will be a big area of focus for the next few years, including 2021. We're exploring strategies that aim at reducing further the left tail without sacrificing returns too much. And because the capital formula recognizes good risk management, these strategies reduce regulatory capital and ultimately increase the ROE.

It's important to note that, when and if my team is able to seize these opportunities, is able to realize that additional value, that value would end up flowing through the profitability of the various business lines.

The main takeaways of my presentation are this. There is now a critical mass for investment management at iA. We have scale. Two, the portfolios are fairly conservative, complemented with solid risk management programs. And three, there are several opportunities that have been identified for my department to generate more value, and my team is focused on realizing them.

Thank you.

**Marie-Annick Bonneau**

Thank you, Alain.

To continue, I will invite Jacques Potvin, Executive Vice-President, CFO, and Chief Actuary, to comment on our financial strength and profitability. Jacques is an actuary with more than 30 years of experience with iA. Prior to his current position, Jacques occupied different senior roles within iA, including as Chief Risk Officer, as well as with Corporate Actuarial Services, Individual Insurance Sales, and Marketing.

Before Jacques' presentation, I just want to remind you that you can ask questions and forward them to us prior to the second Q&A period, which will follow Jacques' presentation. And now to Jacques.

**Jacques Potvin** — Executive Vice-President, CFO, and Chief Actuary, Industrial Alliance Insurance and Financial Services Inc.

Thank you, Marie-Annick. Good morning, everyone. It's a pleasure for me to be with you this morning, even if it's through our screen. So let's dive in right away into my presentation.

There are four key takeaways I would like you to remember from my presentation. The first one is our risk profile has significantly improved compared to a decade ago. Second is that IFRS 17 is coming, but we will be ready. Third one is the reserves are well positioned. We have a strong capital position. We generate organic capital so that today, we are committing to continue to grow the EPS at the 10 percent-plus on average per annum, and we're committing as well to improve the ROE on our businesses.

The risk profile. I'd like to look at the risk profile from the balance sheet point of view, to look at the assets, liabilities, and the interaction between both. If you look on the asset side—and you've heard Alain discuss about it earlier—we have improved our bond portfolio. We have a strong credit rating. But not only that, behind that, there's a good diversification of issuers in regard of industry, provinces, and even more exposure in the United States. So quite different study from compared to 10 years ago.

On the equity side, for long-term liabilities, we used to be 100 percent invested into public equity. Now we have private equity, we have infrastructure, we have options, and we still have a part of public equity, a much better diversification. And we have other asset classes. So overall, the asset portfolio is very well diversified.

On the liabilities side, you heard Mike this morning mention about the growth of our different business lines. So you know that our lines have different risk profiles. So we've grown a lot the distribution as a business. We've grown through acquisition. We brought also IAS and DAC into the dealer space in the US, so geographical diversification. And those two businesses are capital-light businesses.

We've also grown, organically, our life insurance business in the US at a faster pace. And even for our more traditional lines of business, we have improved the diversification of the product line. Another slide shown by Mike this morning, shown actually for life individual insurance, that we moved

away from long-term guarantees. Same for seg funds, actually. We moved away from high-end guarantee to low-end guarantee, so a much better diversification of risk from the liability side.

When you look at the interaction between both—and Alain touched base on that as well—we’ve improved the different ALM techniques, asset liability matching techniques, during the years so that we have eliminated the exposure to IRR. We’ve also reduced our sensitivity to a market downturn, so good ALM techniques there.

At the same time, if you recall, we implemented a long time ago a hedging program for the seg fund, and we have improved that program, year in, year out. So overall, when you look at the risk profile of the Company, it’s a completely different story compared to 10 years ago, and it shows the resiliency of our model shown last year during the crisis.

One good news is, DBRS just published a press release—I don’t know if you’ve seen it—that they are improving our credit rating by one notch. You will recall that Standard & Poor’s did the same two years ago, so this is no stranger to the great work that has been done at iA.

