GREAT-WEST
LIFECO INC.

Great-West Lifeco, Inc.

Fourth Quarter 2024 Results

Conference Call Transcript

February 6, 2025

DISCLAIMER

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

From time to time, Great-West Lifeco (the Company) makes written and/or oral forward-looking statements, including during the course of the Company's Q4 2024 earnings conference call. Forward-looking information includes statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "will", "may", "expects", "anticipates", "intends", "plans", "believes", "estimates", "objective", "target", "potential" and other similar expressions or negative versions thereof. Forward-looking information includes, without limitation, statements about the Company and its operations, business (including business mix), financial condition, expected financial performance (including revenues, earnings or growth rates, medium-term financial objectives and base earnings objectives for the Empower business), strategies and prospects, expected costs and benefits of acquisitions and divestitures (including timing of integration activities and timing and extent of revenue and expense synergies), expected expenditures or investments (including but not limited to investment in technology infrastructure and digital capabilities and solutions and investments in strategic partnerships), value creation and realization and growth opportunities, expected dividend levels, expected cost reductions and savings, expected capital management activities and use of capital, estimates of risk sensitivities affecting capital adequacy ratios, anticipated global economic conditions, potential impacts of catastrophe events, potential impacts of geopolitical conflicts and the impact of regulatory developments on the Company's business strategy and growth objectives.

Forward-looking statements are based on expectations, forecasts, estimates, predictions, projections and conclusions about future events that were current at the time of the statements and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, economic factors and the financial services industry generally, including the insurance, mutual fund and retirement solutions industries. They are not guarantees of future performance, and the reader is cautioned that actual events and results could differ materially from those expressed or implied by forward-looking statements. Many of these assumptions are based on factors and events that are not within the control of the Company and there is no assurance that they will prove to be correct. In particular, in setting its objective to achieve base earnings growth in the Empower business in 2025, management has assumed that the performance of equity, interest rate and credit markets during the relevant period is consistent with management's expectations, which take into account current market information and assume no credit impairments, and further that actual sales, client retention and conversion rates, customer behaviour (including contributions, redemptions, withdrawals and lapse rates), expense levels, and mix of business at Empower are consistent with management's estimates. In arriving at our assessment of the Company's potential exposure to Global Minimum Tax and our expectation regarding the impact on our effective income tax rate and base earnings, management has relied on its interpretation of the relevant legislation. It has also assumed a starting point of its current mix of business and base earnings growth consistent with management's base earnings objectives disclosed in the Company's MD&A. With respect to possible share repurchases, the amount and timing of actual repurchases will depend on the earnings, cash requirements and financial condition of the Company, market conditions, our ability to effect the repurchases on a prudent basis, capital requirements, applicable law and regulations (including applicable securities laws), and other factors deemed relevant by the Company, and may be subject to regulatory approval or conditions. In all cases, whether or not actual results differ from forward-looking information may depend on numerous factors, developments and assumptions, including, without limitation, the ability to integrate and leverage acquisitions and achieve anticipated benefits and synergies, the achievement of expense synergies and client retention targets from the acquisition of the Prudential retirement business, the Company's ability to execute strategic plans and adapt or recalibrate these plans as needed, the Company's reputation, business competition, assumptions around sales, pricing, fee rates, customer behaviour (including contributions, redemptions, withdrawals and lapse rates), mortality and morbidity experience, expense levels, reinsurance arrangements, global equity and capital markets (including continued access to equity and debt markets and credit instruments on economically feasible terms), geopolitical tensions and related economic impacts, interest and foreign exchange rates, inflation levels, liquidity requirements, the timing and extent of dividend and other payments from subsidiaries, investment values and asset breakdowns, hedging activities, financial condition of industry sectors and individual issuers that comprise part of the Company's investment portfolio, credit ratings, taxes, impairments of goodwill and other intangible assets, technological changes, breaches or failure of information systems and security (including cyber attacks), assumptions around third-party suppliers, changes in local and international laws and regulations, changes in accounting policies and the effect of applying future accounting policy changes, changes in actuarial standards, unexpected judicial or regulatory proceedings, catastrophic events, continuity and availability of personnel and third-party service providers, unplanned changes to the Company's facilities, customer and employee relations, levels of administrative and operational efficiencies, and other general economic, political and market factors in North America and internationally.

The reader is cautioned that the foregoing list of assumptions and factors is not exhaustive, and there may be other factors listed in the Company's filings with securities regulators, including factors set out in the "Risk Management" and "Summary of Critical Accounting Estimates" sections of the Company's 2024 Annual MD&A and in the Company's annual information form dated February 5, 2025 under "Risk Factors", which, along with other filings, is available for review at www.sedarplus.com. The reader is also cautioned to consider these and other factors, uncertainties and potential events carefully and not to place undue reliance on forward-looking information.

See also "Important Note Regarding Sustainability Disclosure" in the Company's 2024 Annual MD&A.

Other than as specifically required by applicable law, the Company does not intend to update any forward-looking information whether as a result of new information, future events or otherwise.

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Operator:

Welcome to the Great-West Lifeco Fourth Quarter 2024 Results Conference Call.

As a reminder, all participants are in listen-only mode and the conference is being recorded.

After the presentation, there will be an opportunity for analysts to ask questions. To join the question queue, you may press star, then one on your telephone keypad. Should you need assistance during the conference call, you may signal an Operator by pressing star, then zero.

I would now like to turn the conference over to Mr. Shubha Khan, Senior Vice President and Head of Investor Relations at Great-West Lifeco. Please go ahead.

Shubha Khan:

Thank you, Operator.

Hello, everyone, and thank you for joining the call to discuss our fourth quarter financial results.

Before we start, please note that a link to our live webcast and materials for this call have been posted on our website at greatwestlifeco.com, under the Investor Relations tab.

