



# Annual Meetings Remarks

May 3, 2018

## Paul Mahon



President and CEO

Great-West Lifeco Inc.





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## **OVERVIEW**

Members of the Board, policyholders, shareholders and invited guests.

Good morning and welcome to our Annual Meetings.

In an ever-changing world, it's critical that we remain grounded in our core values. These include putting the customer first, acting with integrity, and building trust and partnership with our stakeholders.

Helping our customers achieve financial security and well-being is at the core of Great-West Lifeco's purpose. With an uncompromising focus on our customers, we're investing in the right people with the right talent to support over 30 million customer relationships worldwide. We're also empowering the 260,000 advisors we work with who provide our customers with the guidance they need to feel confident in their choices.

I'll start today by sharing our recent financial highlights. I'll then speak to how we're creating value for shareholders and where we see opportunities for growth. I'll also share how we're transforming our businesses to meet the changing needs and expectations of customers and advisors. Finally, I'll talk about how our company and our people are making a difference in the communities in which we live and work.

## **FINANCIAL PERFORMANCE HIGHLIGHTS**

Let's look at Great-West Lifeco's financial performance in 2017 and Q1 2018.

In 2017, Great-West Lifeco delivered solid results across all of our businesses.

In February, we increased our common shareholder dividend by 6%, consistent with recent years.

Full year 2017 adjusted earnings per share were \$2.68, down 1% from 2016 on a comparable basis. Adjusted net earnings for the year were \$2.6 billion, held back by a 175 million dollar after-tax charge related to exceptional hurricane activity in 2017.

Total assets under administration grew to just over \$1.3 trillion – an increase of over \$100 billion driven by equity market gains and business growth.

Premiums and deposits also increased by 4.8% to \$123.1 billion.

We maintained a strong capital position throughout 2017, ending the year with an MCCR ratio of 241%. That was the last time we will report on MCCR as this quarter we transition to LICAT, the new regulatory capital framework for the Canadian life insurance industry.

Earlier this morning we released our Q1 2018 results. Here is a summary:

- Net earnings for common shareholders were \$731 million – up 24% from the same quarter last year.
- The Board declared a quarterly dividend unchanged at \$0.3890 cents per common share.
- Sales were up 7%, to \$34.6 billion, and
- Adjusted return on equity was 13.8% at the end of the first quarter.
- As previously mentioned, we are now reporting on LICAT as our Canadian regulatory capital ratio. Our opening LICAT at 130% continues to reflect our strong capital position. That, along with consistent strong credit ratings, positions us with the resources and flexibility to continue to invest for growth.

## **CREATING VALUE FOR SHAREHOLDERS**

Our company has a track record of making strategic investments and taking actions that set the stage for strong and steady EPS growth.

We continue to see tremendous opportunities to grow and create value for our shareholders. As mentioned, Lifeco has a strong capital position. This gives us the potential to invest for growth in two ways.

First, by investing in people, systems and processes that can drive organic growth through differentiation. These investments include innovative technologies that can create efficiencies and digitally enable customers, advisors and employees.

The second focus of our capital deployment is through mergers and acquisitions.

Historically, Lifeco's growth in shareholder value has benefited from successful M & A activities. We've used a disciplined approach with a focus on achieving multiple benefits, including:

- Revenue expansion with a core focus on growing our customer base,
- Expense synergy achievement by leveraging increased scale, and
- Enhanced value propositions for customers and advisors by leveraging the best of the people and capabilities that we bring together.

M&A can also provide us with access to new products, services or channels that enable organic growth. As we look ahead, growth through acquisition will continue to feature in our plans as a means of achieving scale, extending our businesses and acquiring new capabilities.

## **CANADA**

Turning to Canada, we have a strong franchise that continues to be a significant part of Lifeco's overall business. Our Canadian operations have leading market shares benefiting from past acquisitions.

For context, the acquisitions of London Life and Canada Life helped us build diversified, scale portfolios. They helped extend our distribution reach creating stronger revenue growth. They also provided us with a diverse pool of talent and expertise to help lead our business forward.

I'd like to take a moment to recognize one of the strong leaders who joined us as part of the Canada Life acquisition. Andrew Brands, our General Counsel at Great-West Lifeco, will be retiring at the end of June. He joined Canada Life in 2001 after a successful career in legal private practice. In addition to leading Lifeco's diverse legal group, he has been a trusted advisor on M&A, and a tireless negotiator and advocate on litigation matters. He will be remembered for his toughness under fire, dedication, and friendship around the Executive table. Andrew, please stand and be recognized.