Let’s discuss now about IFRS 17. IFRS 17 is the new accounting standard that will apply to the insurance industry starting in 2023. This standard is principle-based, rather than being prescribed methodology. So it means that insurance companies will have to make choices for those different principles, and the choices will be directly related to the business model. And you know that the business model of the different companies in the industry are somewhat different, so it means that choices may be different from one company to the other.

Where we are on that file right now is, we’re still waiting for the regulator to finalize, obviously, the changes they would bring to the solvency ratio formula because the formula is using some accounting

numbers, as well as the Canadian Institute of Actuaries to finalize the different guidelines to narrow the range of practice. So for us, when we will have those information, we will finalize our choice.

But one thing that we know for certain right now is the fact that it will be a tremendous change for the industry, and education will need to be provided. So we will do our fair share with the different industries and settings, and we will hold teaching sessions to educate you guys. And we will do that in 2022, and let's hope that we will be able to do it face to face.

If we dig a little bit more deeply into IFRS 17, what the team is doing right now is making sure that, operationally, we will be able to continue to produce our financial statement every quarter. So we're quite confident we'll be able to get there, but there's a lot of work, though, to get there.

For the business model, like I said in the first slide with the risk profile, we're very pleased with where we are in regards of that. And that standard, there would be a complete—when we would switch to the new regime, there will be a complete reset of the balance sheet. But we're ready for that because our reserves are well positioned, and we have a strong capital position.

One thing, though, that I personally think it's a flaw from that standard is that it uses short-term lenses to look at the performance of the insurance company, whatever if the business is short-term, mid-term, or long-term. Take, for example, our life insurance business, which is a very long-term business, actually. The commitment to our policyholder will mature, on average, in more than 45 years. So IFRS 17 is looking at that through short-term lenses, so it would bring volatility into the reported earnings. That's why core earning definition will be much more important than it is today.

One thing that you will all be pleased with, there will be much more disclosure than under the current regime. So it's coming in 2023 for the standard and teach-in in 2022. Let's concentrate now on 2021, 2022.

Reserves. Our reserves are very well positioned. And actually, it's because that during the last decade, all appointed actuaries that had been in function had been diligently recognizing every experience study that were coming our way. Whether they were the industry studies or our own internal studies, we've been disciplined to make the assumption changes that were required.

You will certainly recall that policyholder behaviour, declining interest rates were headwinds, while on the other hand, we have mortality improvements, and we have management actions that have been tailwinds. So overall, during that decade, we've been able to provide good return despite those noises.

But what is more important is really where our reserves are sitting today. I can guarantee you that our reserves are very well positioned. We are meeting all CIA standards.

In addition to those standards, there are three specific items I would like to draw your attention to because we are different from the other companies.

First one is URR. I still expect the Canadian Institute of Actuaries, the CIA, to change the promulgated rate in 2021. So we took a hit of 15 bips at the end of 2020. So it's already behind us.

Second is the financial market protection. I will discuss it on the next slide.

And the third item, all the COVID protection we put at the end of 2020. It's important to remember that COVID impact on our earnings last year, on the actuarial assumptions, have been positive overall. Okay? It was not negative. It's been positive.

However, when we look at, during the Q4, when we were looking at the future, we decided to be prudent. And we decided to recognize the fact that we think that mortality, there will be more claims coming from that because of the situation, and both in the US—mainly in the US, actually, some in Canada as well. And we believe we have a product, high-end product that is more subject to outflow. So we

decided to put that issue behind us. So we took \$130 million of reserves to cover those future losses we expect to get. Okay? We will provide a full visibility on that every quarter about the usage of those provisions.

Let's look now at the financial market protection. From the graph that you see on the left side of the slide, you see the building blocks of the reserves and capital. The bottom, you start with the best-estimate liabilities, and the best-estimate liabilities are really your best shot. You use your best assumptions, what you expect to pay overall. So you have present value of claims and expenses minus present value of premiums. That's simply that.

After that, you have the Canadian Institute of Actuaries standards ask you to put protection, which is called the PfAD, provision for adverse deviation, so it provides a level of protection. After that, you have the regulators that ask you to hold capital to support the business. So this is what you see at the top of the chart, which is the available capital and it's calculated with the solvency ratio.