Please turn to Slide 2. I would like to draw your attention to the cautionary note regarding the use of forward-looking statements, which form part of today's remarks. Please refer to the Appendix for a note on the use of non-GAAP financial measures and important notes on adjustment terms and definition of fees in this presentation.

Please turn to Slide 3. To discuss our results today, joining us on the call are President and CEO, Paul Mahon; our CFO, Jon Nielsen; David Harney, President and COO, Europe and Capital and Risk Solutions; Fabrice Morin, President and COO, Canada; Ed Murphy, President and CEO, Empower; Linda Kerrigan, Senior Vice President and Appointed Actuary; and Jeff Poulin, Executive Vice President, Reinsurance. We will begin with prepared remarks, followed by Q&A.

With that, I'll turn the call over to Paul.

Paul A. Mahon:
Thanks, Shubha.

Please turn to Slide 5. Before I get into our results, I want to acknowledge the tariff uncertainties surrounding Canada, the U.S., and other markets. While governments work towards a long-term resolution, I want to assure you that our diversified portfolio of domestic businesses, and strong balance sheet, position us well to navigate any potential economic impacts related to this issue. In the weeks ahead, we will stay focused on doing what we do best: supporting our customers and communities.

Turning to our fourth quarter results, we closed the year of record performance across Lifeco. We delivered a sixth consecutive quarter of record base earnings, and this builds on our strong momentum in growing shareholder value. These results are supported by impressive performance in all of our segments, and broad-based growth across our value drivers. We're especially pleased to report a record quarter of base earnings in Empower in the U.S., with the U.S. now our largest segment.

We're seeing exceptional value-creating performance at Empower, with base earnings growth of 36% this quarter and base ROE increasing by more than 400 basis points over the past 12 months. These achievements are a testament to our clear strategies and the team's discipline, focus, and execution.

With our repositioned portfolio, our four market-leading franchises took further steps to advance their strategies in '24. This is particularly evident in our Wealth and Retirement businesses, where advances in meeting more customers' needs is unlocking growth.

In the U.S., we began the year by closing the sale of Putnam, reaffirming Lifeco's commitment to growth and leadership in the retirement and personal wealth markets. The recent acquisition of Plan Management Corporation, a leading provider of stock plan admin services has further enhanced Empower's offering, making it even more appealing to existing and future customers.

In Canada, the integrations of IPC and Value Partners have positioned us as a top destination for independent advisors, and our new strategic agreement with Primerica Life Insurance strengthens our Wealth business by giving even more Canadians access to seg fund based advice solutions.

In Europe, Canada Life U.K. announced the closure of its onshore bond and personal pension offering, and reached an agreement to sell the business, sharpening their focus on offshore bonds at the core of their Wealth division.

Across our portfolio, these actions demonstrate a continued commitment to strategic capital deployment and deliberate choices that fuel sustainable, long-term growth. Our disciplined approach to managing the business continues to bolster our capital strength and provides us with the significant financial flexibility to continue driving value creation while managing risk.

As part of our ongoing commitment to delivering shareholder value, we're pleased to announce that our Board has approved a dividend increase of 10%, or a quarterly dividend of $0.61 per common share. We also announced today that we expect to repurchase an additional $500 million worth of Lifeco shares under our existing NCIB. Jon will provide further details on this during his remarks.

Please turn to Slide 6. Our results reflect our unwavering focus to deliver on our growth strategy, which has enabled us to meet or exceed our medium-term financial objectives. We have successfully delivered against these objectives over one, three, and five years, with this year's base EPS growth of 14% and base ROE at 18% exceeding our target range, and our dividend payout ratio within our target range.

Please turn to Slide 7. Our record results position us well for continued growth. Base earnings of $1.1 billion and base EPS of $1.20 both increased 15% over the prior year. Base ROE increased to 17.5%, up nearly a full percentage point from the prior year, and book value per share increased by 12%. Our capital position remains strong, with a LICAT ratio of 130%, and we've maintained a comfortable leverage ratio.

Overall, it's worth noting, these results have benefited from tailwinds in the macro environment, as well as geographic diversification of our businesses. Favourable equity markets, and the impacts of stronger foreign currencies relative to the Canadian dollar positively contributed to our performance, particularly in the fourth quarter. We remain committed to operating with discipline, including making decisions that support sustainable growth in a changing macro environment.

Please turn to Slide 8. Canada delivered a good quarter and is maintaining its momentum for continued growth. Our Individual Wealth business further expanded its market presence, aligning with our goal of driving growth through scale, technology, and the delivery of advice. Past acquisitions, strong market performance, and improved flows have contributed significantly to AUA growth, with average AUA increasing by more than 30% over the prior year. This momentum is reinforced by the improved performance of seg fund sales in the quarter.

In Group Life & Health, we were pleased to expand our business relationship with the federal government, taking on the administration of the public service dental care plan and the pensioners' dental services plan. Both premiums saw solid growth this quarter, largely driven by the expansion of our in-force business. While this growth is encouraging, maintaining our discipline and underwriting in pricing remains a key to success in this business.

In Insurance and Annuities, CSM declined primarily due to the impact of last quarter's assumption changes. As we've previously stated, our approach to non-participating insurance prioritizes customer value while maintaining pricing discipline, and we do not view CSM as the key growth metric in Canada.

Turning to Slide 9, we're pleased to report very strong performance at Empower. In Workplace, average AUA grew 22% over the past year, supported by the strength in the U.S. equity markets. We saw continued withdrawals as plan members used their higher account balances, boosted by strong market performance, to fund their retirement. As a result, we had a gain in experienced net outflows, a trend that remains consistent across the industry at this time.