I would also like to recognize someone who makes my life easy at every quarter end. Laurie Speers, our Corporate Secretary, will be retiring after these meetings. Laurie joined Great-West Life in 1986 as an underwriter. After many years on the operation side, she joined the corporate area ultimately taking over as Corporate Secretary in 2009. Laurie has successfully navigated three different CEOs and multiple Chairmen, guiding all of us through the complexity of Boards and Annual Meetings, just like this one. While she has done a great job preparing her successor, Jeremy Trickett, she will most certainly be missed. Laurie, please stand and be recognized.

The Canadian insurance market has consolidated over the last two decades, so future growth for our Canadian operations will primarily be organic, or through targeted acquisitions that extend capabilities or reach.

The 2017 acquisition of Financial Horizons Group is a good example of this. Financial Horizons gives our organization a strong presence in the growing independent Managing General Agency sector. In 2017, they were named one of the fastest growing companies in Canada, with 5-year revenue growth of over 200%.

In addition to this acquisition, our Canadian real estate management company GWL Realty Advisors acquired U.S. based EverWest. This acquisition provides us with a real estate platform in the U.S. and opens up investment opportunities for our Canadian customers.

Beyond these targeted acquisitions, our Canadian operations are making investments to drive innovation, create efficiencies and to digitally enable customers, advisors and employees.

An example of product innovation is the student debt repayment program we announced in 2017. Consider the average Canadian student who graduates from college with student loan debt of \$27,000. Repayment of this debt can take as much as 10 years, keeping students from saving for long-term priorities like a home or retirement. It also means they can't take advantage of employer-matching contributions to their company's retirement savings plan. Our innovation group recognized this and developed a first-in-Canada program. The employer matches the recently graduated employee's student loan repayments with a contribution to that employee's retirement savings plan. The graduate wins because they can focus on debt repayment while getting an early start on retirement savings. And, the employer wins because this differentiated benefit helps them attract top talent.

An example of digital innovation to drive organic growth is our partnership with Dialogue, a digital health services provider. Consider employees who work in locations that aren't near medical or health services. Through our partnership with Dialogue, those employees and their families can connect virtually with a team of medical professionals who provide similar service to an in-person appointment. This not only benefits the employer by reducing absenteeism, it also benefits the employee by providing them with convenient access to medical professionals. We've begun piloting Dialogue with some of our Canadian Group benefits plan customers, including some of our own employees in Canada.

Across our Canadian operations, our advisors play a critical role in providing guidance to customers. Our advisors are also pillars in their community, giving back to those in need. I'd like to recognize Vic Jindal, President and CEO of Jindal Financial Group in London, Ontario. Vic and his team are proud to offer guidance to over 2,000 customers in London. Vic enjoys discussing the importance of philanthropy with his clients. Through his guidance, several of Vic's clients have made financial gifts and designated life insurance policies to fund charities across the country. Vic is highly involved in the community sitting on multiple boards including the Conference for Advanced Life Underwriting, Orchestra London, Museum London and more recently the London Community Foundation. Through his commitment to the community, Vic is making a real and lasting difference.

Vic, please stand and be recognized.

## **U.S.**

Turning to the U.S., where the market is quite fragmented, we see opportunities for growth both organically and through acquisitions. The 2007 acquisition of Putnam established a new asset management platform for Lifeco in the U.S. While we have yet to achieve the targeted financial benefits of this acquisition, Putnam is delivering excellent investment performance for its customers. In the 2017 Barron's special report, Putnam ranked in the top ten Fund Families – based on investment performance for one-, five- and ten-year periods.

We anticipate consolidation in the U.S. asset management market. As such, we remain active in seeking out M&A opportunities for Putnam given the potential for scale driven value creation. We also continue to focus on delivering strong fund performance, expense efficiencies and innovation in products and distribution to drive organic growth.

Our Empower Retirement business recently completed the integration of J.P. Morgan's Retirement Plan Services. It's now the second-largest provider of defined contribution plans in the U.S., managing the retirement accounts for almost 8.5 million Americans with over US\$533 billion on its platform. While delivering significant scale benefits, this acquisition has positioned Empower for strong organic growth by creating a best in class user experience for employers and plan participants.

We expect to see further consolidation in the U.S. group retirement record-keeping business given the technology investment required to compete. Empower is well positioned to participate in this consolidation by leveraging its scale, digitally-enabled platform.

At the same time, Empower is broadening its offerings to include other digitally-enabled services for participants. Consider an employee in the U.S. who is unsure about their health care costs in

retirement, which can add up to hundreds of thousands of dollars. Empower developed a new tool that allows customers to identify gaps in savings and implement strategies to address those gaps. By partnering with Optum, a subsidiary of United Health, we were able to meet our goal of speed to market with innovation.