What differentiates us is that, in between the capital and the regular PfAD, we have what we call a stock market protection. We put that reserve in place in 2005 or around that date. We took a year at that time to put that reserve there. And the reasoning behind that is the fact that we're owning equity exposure to support very long-term liabilities. So for us, it's a buy-and-hold strategy. It's not available for trade. So we wanted to eliminate the short-term volatility and concentrate our energy to manage that business with that long-term view.

So that provision, which is not recognized in the capital, that's why we're showing you—see that first bullet—that at the end of the year, it was worth \$700 million or an additional 10 percentage points on the capital ratio, if we were to release it. But that's not our goal. We want to keep it for one reason—it absorbs all the short-term volatility of the market.

And at the end of the year, you can see on the second bullet, we would be able to sustain a drop of the public and private equity market of 27 percent before hitting the P&L, so quite a protection there. So the end result is that P&L is less volatile and the solvency ratio is less volatile. So overall, our reserves are very well positioned.

Let's look now at the capital. The capital you can see here is our organic generation of capital. You can see there were three phases. First one, 2010 until 2013, we were not able to generate any organic capital. Couple of reasons for that, actually. The former formula was quite procyclical. We were not that much disciplined in term of pricing, and we haven't started yet to de-risk, to put some risk mitigation techniques.

When you look at 2014 until 2017, we were still under the MCCSR formula ratio, so still, that formula was not capturing all the benefit of risk mitigation techniques. But anyhow, we have started—the industry allowed us to be more disciplined into pricing. You will certainly remember the improvement in our strain during those years, and profit is the best source of capital. As well as we put in place the risk mitigation factor.

But what's really interesting is now. Since 2018, we've been under the LICAT ratio, or CARLI ratio in Quebec. And those ratios really recognize the good risk mitigation techniques, and that's why we're able to generate organic capital now, because we have such techniques in place.

When you look at the future, we've raised the bar this year when we provided the guidance at the end of Q4, by \$25 million. Two reason, very simple: IAS capital-light business will provide profit, and the second is the successful introduction of the PAR product in individual insurance.

There is one thing, though, that is not written on the slide, but I want you to really understand, is that Pierre presented that we will ramp up our investment into technology. So it means that part of that



capital will be deployed to deliver such a strategy. So you can expect that over the next five years, we will use \$500 million of capital to support our strategy.

So, strong reserves, strong capital. This allows us, the executive team, to concentrate on growing EPS, and that's what I'm discussing here. You've heard this morning my colleagues discuss about some initiatives in their lines of business. One thing that is important is, after the investor event, I will encourage you to go into the appendix of my presentation because you will find there all the earnings drivers for each business unit that you see on the slide. So you will have more appreciation about each of the initiatives.

But for me, I summarize it in three main points. The first one is that maintain pricing discipline. It's not worth buying the market. We have to make sure that the business you're selling, you will get profit. Profit is the best source of capital, best source of growing EPS.

Second one, you want to grow the business, fine, and really great. That's what we like to do. But make sure that you grow your expenses at a lower pace than the revenue.

And the third one is efficiency. Denis spoke about continuous improvement. That is part of our mantra, has been part of our mantra for years. And also, there are digital initiatives that we held to even go further. There are synergies and efficiency.

All those translated to numbers, so I brought back the same bubble as we had in previous investor days. If you start on the left side, you have the 6 percent, which is organic growth. What is the definition of organic growth? It's that cruise control, keeps the lights on, it's do business as usual without initiatives. That's really the definition we have with that. And we're able to generate a 6 percent only by doing that, which is a very solid base.

After that, if you look at the two other bubbles, that's where all the management is concentrating their energy to be able to deliver growth—could be to revenue, to efficiency, and all that. Here, we use two bubbles because we wanted to isolate the facts and provide visibility on the distribution like we did in 2018. And you can see for those two bubbles that the digital initiatives will fuel into those initiatives and will support the growth.

The fourth bubble is the capital deployment. So after paying for the digital initiatives, we still have capital to deploy, either through bolt-in acquisition or through NCIB. So we're very confident to be able to grow the EPS by that 1 percent plus with that.