While net flows can vary from quarter-to-quarter, Empower continues to deliver strong value-creating performance. Scale remains a critical ingredient to success, and Empower is growing both plan contributions and the number of participants. In 2024, DC participant contributions were up 7%, and Empower added approximately 600,000 net new plan participants, an increase of 3%. This growth not only generates the fees we earn today, but also builds future balances. A thriving Workplace business fuels the growth of our Personal Wealth offering, unlocking even more opportunities.

Empower Personal Wealth delivered an outstanding quarter, with average AUA up nearly 30% compared to last year. Positive net flows were driven by a significant boost in rollover sales, contributing to the highest gross sales on record, and over $3 billion in net new assets. For the full year, net flows alone accounted for 12% asset growth in the Personal Wealth business, demonstrating the growing strength of the platform. With a growing participant base in the Workplace and stronger momentum at Empower Personal Wealth, the U.S. remains on a clear path, driving growth. Empower continues to invest in the business and brand to strengthen its position and help even more Americans secure their financial future.

Please turn to Slide 10. Our European businesses also delivered record performance this quarter, with double-digit growth across all value drivers. Our offerings in Wealth and Retirement continued to scale and drive positive net flows. International product sales in the U.K. were particularly strong, up 60% compared to the prior year.

Across all our European Wealth and Retirement businesses, average AUA grew by 23% year-over-year. Like our other regions, these results were supported by strong equity market performance. We've seen steady sales and organic growth in Group Life and Health, with book premiums up 11% year-over-year, supported by rising employment growth and higher salaries in Ireland and the U.K.

Insurance and Annuities also delivered strong results, in part fuelled by high demand for bulk annuities in the U.K. throughout 2024. This reflects the success of our targeted strategy in this market, and increasing demand for stable retirement income solutions.

Please turn to Slide 11. Our Capital and Risk Solutions business ended the year on a strong note. Given our diversified book and disciplined approach to participation in property and casualty reinsurance markets, we anticipate modest impacts from the recent tragic events in California. Throughout the year, we've stayed committed to supporting our customers affected by natural disasters across the U.S., and our thoughts remain with those who have been impacted.

Growth in run rate reinsurance earnings was driven by an increase in structured business, which has a seasonal component that is typically weighted towards the fourth quarter. We've also begun recognizing higher CSM from structured transactions completed earlier in '24.

Reinsurance CSM increased 40% year-over-year, largely due to the impact of the assumption changes we announced last quarter. As we've emphasized before, our disciplined approach to reinsurance underwriting and pricing remains a cornerstone of our long-term success in this business.
With that, I am going to turn the call over to Jon now for his remarks on our financial performance. Jon?

Jon Nielsen:
Thank you, Paul.

Please turn to Slide 13. We delivered record financial results this quarter, and for the year. While we continued to execute against our strategy and all segments very strongly, these results were supported by constructive financial markets, including yield curve movements and strong equity market returns. A weaker Canadian dollar provided additional tailwinds, boosting year-over-year base earnings growth by three percentage points in the fourth quarter and by two points for the full year.

Equity market performance contributed to growth in assets under administration within our Wealth and Retirement businesses, with average assets up 7% from the third quarter, and 26% versus the last year. While short-term rates decreased in the fourth quarter, as the U.S. Federal Reserve and Bank of Canada lowered their policy rates by 50 basis points and 100 basis points, respectively, higher long-term rates continue to provide meaningful earnings support.

Turning to Slide 14, we delivered another record base earnings quarter of $1.1 billion. Base earnings increased 15% year-over-year and 12% in constant currency, driven by strong underlying growth in all of our segments. The effective tax rate on Lifeco-base earnings of just under 16% included a 2% impact related to the global minimum tax. We continue to expect an overall effective tax rate for Lifeco to be in the high teens.

Our base return on equity of 17.5% continues to be above the upper end of our medium-term objective of 16% to 17%. This reflects strong growth in base earnings, and a continued focus on growing our Wealth and Retirement businesses.

Turning to Slide 15, all our segments delivered strong underlying growth in earnings this quarter. In Canada, base earnings grew 7%, with organic growth in the Group Life and Health in-force block as well as higher fee and spread income, driven by markets as well as acquisitions. This was partially tempered by a moderation of insurance experience in the quarter, as well as lower earnings on Surplus resulting from the lower short-term rates I mentioned.
In the U.S., Empower maintained strong momentum, with base earnings up 36% year-over-year in constant currency. These results reflected higher fee income driven by business growth as well as higher markets, and the benefit of the acquisition-related synergies and cost reduction initiatives that we mentioned in our Workplace business. While there were credit impairments on two U.S. commercial mortgages, they were significantly less than the prior year, and we continue to see manageable losses on this portfolio going forward; however, we could see quarter-to-quarter volatility.

Overall, momentum in our U.S. business remains strong, with the return on equity growing by over 400 basis points to nearly 16% over the last 12 months.

In Europe, base earnings increased 4% year-over-year in constant currency, and were up 7%, excluding the impact of the global minimum tax. Results in the quarter reflected higher fee income in Ireland, from strong net flows in markets, and higher U.K. trading gains. This was partially offset by moderated Group Insurance experience gains from last year's elevated level.

Within Capital and Risk Solutions, results were also impacted by the implementation of GMT earlier this year. However, underlying growth was strong, with pre-tax base earnings increasing 5% year-over-year in constant currency, driven by continued growth in structured business and improved claims experience in our traditional Life portfolio in the U.S. Last year's results were helped by a release of a P&C provision, which muted year-over-year base earnings growth.

As we mentioned on our last earnings call, we did not incur any losses in our P&C Catastrophe business related to Hurricane Helene or Milton. While we do expect to incur claims related to the ongoing wildfires in California, our maximum reinsurance loss exposure is CAD$100 million, after tax, net of reinsurance premiums, in Canadian dollars. Our current loss estimate is between $10 million and $50 million, after tax. As discussed on our last call, we've deliberately reduced P&C Catastrophe Risk in our Reinsurance business over the past two years. While the size of our exposure to the wildfire markets makes it a manageable event for us, our hearts go out to all those whose lives have been devastated by this catastrophe.