## **U.K.**

Our European businesses have different profiles relative to their size and scale in the markets where they operate.

In the U.K., we have leading positions in the retirement income and group life and income protection markets. Through the acquisition of Retirement Advantage in January, we extended our position in the retirement income market by increasing our scale and by broadening our product suite to include equity release mortgages. This new product offers customers the potential to stay in their homes while using home equity to augment their retirement income.

Canada life U.K. is also leveraging this acquisition to drive organic growth through development of a digitally-enabled retirement platform for advisors. Advisors will use this platform to help their clients select the right solutions to optimize retirement income.

We also see opportunities to extend our U.K. business through acquisition in a market that is still consolidating. One possible area of interest is the group retirement accumulation business, as it would complement our strong retirement income platform.

## **IRELAND**

Turning to Ireland, our 2013 acquisition of Irish Life made us the market leader including the top life insurer, retail and institutional investment manager and pension provider. Similar to our position in Canada, there are limited opportunities to acquire for scale. However, there are opportunities to extend our reach through targeted acquisitions.

We recently announced a strategic investment in Invesco, Ireland's largest Irish-owned independent financial consultancy. This investment, when completed, will extend Irish Life's capabilities as the leading provider of life insurance, pensions and investments in Ireland.

The development of innovative product solutions like 4D Health are helping to drive Irish Life's organic growth. With 4D Health, customers can tailor their benefits plans to suit their needs. You'll note some of the benefits available to them on screen. This helps ensure that no matter where a customer is on their health journey, they have relevant and meaningful benefits to meet their needs.

## **GERMANY**

In Germany, we are focused on delivering individual pension savings and insurance solutions through independent brokers. Canada Life Germany is our smallest but fastest growing regional business, in a market with consolidation potential. It has earned a reputation for excellence in service and product innovation.

In 2017, we launched an initiative to transform our German back office systems to a digitally-enabled platform that will drive increased automation and improved digital access for advisors and clients. It will also allow us to extend our product offering to include group pension savings, one of the fastest growing markets in Germany.

## **GROUP CUSTOMER (CANADA) VIDEO**

Across all of our businesses, we're making strategic choices to drive growth in our companies and create shareholder value, while never losing sight of the importance of meeting customer needs. I now want to share with you a short video from one of our Canadian group customers, who we have worked with for many years.

*[Play Air Canada video]*

## **PUBLIC POLICY & REGULATORY CHANGES**

In addition to the investments we are making in our business, we are also taking a leadership position on public policy issues affecting our customers.

Our industry provides prescription drug coverage to over 25 million Canadians. This coverage is often costly for employers, but a benefit employees value the most. That's why in Canada we're working alongside the industry and with regulators, to address the high cost of drugs for the benefit of all Canadians.

We're also working with policymakers on closing the gap for the approximately 700,000 Canadians who have no drug coverage, and others whose coverage is insufficient. We can all agree that no Canadian should have to choose between filling their prescription and other essential living costs, like food and shelter. Working together, we can help close these gaps while maintaining the comprehensive coverage our customers and their families rely on.

## **COMMUNITY INVESTMENTS**

While we're focused on enhancing our business to benefit our customers and shareholders, we never lose sight of the important role we play in building stronger, more sustainable communities. Across our businesses, we're investing in the needs of communities where we live and work.

Focusing on Canada, we continue to invest in hundreds of charitable initiatives every year to improve our communities from coast to coast. Just two weeks ago, we had the honour of supporting a Hockey Helps the Homeless tournament at Downsview Park. Through a series of hockey tournaments like this one across the country, we are helping raise funds for homelessness organizations in Canada. All of the funds raised at that recent tournament went to Eva's Initiatives. Eva's shelters provide 1,600 youth with safe shelter and an additional 2,000 youth with access to training and education programs.

Many of our employees and financial advisors are giving back with their time and talents to their communities through initiatives like this one. This is incredibly powerful for our own workforce – encouraging even more people to get involved with charitable causes that need support. For



example, in our U.S. operations, our employees volunteered over 18,000 hours last year during paid company time alone. Together, we are making a real difference in the lives of those who need a helping hand.

### **Thank you**

In closing, I would like to thank our customers, policyholders and shareholders for placing their trust in our organization. I would also like to extend my sincere thanks to our employees and advisors for your contributions in 2017. Thank you for your continued support as we work to create long-term value for all stakeholders in 2018 and beyond.