So if you add all those numbers, you get the 10 percent plus, plus-plus, actually, if you do the right arithmetic equation. So we're very confident to be able to deliver that. That's why, today, we are committing to continue to grow the EPS at the pace of 10 percent, on average, per annum.

The right side of the slide is quite interesting. Alain mentioned, and I spoke about the risk profile. And we'll continue to have initiatives to improve the efficiency of our usage of capital. And we're quite pleased to commit to grow the ROE target. So that's why you see it growing from 2021 to 2023.

So in summary, the main key takeaways. Our risk profile is a completely different story to what it was 10 years ago, very improved. Second, IFRS 17 is coming. We will be ready. Third one, reserves are well positioned, strong capital position, and we continue to generate organic capital. This allow us to concentrate and to commit to deliver that 10 percent, to continue to deliver that 10 percent plus of EPS growth, as well as committing to improve the ROE. Thank you very much.

**Marie-Annick Bonneau**

Thank you, Jacques, and thank you to all of our speakers.

Before we start with the second Q&A session, our President and CEO, Denis Ricard, would like to say you a few words.

Denis?

**Denis Ricard**

Thank you, Marie-Annick.

What a week. Yesterday, we had the announcement about the rating agency and having an improvement in our rating. Today, we have the investor event, and timing is everything.

So in the middle of the presentation of Alain a few minutes ago, we received the decision from the Court of Appeal of Saskatchewan regarding the Ituna case. And you may remember that we had won in the first instance, and there was an appeal being done by the plaintiff. And the appeal has been dismissed by the Court of Appeal of Saskatchewan, which is good news for iA. So I thought it was worth saying it during this event because it's unbelievable it happened in the middle of the event. Thank you.

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**Q&A**

**Marie-Annick Bonneau**

Okay. So thank you, Denis.

So we will now take questions. And I will start with a question for our CFO, Jacques Potvin.

So the question is from Meny Grauman.

At the last investor day, there was a reluctance to provide guidance beyond the introduction of IFRS 17. With the ROE guidance for 2023, it sounds like you have clarity on that. What will be the impact on your EPS growth and ROE outlook?

## **Jacques Potvin**

That's a pretty good question, Meny. Thank you very much for that. Actually, two years later and two years ago, actually, we have a better understanding of the standard. But remember what I said in my presentation. There are still some unknowns, and those unknowns are in regards of the final capital formula we will have.

However, the fact that we're very confident in our positioning of the reserve, our capital, and the regulatory mention that they are satisfied with the total capital of the industry, we're quite optimistic that we will be okay under IFRS 17 without any problem, but we will see. We will see. So that's why we're more confident today in regards of that.

About the growth of EPS, I will say that, when I look at the current accounting regime, the profitability we have, it's sustainable, and that's what we've demonstrated over the last decade. That's what we believe in for the future, if we were to stay on that. So we think it's a really good metric in regard of what we can deliver, year in, year out. So that's why we're more confident today to say that, with the caveat of, we're still waiting for some of the answers from regulators.

## **Marie-Annick Bonneau**

Okay. Another question for you, Jacques, and this time it is from Tom Mackinnon.

Can you split your 10 percent core EPS target into expected profit growth by segment? And the impact of stream by segment?

## **Jacques Potvin**

Thank you, Tom, for that question. It's a great question. There's a slide that Mike presented that show the growth of the three big buckets. And from that is that the Expansion, you can expect higher growth from Expansion than the Support business and the Foundation part.

One other thing that we need to consider. Because of all the investment we're making, the digital transformation, so there it won't be a linear growth for each of those sectors. So that's one thing. So we look at the overall, and the best thing is look at that slide that I spoke about, Mike's slide, and you can look at the trajectory. That should give you a good hint about where we see it going, knowing that it won't be a straight line.

**Marie-Annick Bonneau**

Okay. Tom also had another second question about the core EPS growth.

Denis talked about at least 10 percent for EPS growth on average per year as a target. Can you please elaborate on how you see this by segment?

Is there something you'd like to add, Jacques, on this?