Turning to Slide 16, Insurance service results were down year-over-year, reflecting a moderation and favourable experience from last year's elevated levels. This was partly offset by higher expected Insurance earnings from growth in Canada, as well as higher CSM amortization in Europe and CRS, reflecting solid new business volume and the recent assumption changes. The net investment result was up significantly year-over-year, driven by higher earnings on Surplus, reflecting the addition of the Franklin Templeton's gain, higher trading gains in Europe, and lower credit losses at Empower.

Turning to Slide 17, net fee and spread income was up meaningfully year-over-year, reflecting continued strength in equity markets and business growth, with solid contributions from Canada and Europe. Non-directly attributable expenses were down slightly over the prior year, with the benefits of cost actions well-balanced against investment and growth across our businesses.

Turning to Slide 18, base and net earnings were essentially in line for the quarter and for the full year. This follows the trend we've observed since the implementation of IFRS 17. As we've indicated, over the medium-term, we would anticipate our market experience to be neutral.

Turning to Slide 19, we've continued to maintain a strong balance sheet to ensure we are resilient through market cycles and can deploy capital as opportunities emerge. In the quarter, our LICAT ratio decreased 130%, down 4% from the prior quarter. This follows our indication on the last call that we intended to increase the dividend to Lifeco while maintaining strong capital levels, well above regulatory minimums, within our operating companies.

Our leverage ratio of 29% is down two points from a year ago, and remains on a downward trajectory given our strong earnings growth. Our cash balance of $2.2 billion reflects continued up-streaming and capital to Lifeco, driven by strong earnings growth and capital generation within our businesses. In fact, dividends to Lifeco from our U.S. business doubled in 2024, and this is a direct result of the strategic repositioning of our focus in the U.S. market.

Strong capital generation has greatly enhanced our financial flexibility. As a result, not only has our Board approved the increase in our quarterly dividend by 10%, to $0.61 per share, we've also announced the expected purchase of $500 million of shares under our existing normal course issuer bid. This is over and above the amount that we intended to repurchase this year to offset the dilution from our share compensation plan. Although we intend to significantly increase our share buybacks, we continue to have significant financial flexibility for deployment in both organic and inorganic opportunities as they emerge.

Turning to Slide 20, we look forward to hosting you at our Investor Day on April 2 in Toronto. We intend to provide a look under the hood of each of our businesses to give you a greater understanding of the respective strategy, competitive strengths, return profile, as well as the growth outlook, which we believe remains underappreciated.

We also intend to highlight the strength of our capital generation across our portfolio, as well as the strong reinvestment returns that each of our businesses generate. Finally, we will elaborate on our capital deployment priorities, and how Lifeco seeks to optimize capital allocation in order to maximize value for all of our shareholders. We invite you to join us for this event, whether in-person or virtually.

With that, Paul, I'll hand the call back over to you.

Paul A. Mahon:
Thanks very much, Jon.

Please turn to Slide 22. Our strong momentum that supported these record results positions us well for continued growth in 2025 and beyond. Looking ahead, our focus remains on driving continued momentum to deliver against our medium-term objectives.

We remain excited about our growth prospects in the U.S., and expect Empower to continue delivering double-digit base earnings growth, and we're maintaining our focus on driving growth and returns across all three of our value drivers, with a particular emphasis on Wealth and Retirement. Our strong cash and capital position provides the resources to invest in opportunities that align with our strategic priorities while managing risks, positioning the Company for stable, long-term growth.

As I mentioned before, we're pleased to announce a dividend increase of 10% and an intention to purchase an additional $500 million of Lifeco shares under our current NCIB, supported by the growing strength of our business and our disciplined approach to capital allocation. We look forward to carrying this confidence and momentum forward as we build on our success in 2025.

With that, I'll turn it over to Shubha to start the Q&A portion of the call. Shubha?

Shubha Khan:
Thank you, Paul.

In order to give everyone a chance to participate in the Q&A, we would ask that you limit yourselves to two questions per person. You can certainly re-queue for follow-ups, and we will do our best to hopefully accommodate if there's time at the end.

Operator, we are ready to take questions now.

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

The first question comes from Meny Grauman with Scotiabank. Please go ahead.

Meny Grauman:
Hi, good morning. I'm looking at Slide 20; thanks for this, in terms of highlighting topics for April's Investor Day. One bullet point that's not there is just related to financial targets. I'm just wondering, is it realistic to expect you to revisit your financial targets in April? I don't think you'll reveal anything new right now, but you're welcome to, but just wanted to know if that's on the table?

Paul A. Mahon:
Good guess, Meny. I'll take that one; it's Paul. As you can see on Slide 6, we've achieved or exceeded our objectives, whether you look back over the past year, three years, and five years. Looking ahead, I'm confident that we'll continue to deliver strongly against our medium-term objectives. There's strong momentum in the businesses, we're executing on our strategies, and we've got confidence in them.

I want to emphasize that, when we set our medium-term objectives, it's not just about communicating a number, it's about having them aligned with our strategy and our compensation frameworks, and this is important to make sure that we've got good alignment. The reality is, one of our objectives is we're looking for Management to meet and exceed those.

As to your specific question, there's a couple of points I'd note. I guess first, we're comfortable, I would say, at this point, with our base EPS growth objective of 8% to 10%. We believe it's an ambitious objective, and Management are motivated to outperform. That's our focus. Of course, to the extent that strong equity markets and favourable currency movements, as we saw this year, which frankly was part of the fuel behind our strong performance this quarter. To the extent that that continues, that would result in an outperformance. But we're not going to build a medium-term objective based on expected market outperformance.

Obviously, another medium-term objective is our base ROE of 16% to 17%. We comfortably exceeded that objective in 2024, not the least of which was our U.S. businesses really hitting its stride, and as we noted, up 400 basis points over the last 12 months. Given that, we will be—as we get to the Investor Day, we'll be looking at that, for sure, the ROE target. But that's a bit of context for you, Meny.

Meny Grauman:

Thanks for that. Then just a separate question, just in terms of catastrophe exposure, you talked about taking that exposure down over the last two years. Is there any desire, on your part, to take that down even further, or do you feel like you've hit a level that you're comfortable with as you look out over the next few years?

Paul A. Mahon:

I'll start with that one, and then I'll turn it over to Jeff Poulin maybe to add a little colour. One of the great things about our business is they manage with a risk lens first and foremost. As we look at markets, evolution of markets, we're always thinking about writing that business in a way where we're staying far away from the core risk. As you know, it's a retrocessionaire business. The discipline is about allocating capital in a way that really matches up with our risk appetite, and I would say, over the last number of years, we've moved further and further away from the risk. That's kind of our mindset. We are providing good value, but we are making sure that we're looking after our risk profile.

Jeff, do you want to speak to that a little bit?

Jeff Poulin:

Yes, thanks, Paul. I think what Paul said is right. As the market has hardened over the last couple of years, we've gone away from the risk; we've taken the same amount of premium, but have been further and further away from the risk. We've seen the market soften a little bit after two good years in the retrocession market, and as a result, we haven't deployed all our capacity at renewal. We're being very risk-conscious and we're trying to be as—we're trying to manage the portfolio the best way possible.

I think our earnings related to P&C are at 9% of the total CRS earnings, so it's not a big contribution and we're not planning on growing it. The rest of the portfolio will continue to grow.

Paul A. Mahon:

Yes. Jeff, to your point, it's a really good diversifier in the context of CRS, but CRS is a lot bigger, and then, CRS is obviously a part of Lifeco. Nine percent of CRS, for context, is not a significant part of Lifeco overall.

Meny Grauman:

Okay. Yes, maybe just as a follow-up, obviously the wildfire is a big event so I'm wondering, that event in and of itself, does that create opportunities for you, in terms of how it impacts pricing going forward in that particular business?

Paul A. Mahon:

Yes, Meny, it's a good question. I think that it's definitely a major event, and it's going to affect the market everywhere. I think some people are buying covers with reinstatement, they're already in the reinstatement, so they may be looking for more capacity. I think it's going to harden the market again, and that might be some good opportunity for the dry powder that we kept at year-end.

Meny Grauman:

Thank you.

Paul A. Mahon:

Thanks, Meny.

Operator:

The next question comes from Doug Young with Desjardins Capital Markets. Please go ahead.

Doug Young:

Hi, good morning. Just wanted to think, maybe Paul, about the stock buyback, or Jon, I'm not sure who wants to address this. But the stock buyback when 70% of your shares are held by mostly at Power, but IGM, and just how that conversation goes at the Board. What are the limitations in terms of kind of pushing the buyback?

Paul A. Mahon:

Good question. I'll take it up a level and maybe just speak to capital allocation priorities. The reality is, we've got a broad toolkit of ways we think about capital allocation. I guess, we've said in the past and we will continue to say this, we're always looking to value-creating investments to grow the business, and that's not always M&A, actually. The first and foremost investment we think about is driving organic growth in the business. If you think about the Empower Personal Wealth growth, certainly the acquisition of Personal Capital was a foundational move on that, but the investment we're making in sales force, in capabilities, in branding, that's the fuel that's really driving the growth that you can see right now; same thing in Canada. We do these acquisitions, but now we're investing in capabilities to be the best platform for independent advisors in Canada. That organic growth investment is important.

Inorganic, for sure. I mean, you know that we've executed very strongly on acquisitions over the last five years, especially through COVID, and we will continue to look for and focus on value-creating transactions in the U.S. retirement and wealth space. We look to other markets like the Canadian wealth market; there will be further opportunities there. But the reality is that return of capital is another tool that we have in the toolkit. We've got a lot of excess capital at this point. We remain very active looking for opportunities in the market, but we also want to make sure that, in the meantime, until the right thing comes along, that we've put some of that capital to work.

In the context of the available capital and our cash generation, $500 million is a meaningful move, but relative to our available capital and our cash generation, and we'll share more information on that at our Investor Day, it's relatively modest. We will continue to grow our capital base overcoming that $500 million. I'd put it in the context of, it's a tool in the toolkit. We discuss it with the Board, we think about actions, and we just think it's a—while it's a prudent action now, it's just more of an indication that we're prepared to use all the tools we can to drive value creation for shareholders.

Doug Young:
Just to follow-up on that, in terms of the guardrails, is there limitations? Could you buy back 3%, 4%, 5%? I mean, this is a 1% buyback. I get it, it's a good tool in the toolkit, and that makes a ton of sense. I'm just trying to think of the guardrails. But we don't have to think about that with the other publicly traded lifecos, but I'm just trying to think about that for Great-West.

Paul A. Mahon:
I wouldn't think about it from the standpoint of a set guardrail. I think you have to step back and look at it from a bigger picture, and think about, you're trying to maintain dry powder for M&A; at the same time, you're trying to support and create value for shareholders.

Jon, would you envision any particular guardrail?

Jon Nielsen:

We continue to have room under our existing NCIB program. As you're aware, this didn't take all the capacity. Obviously, beyond that, there's the SIB route as well that could provide an optionality to it. I think right now, we're clearly, as Paul said, focused on deploying as much capital into that and strong returning organic growth, and if inorganic opportunities arise with really good returns, we're open to that as well. But there are tools, Doug, they've been used in the past. We just think that it's a sign of the strong cash generation this business generates, the strong reinvestment returns, and we're excited to share more of the details about that at the Investor Day.