**Jacques Potvin**

Actually, that's the same answer that I just provided to Tom's question.

**Marie-Annick Bonneau**

Okay. Thanks, Jacques.

So now a question from Meny Grauman.

Is the back-office modernization spend of \$220 million included in the \$500 million investment target?

**Jacques Potvin**

Yes. The answer is, the main bulk of it. I will say close to \$200 million is to come. So there, we spent a little bit last year, like Renée mentioned in our presentation, that we're already in motion. But those \$200 million, that is included in the \$500 million.

**Marie-Annick Bonneau**

Okay. So, Jacques, I would say that people were waiting for you. I still have a few questions for you.

**Jacques Potvin**

That's okay.

**Marie-Annick Bonneau**

This one from Meny Grauman.

Is there still an opportunity to shift more exposure from government bonds to corporates?

Sorry. That will be maybe more for Alain Bergeron. My apologies.

**Jacques Potvin**

Okay.

**Marie-Annick Bonneau**

You are still below peers in terms of that mix. How big is that opportunity? So, Alain, to you.

**Alain Bergeron**

Yeah. Meny, you are right. So in fact, we have a fair bit less of corporate bonds than our peers, and I agree with you that that's an opportunity for future increase in allocation.

On the last Investor Day, my predecessor had talked about a \$3 billion opportunity. Things have grown, so it's probably slightly bigger than that today.

Now the current intent, we don't have current intention at this stage to make important changes in the short term with that allocation. We are comfortable being conservative right now. We don't see screaming opportunities at the current level to max out our exposure.

That said, it's our intent to selectively accumulate attractive assets in the corporate debt. We're doing that, and we will do so in the disciplined manner that you'd expect us to do so, taking into account the capital.

Now there is also this element of strategic asset allocation research that I talked about earlier. So the conclusion of that research that we're doing could influence our long-term appetite for the increase, potentially. But for now, it's a bit early to tell.

Now it's not a bad idea to do what you suggested, to look at peers, to try to get an estimate of how much we could potentially buy. But at the same time, it's fairly gross estimate, and it is fairly rough in the sense that in the way we think about it is really, the allocation's governed by, yes, the opportunity we see, but also the overall risk tolerance of iA, which includes investment risk, but also includes other non-investment risk.

So, Marie-Annick?

**Marie-Annick Bonneau**

Yeah. Thanks, Alain.

So now a question from Gabriel Dechaine.

You hinted that IFRS 17 could provide some strategic asset allocation opportunities. You can't give details at this point, but could you provide some general thoughts?

**Jacques Potvin**

That's for Alain to answer?

**Alain Bergeron**

Hearing the question made me smile a bit because in the way, Gabriel, you asked a question, how you posed it, it's a fairly accurate understanding of the nuances that I was trying to communicate and

the words that I chose. Look, there's still some uncertainty. There's still lots of decisions to be finalized when it comes to IFRS 17, but you asked for general thoughts.

So IFRS 17, at a high level, it aligns better the accounting with the economics. So for example, currently, there are gaps or there are cases where the accounting and the economic risks measurement would diverge. And so when it comes to building a portfolio, that leads to complex trade-offs. The closer these measures are, then the easier it becomes to manage and optimize the portfolio or these two dimensions and, in the process, reduce regulatory capital.

From an interest investment portfolio, what we have essentially is a multidimensional efficient frontier. And so what we optimize for is economic risk, economic return, accounting risk, accounting return, regulatory capital, liquidity. But the closer the economics and the accountings are, the higher we can move the actual frontier.

And as I say, still a lot to be finalized. We're preparing for this. We're building capabilities to take full advantage of the opportunity that could be provided, but a lot of it will be revealed in the next several quarters.

**Marie-Annick Bonneau**

Okay. Thank you, Alain, for these comments.

Another question from Gabriel, this time for Jacques.

Will IFRS 17 eliminate the present value effect of large reserve releases charges? Will new business stream expense be eliminated?



**Jacques Potvin**

Thank you, Gabriel. That's a really good question. However, I feel it's very dangerous to answer those kinds of questions at such an event. Like I said in my presentation, that will be teach-in because the new standard is very different from the current accounting regime.