Paul A. Mahon:

Yes, and I'd just echo our priorities. We do like value-creating investment in our businesses, organic and inorganic. We have shown that we're prepared to use this tool; we've used the SIB tool in the past. I wouldn't view that as our priority right now, but that's the toolkit and we'll consider all of them as we think about creating shareholder value.

Doug Young:

Okay. Then, just again on CRS, Jeff, there. Structured product sales look like they've picked up quite a bit, and I guess there's some seasonality, but you've talked about some opportunities in the past. But we saw a pretty decent jump in new business gains in the CSM within CRS, and high level, can you talk about what's driving that, what you're seeing in the marketplace, any pressures from a margin or competition perspective that may hit that in future periods, or is this sustainable in your view?

Jeff Poulin:

Thanks, Doug. I guess we've been pretty good at seeing the right opportunities and then moving around the market to find the right opportunities. I think our track record shows that. We have had a very good fourth quarter, as you mentioned. It's typical for us, the fourth quarter tends to be a better quarter as people look at their year-end statements and they want to adjust for it. A lot of companies come to us midway through the year to do transaction in the fourth quarter. It was a great fourth quarter.

The CSM, as you mentioned, went up. We did two asset-intensive transactions which helps that, but also two very large, structured transactions. We've started to look at certain structured transactions that are more long-term, under GMM approach, as opposed to just a short-term approach. It's been a good quarter and it's looking good for the next year. I don't see it stopping, Doug. I think that the structured market has been good to us, and we will continue to see opportunities.

I think over the long run, more and more of this, large seeding companies are seeing reinsurers as partners and not as risk-takers, on an ongoing basis, so we see them as partners in the long run. They look to us for a capital solution. I think that we've got a lot of very good established relationships with seeding companies, and we will continue to see growth in that market.

Paul A. Mahon:
Doug, just a reminder on acronyms, GMM is what features under the contracts where we write them and they fuel CSM, and then PAA contracts are the ones that are more short-term in nature.

Doug Young:
Yes. Appreciate the colour. Thank you.

Operator:
The next question comes from Tom MacKinnon with BMO Capital Markets. Please go ahead.

Tom MacKinnon:
Yes, thanks very much, good morning. A question with respect to the Holdco cash now. I think historically, you used to sort of telegraph that you wanted a $500 million minimum at the Holdco. Have you changed your thinking on that now, and if so, what would that level be? If not, hey, this buyback is just $500 million, why are you sitting at $2.2 billion at the Holdco? Thanks.

Paul A. Mahon:
I'll turn that one to Jon.

Jon Nielsen:
Yes, thanks, Tom, for the question. You're right, we typically like to keep a minimum level of liquidity at the Holdco, of around $500 million, and obviously keep the relevant liquidity buffers across all of our regulated entities. I think it's a sign of the under-appreciation of the capital generation nature of the businesses that we've created. As we mentioned, the U.S. has been really strategically repositioned;

it's a significant provider of cash and capital to the group now. It gives us capital to deploy, as Paul said, into organic, inorganic opportunities, or consider returning to shareholders.

We pulled all those levers this quarter. We grew our business substantially, we deployed capital, as you heard, into our business segments Jeff just covered, substantively, and for example, CRS. Raised the dividend double-digits, by 10%, and we announced a further buyback under the NCIB program. It's just a sign of how strong our business is performing, and the level of capital flexibility, and financial flexibility the Company now has.

Paul A. Mahon:
Yes. Tom, I'd say that we have developed, I'd say, increasingly a discipline where we do want to make sure that we have ready firepower to reinvest in the right places, whether it's organic moving capital around, inorganic, for opportunities, or for things like buyback. The reality is, as Jon said, it's a sign of strong cash generation, and we'll share more when we meet with you in April.

Tom MacKinnon:
Okay. Then, a follow-up question with respect to net outflows at Empower DC, related to stock plan services. I believe this is an ESOP business that you just may have recently purchased, $2.5 billion in net outflows. How should we be thinking about that going forward, just with respect to that unique business line? Thanks.

Paul A. Mahon:
Yes. It's early days for that business, Tom, but that's a timing issue that Ed can outline for you.

Ed Murphy:
Yes, Tom. Typically, people are exercising in Q4, and then the grants are coming in in Q1, so we'll see some timing issues flow through.

Tom MacKinnon:
Okay. Going forward, you kind of always expect this ESOP business to have—as these options get exercised in the fourth quarter, you're going to have plan outflows, with respect to that business, is that…

Paul A. Mahon:
Yes. Yes.

Tom MacKinnon:
All right. Okay, thanks. If I can squeeze one more in, U.K. Insurance and Annuity sales were down significantly quarter-over-quarter, or year-over-year I should say. Is there anything that you're seeing in the marketplace here, especially maybe in the individual annuity marketplace? Has it become more competitive with respect to annuities there?

Paul A. Mahon:
I'll turn that one over to David. David?

David Harney:
No, there's nothing to call out. The Individual Annuity line has been strong all year, and that's pretty stable from quarter-to-quarter, so the volatility you see in sales really arises in the bulk annuity market. But those transactions are larger and just will come through the different quarters, so you will see volatility in that Sales line from quarter-to-quarter.

Probably the better overall indication, if you look to Slide 10, I think it was, like you see 13% growth year-over-year in the CSM, and that's a reflection of our overall business strength on the Annuity side. You will see volatility in sales from quarter-to-quarter, but our position here is good, and the outlook for the market continues to be good.

Tom MacKinnon:
Okay, just lumpiness there, and they're down, like 61% year-over-year in the U.K., but that's just lumpiness; is that what you're telling us?

David Harney:
That's just the lumpiness in quarterly sales. Pipeline is good, so I'd say it's over with [42:09 multiple speakers].

Paul A. Mahon:

I might add, Tom, we're becoming increasingly focused in targeting the right types of business that we like. When you look to these small to mid-market, where the margins are very strong, where we can be very competitive, that's where we've been focusing. If you think about it from a value creation perspective, we really like the value creation we had in the Bulk Annuity business this past year. That's really what it's all about.

The odd time you'll get a very large transaction that'll have lower relative returns, margins, we like the margins we're writing, and we like where we're targeted, because we think we actually have the muscle to win in that part of that market.

Jon Nielsen:
Yes. I might add, the competitive moat improved for us in that market, I would say over the year. The regulations around ability to offshore assets, or bring in offshore capital to that market, were strengthened. That's being flexible, both being able to write strong returns, onshore, within the U.K. business, and complement that with diversification of reinsurers on the offshore market, through Jeff's business, is really a stronger position than we would've started last year at.

Tom MacKinnon:
Is that onshore and offshore stuff more Wealth and asset management, or is it more Insurance and Annuities?

Jon Nielsen:
It's the need for capital to be deployed into the de-risking of corporates and their pension plans, and it's a substantial volume of these annuities that are going to come to the market. The regulations now have said the use of offshore reinsurance and moving out assets is limited; you need diversification of reinsurers. Our special position of being both an onshore and offshore I think strengthens, as I say, the moat around that market and our ability to create value.

Tom MacKinnon:
Okay. Thanks for that, Jon.

Paul A. Mahon:

Thanks, Tom.

Operator:

Again, if you have a question, please press star, then one.

The next question comes from Darko Mihelic with RBC Capital. Please go ahead.

Darko Mihelic:

Hi. Thank you, good morning. I realize the CSM isn’t really a big part of your story, but I did want to talk about it a little bit. If I'm looking at your supplemental, your SIP pack, and if I look at Page 23, you have negative organic movement now for quite some time, and if I look at the actual CSM, it’s significantly lower than where it's been for a long—the trend is simply a drawdown. The question is, what's causing the negative experience, and should I be thinking about a more—when I model this, the only thing I do is I do amortization of the CSM into the model, I don't think about insurance experience. But once again, negative. Should I be thinking about perhaps a more aggressive grind down of your CSM over time? Because I am a bit surprised. I think last quarter, you had a fairly big change because of assumptions and Management actions, and yet here we are again with another negative quarter in organic CSM movement. How should I be thinking about this from a modeling perspective?

Paul A. Mahon:

I'll turn that one to Jon and/or Linda. Jon?

Jon Nielsen:

Yes. I think if you remember back at the third quarter, Darko, the assumption changes that we took, we think strengthened our overall position, in terms of the CSM, across the different segments. Those resulted in a substantial write-up of CSM in the European and CRS segments, given the positive longevity experience that we've seen. As we said, we don't think we're through that cycle yet.

Then in Canada, we did take the opportunity to revisit a number of our assumptions, and we're through that now. The follow-on is obviously the lower amount of amortization you're seeing in the Canadian segment during the year.

Across all the assumptions, and the experience, we feel really good about the year. We see positive trends in most of our businesses now that we've reset assumptions. As we mentioned, positive experience in longevity has been coupled with better trends in the traditional Life portfolio and CRS. I'd say in the fourth quarter, there's a little bit of noise in Individual in Canada, but nothing that really gives us pause and thinks that we're not at the right place with the overall assumptions that are embedded in the CSM, with a view that we'll continue to look at the impacts of longevity as we look forward into 2025.

Operator:
The next question comes from Paul Holden with CIBC. Please go ahead.

Paul Holden:
Thank you, good morning. There was a Wall Street Journal article this morning talking about the growth in 401(k) participation rates. I guess what I'm particularly interested in, it talked a little bit about the growth in small business plans and lower-cost options that are introduced in that segment of the market. Just wondering how Empower is positioned for smaller plans, and if you do have a lower-cost option targeted at that segment of the market?

Paul A. Mahon:
Great question. I'll turn that one over to you, Ed.
Ed Murphy:
Yes, thanks for the question, Paul. Yes, we do have a low cost option. We've had a low cost option in the market now for a couple years. It's pretty much a straight-through type solution for startup companies and small businesses. It wasn't specifically referenced in that article, but with the advent of the state auto IRAs, there's 17 states now that require small businesses to have state auto IRAs, we've seen that serve as kind of a boom to new plan formation in the 401(k) space. Really, in particular, a third party researcher suggested that, over the next several years, by 2029, you could see another 350,000 plans forming in the United States.

We're very encouraged. There are some startup players that play in that space, providers using newer technology, but we are very, very well-positioned there because of our distribution heft and our scale. Yes, we think it's a really strong growth opportunity. We think it's going to contribute over time to increase flows, obviously, in the defined contribution space, and we're competing there every day.

Paul Holden:

That's great, helpful, thank you. Paul, you started off your prepared remarks referring to tariff risk, and I think it's more on the lower risk for GW angle, which I would agree with. What I want to ask you about is, I think GW over time is has been very good at being opportunistic. You have excess capital, clearly, you've also been very good at managing, I think, the investment portfolio to be opportunistic, in terms of grabbing extra yield here and there when available. Just wondering if you'd have some thoughts you can share on how GWO could benefit if there is some kind of short-term disruption in markets, or in businesses, from tariffs?

Paul A. Mahon:

Yes, good question. I think you've characterized us well from the standpoint of having, I'd say a relatively lower risk, highly diversified, good discipline. We look at our businesses, they're domestic in nature. We look at the reality of—over 70% of earnings are outside Canada. I think we're set up in a good position relative to, well, I'll say to the general, normal risk.