What I can say, though, is that strain is not there to disappear because you cannot, under that new standard, the principle, you cannot front-end any profit. So for a company like us that doesn't have a positive strain or front-ending profit, we're in business in regard of managing that.

For the other question, I don't recall. What's the first part of the question, Marie-Annick?

**Marie-Annick Bonneau**

I don't–

**Jacques Potvin**

Okay. The big reserve. Actually, the CSM is the present value of future profit, and it will absorb a portion of the business change, so that will be it. But you know what? Just wait for the teach-in. Continue to read. You can reach out. But we need to have a complete understanding of the standard to understand the meaning of what I've just said.

**Marie-Annick Bonneau**

Now moving to a question from Doug Young.

Doug would like to confirm regarding the \$325 million organic capital generation, if this is before or after funding organic growth and the \$500 million IT investment?

**Jacques Potvin**

Thank you very much, Doug. And I understand you're very optimistic. You used the high end of the range, so thank you very much. You believe in us. I appreciate that.

The reality of it, actually, is that organic growth is included in it. But like I said, the \$500 million in technological investment we'll do over the next five years will be taken out from that. So let's say that it's \$100 million in 2021. So it means that net-net, after organic growth, after investment, it will be at \$225 million if we use the high end of the range.

**Marie-Annick Bonneau**

Okay. Now a question from Mario.

How much of the \$500 million will be capitalized versus expensed?

**Jacques Potvin**

That's a pretty good question. Even if Pierre mentioned that we know exactly where we're going, there are still some, I would say, strings to attach. And actually, when you use cloud computing, okay, you cannot capitalize as much. Ten years ago, you were doing investment in IT, and all investments were capitalized. But today, in the areas we are in, we can use some cloud technology. We can develop some software.

So overall, my "guesstimate" would be probably 70 percent, 75 percent, but we have not finalized every decision about that \$500 million, so it can vary a little bit.

**Marie-Annick Bonneau**

Okay. Thanks, Jacques.

We now have question from Tom Mackinnon about group insurance retirements. I will read the question.

You mentioned group insurance retirements are only Support businesses. How do you balance the increasing needs for technology investments in these businesses in order to compete, if you don't deem these businesses core? Is this money well spent?

## **Denis Ricard**

Yeah, I'll start, and I will ask Eric to complete. Well, I just want to make sure that I don't get misunderstood here in the sense that I'm not saying that it's a second-class division. The group insurance is not a second-class division. In fact, all the ecosystem of businesses that I explained in my presentation, they are all very important divisions in our businesses. I just wanted to provide some kind of categories or reference for you to understand our point of view and the fact that we have synergies in between our businesses.

Now with that said, I will leave Eric to answer more precisely your question.

**Eric Jobin** — EVP, Group Benefits, Industrial Alliance Insurance and Financial Services Inc.

Thank you, Denis. And thank you, Tom, for your question.

I would say that the group business profitability is very well positioned right now. And when I look at our mandate within the iA family, it's clearly a mandate of ROE support for the organization. Group businesses is a capital-light kind of business that is helping iA as leverage for the ROE globally. And as Denis and Jacques mentioned, we want to expand ROE, so it's one of those tools to help there.

I would say, second, we are a smaller player in the Canadian industry, no doubt about that, but we hear more and more that we are an alternative to the big players in the market. So by making smart choices in investment, in technology, we can develop this as an alternative and turn this expense into an efficiency tool to help maintain our ROE mission within the iA Financial Group.

And I would say finally on this, group businesses are there to help plan members when they are at work. And when plan members leave their employment or go to retirement, if they know the iA family, they will want to go elsewhere in the family and the individual channels and elsewhere. And this is where the crossline of business strategy becomes important.

## **Marie-Annick Bonneau**

Thank you, Eric. We have another question for Alain.

So, Alain, how do you intend to reduce the brand gap you mentioned in your presentation?

## **Alain Bergeron**

Right. Yes. I mentioned in my session that I do see a gap there between that external perception of the investment capabilities and the actual breadth and depth of the investment team. Now, of course, we have some investors that have a big profile, but I'm talking on aggregate here. From a brand standpoint, it's my sense that the investment team is punching below its weight.