When you think about opportunity, one of the opportunities I think about is infrastructure investment. If you thought about the need, for example, in Canada, where we've got to build out more capability. I think the conditions are really strong for players like us to use our capabilities, and to the extent we need to, strengthening our capabilities with capital allocation to participate in that. We actually look at that as opportunity to participate in something that's really important for Canada. Well-positioned there.

Then, I'm not going to get into the specifics of particular sectors where there could be some opportunity, but as Jeff outlined in his business, he's got really smart people in this group and they're constantly scanning the market and thinking about, where is the opportunity to help? Those are the same mindset we bring to this. There may be sectors where there will be opportunity, and I think we're going to be opportunistic but prudent. It's always those two things, it's that balance and opportunity and prudence. We come at this obviously with concerns, broadly for the economy and for impact on people, but knowing that we can be part of an important solution for Canadians and for the various markets where we operate.

Paul Holden:

Okay, great. Thank you.

Operator:

The next question comes from Mario Mendonca with TD Securities. Please go ahead.

Mario Mendonca:

Good morning. I want to start with Personal Wealth, and it's clear that that business is validating the decision to buy it in the first place a few years back. My question really is this, what is Personal Wealth sort of bringing to the table that's driving these strong inflows? Is there something specific to Personal Wealth, or is it more its proximity to Empower that would account for the improvement?

Paul A. Mahon:

I'll start off at a very high level. I think you've called it, that the acquisition of Personal Capital was a really important move for us a number of years ago that set us up with the platform that now represents Empower Personal Wealth. I think it's a tale of two things. You have to have a really capable wealth manager if you want to grow, and then you also, if you're Empower, with the level of rollover assets and opportunity that represents, it's very unique to a wealth manager.

I'll turn it to Ed to provide some context around those two things.

Ed Murphy:

Yes, I would just build off that. I would say it’s highly synergistic, in that if we serve those Workplace customers well, they will be predisposed, in many instances, to wanting to work with us on the Personal Wealth side, and we certainly see that play out. The other thing I would say is that the capabilities that we have, from a user experience standpoint, the fact that we offer state-of-the-art technology, a very compelling user experience, and that we marry that with a human advisor, human capital, so we bring those two elements together in a way that I think is very powerful.

What I would say to you is, if you look at the progress that's been made over the last six months, we continue to capture a higher share of the opportunity, which I think speaks to the value proposition and the fact that the organization is continuing to mature, both in terms of the talent side of it, but also our capabilities and our product set.

Paul A. Mahon:

Yes. I might add, Ed, that if you look at Empower's results in 2024, and the results that you'll see in '25, they're good bottom line results, but in behind it, we are investing in this Wealth business on an ongoing basis. If you watch sports on TV, you'll see the Empower brand. Empower Personal Wealth is a really important long-term growth play for us, and it's not just about a single transaction that we did a number of years ago, it's about continuing to invest in that business in terms of capabilities.

Ed, how many salespeople do we have now, serving that business?

Ed Murphy:
We have about a thousand advisors.

Paul A. Mahon:
Yes, so we now have advisors, so we will continue to grow and scale that advisor base. This is the early stages of a long game that we're excited about.

Ed Murphy:
Yes, and I would just note that, in the fourth quarter in particular, on the Workplace side, you saw approximately $11 billion in net outflows. However, we captured $4.7 billion on the Wealth side of the business, and that was our single best quarter. Again, very confident in the momentum we have there, we're seeing that continue through January, and we expect a very strong year for the Personal Wealth business.

Mario Mendonca:
Would I be right to suggest that those assets are materially higher margin within Personal Wealth than they are in Empower?

Ed Murphy:
I think that's a fair assumption.

Mario Mendonca:
Got it. Maybe moving over to the pension buyout market in the U.K., it's my understanding that the underlying fundamentals there have been strong for some time, or at least more recently. I was surprised to see that Great-West Life really hasn't participated in that just yet. Is there something I'm

missing there? Is this recorded in a different part of the segment? Because I’m just looking, I think as Tom did, to insurance and annuities in the U.K. Where would we see this, robust if it is, pension buyout market in the U.K.?

Paul A. Mahon:
David?

David Harney:
Yes, you'll see it in a few lines. You'll see it in the CSM growth; as we write new business, the earnings on those new contracts get added into CSM, so CSM is up 13% year-over-year. Then, I think in the supplemental information pack, you’ll see it on the Sales page. We mentioned earlier just the volatility from quarter-to-quarter, but if you look at full-year '24 versus full-year '23, you'll see the U.K. line is up 17%, so you see it coming through there.

Paul A. Mahon:
Yes. We refer to it as Bulk Annuities. Nomenclature from region to region changes, but it's pension risk transfer, we call it, with assets, transactions within the CRS business. We're participating in two places with assets, transactions, that Jeff's team drives as a reinsurer supporting, and then we are a direct writer of those pension risk transfer, or Bulk Annuities as we call them, in the U.K.
I would say, over the last two years, we've been building up our muscle to be able to participate both more actively, but also more effectively. We want to be effective in the context of our capabilities and our ability to write transactions and make offers on a very timely basis, and also our ALM and investment strategies to back those. We feel really good about where we're at, and our prospects as we move forward.

Mario Mendonca:
Thank you.

Operator:
This concludes the question-and-answer session. I would like to turn the conference back over to Mr. Khan.

Shubha Khan:

Thanks, everyone, for joining us today.

Following the call, a telephone replay will be available for one month, and the webcast will be archived on our website for one year.

Our 2025 first quarter results are scheduled to be released after market close on Thursday, May 8, with the earnings call starting at 9:30 AM Eastern Time the following day. A reminder, that we are hosting our next Investor Day on April 2 in Toronto. We very much look forward to providing a comprehensive overview of all of our businesses at this event.

Thanks again. This concludes our call for today.

Operator:
Thank you. This brings to a close the conference call. You may disconnect your lines. Thank you for participating, and have a pleasant day.