So I think there's some low-hanging fruits that are contributing to this gap. So we have some teams that have never been really marketed. They are 100 percent focused on managing money, which is great from an investment performance standpoint, and we don't want to lose that. But they don't have enough bandwidth for telling their stories, supporting the sales force, meet with clients. And I also have mentioned, our efforts have been historically, in general, too fragmented.

So really, my plan is not to do some expensive marketing campaign but to start by tackling these issues that I've mentioned, to make fairly small, low-risk investments to better commercialize what we have. So for example, we'll hire some resources, such as client portfolio managers, to tell the portfolio manager story, to represent them to support the sales effort, to create compelling decks. And we'll focus on the ability to reuse across the various lines of business. So that doesn't cost much, but that can have a very meaningful impact versus what we have today.

And another element of the plan is to add exceptional investment talent, so that will help dovetail, that will help reinforce the momentum, essentially creating a perception that there is something very interesting that's happening at iA on the investment side.

**Marie-Annick Bonneau**

Thank you, Alain. The next question will be for Renée.

Renée, in the EVO video, you mentioned—well, actually, it was not you—but it is mentioned that one-third of business is straight-through processing. What does that mean?

**Renée Laflamme**

Well, I thank you for the question. What it means is that one-third of our business is done without any human intervention. So the policy is issued without anybody touching it, so it goes in electronically with the electronic app. It's approved at point of sale because it's under \$2 million, and it answers the criteria. And there's an electronic signature by the client and the advisor. So nobody is touching the policy when it's issued, so that's really what it means.

**Marie-Annick Bonneau**

Thank you, Renée.

Back to you, Alain. About real estate in your investment portfolio, what are your intentions, considering the changing environment accelerated by the pandemic?

**Alain Bergeron**

Well, at this point, we're not planning for major changes in our overall real estate positioning. This is driven by three factors. One is that our current real estate portfolio investment properties, that portfolio is fairly defensive. And it was defensive coming in this pandemic, so we're quite fortunate to have the real estate portfolio that we have. I say this because—and I'm going to repeat a bit things I said in the presentation—but we only have 10 percent of it in retail. Our main tenants are governments. We have long-term leases. Their WALT is 9.6 years. Occupancy is 95 percent. So even if there's a lot of

uncertainty in that asset class in the short term, we have these mitigants that should help navigate that period.

Two, it is very hard to tell the impact that COVID, that working from anywhere or working-from-home trends will have in the long term, and I'm talking about office here. For sure, I expect the demand in the office space to decrease in the short term in the market. There is no information edge here. Most investors expect that. But what's not clear to me is how this will stack up against the growth of the economy in the long term—right, if the economy grows at 2 percent a year, after 10 years, it's 20 percent growth—and a decrease of the development projects and its impact on supply. So how these demand and supply factors will end up balancing in the long term, that's hard to tell.

And three, I've mentioned that we're doing research to enhance our strategic asset allocation. Too early to tell, but this conclusion could end up increasing or decreasing our appetite for that asset class.

Look, we're always looking at opportunities to diversify, optimize further. For example, we have a few buildings we're in the process of selling. But overall, it's not a great environment for the asset class in the short term, but we're happy with the quality of our portfolio. And I would not expect big changes from us in the short term.

### **Marie-Annick Bonneau**

Thanks, Alain, for that answer.

We now have a question from Yvon Sauvageau. Mr. Sauvageau wrote, your focus is on distributors. What are your plans for the direct client access? Denis?

### **Denis Ricard**

Yeah. I'm going to take that one. But this is a question, a very great question. Thank you, Yvon. Has been debated internally for some time, and we had a lot of discussion with our Board of Directors.

And it's pretty clear that we have to adapt our business model over the years to the fact that, more and more, the customers want to do directly what they do.

However, I mean, in Canada, I mean, sales are still going through the distributors. So for us, yes, the focus right now is on distribution, but we are preparing. We are preparing for the days where most of the sales could come. We don't know. The jury is still out as far as I'm concerned. But we are preparing by building tools that could—it's like turning the switch on and off, the distributors, direct, or a hybrid model as well. So we are preparing for that because it may come one day.

Now with that said, probably in the P&C business, there is more, I would say, opportunity in the short term because it's a product that people need to buy, as opposed to the other products where people are saying that it's still something that is being sold as opposed to something that is being bought. So there are some inroads that we're doing on the P&C side to improve our tools to be able to do everything direct, and it would be consistent with the business model we have in that line of business.

But if any of my colleagues want to add on that because they would all be able to answer that question for their own sector. We have discussed that in great length.

**Renée Laflamme**

Maybe I may add—

**Denis Ricard**

Renée?

**Renée Laflamme**

Yeah. Maybe I may add just one thing. I think that what is critical, as Denis mentioned, is to be omni-channel. So as we move along, and Pierre has shown it as well and Denis, the triangle between iA

and the client and the advisor is important. So the multichannel is preparing us for whichever way the market is going to go.

**Marie-Annick Bonneau**

Thank you, Denis and Renée.

Now a question from Tom Mackinnon that will be for Jacques.

The \$500 million investment spend, both the capitalized piece and the noncapitalized piece, will this be included in core EPS? And does the core EPS growth rate objective include this additional cost?

**Jacques Potvin**

The answer is, yes, it is included. If you remember, the 1 percent-plus growth that Pierre spoke about, it will come from efficiency. It will come from growth. And if you look at the slide with the bubbles, that 1 percent plus is fueling the growth on the EPS, and it's including all the investments we are making.

**Marie-Annick Bonneau**

Thank you.

One last question from Yvon Sauvageau. That will be for you, Alain.

Can you expand on why IFRS 17 is an opportunity for an investment point of view? So, Alain, it's up to you.

**Alain Bergeron**

Yes. I've given all that I could give on the previous answer. I think it's a similar version of the question asked earlier, and I don't think I could add further.

**Marie-Annick Bonneau**

Okay. Thanks, Alain.



So that will be all for our second Q&A session. I want to thank all of our speakers again. I also want to thank you for attending this event.

Please note that an audio replay of this conference will be available on our website for 90 days. The webcast will be available on our website for six months, starting this afternoon. A transcript will also be available on our website next week.

Should you have any other questions on any of the topics discussed here today, you can contact me by phone or by email. All of my contact information is on our website at [ia.ca](http://ia.ca) in the Investor Relations section.

**Marie-Annick Bonneau**

And now to conclude our investor event, I will turn to our President and CEO, Denis Ricard. Thank you.

**Denis Ricard**

Thank you, Marie-Annick. Hi, everyone.

So I will recap right now, and let's assume that we are climbing the CN Tower, and I'll do my, what I call the elevator pitch.

So let me say that we've discussed today iA being the fourth-largest lifeco in Canada but, as we mentioned, the best performing over the last 20 years in a lot of metrics. We are performing in diversified types of businesses. We've described different categories of businesses. We are very strong in businesses that are foundations for our companies, but we've got other businesses that altogether are adding a lot of crossline synergies, opportunities. We could not today have gone through all the details. But let me assure you that if the businesses are there, it's because strategically, they have a reason to be there.

We are present now more in the US than ever, and there is an area of growth for our organization. And one thing that was also very important is the fact that we are much more in businesses that are capital light. We are generating excess capital, and we believe that we can grow EPS by over the 10 percent a year and also increase the ROE.

The 2023 plan is underway. There's four axes, and I described all of them in my presentation: growth, mainly on the organic side, as opposed to acquisition for the time being, and the great success we had on the distribution side; the second being the customer experience and the fact that we are very much connected to distribution to better understand the client; the employee experience—we do care about our employees; the efficiency and our lean philosophy. And at the end of the day, there is a fifth one which is adding, which is ESG, and I've mentioned to you the reasons why it is so important for us to incorporate that into our strategy.

So all in all, this is about the message. Now we are at the top of the CN Tower, so I will leave you for the day, and I would like to thank you a lot for having attended this meeting. Thank you.