

M Specialty Carrier Due Care Snapshot



Financials (as of 12/31/2016) and Ratings

All Values in \$000s

Total U.S. L&H Insurance			Ratings for Sun Life U.S. Branch			Last reviewed	
Total Admitted Assets, excluding sep. accts.		23,228,375	AM Best	A+	Superior	2 of 15	12/2/2016
Total Liabilities, excluding sep. accts.		21,367,653	Fitch	AA-	Very Strong	4 of 21	4/3/2017
Total Surplus & Asset Valuation Reserve (AVR)		1,406,751	Moody's	Aa3	Excellent	4 of 21	4/24/2017
Surplus & AVR / Total Admitted Assets		6.1%	S&P	AA-	Very Strong	4 of 20	4/4/2017
Peer Group Surplus & AVR / Total Admitted Assets ¹		9.6%	Comdex	94			5/15/2017

Member Companies ²			Assets	Surplus & AVR	Invested Assets	Peer Group Avg. ¹
Sun Life Assur. Co of CA US Branch		19,813,538	1,184,484	Total	18,160,022	79,735,295
Independence Life & Annuity Co		2,992,947	180,925	Bonds	66.3%	72.9%
Sun Life and Health Insurance Co (US)		503,742	182,073	Preferred Stock	0.3%	0.2%
Professional Insurance Co		116,649	39,823	Common Stock	2.6%	2.6%
				Mortgages	17.3%	13.1%
				Real Estate	6.1%	0.7%
				Policy Loans	2.9%	4.0%
				Cash & Short-Term Inv.	3.5%	2.3%
				Other	1.0%	4.2%

Source: A.M. Best Statement File

News/Commentary

April 19, 2017 – Moody's Affirms Sun Life Financial Inc. and Sun Life Assurance Co. of Canada's Ratings

Moody's Investors Service affirmed the 'Aa3' insurance financial strength rating of Sun Life Assurance Co. of Canada. The rating outlook is stable. According to Moody's, the affirmation reflects Sun Life's excellent market position in Canada, good product risk, strong and predictable earnings, and solid capitalization. Sun Life has a top three position in virtually all of its market segments, which Fitch said gives it pricing power to maintain attractive margins. Fitch stated that these strengths are tempered by Sun Life's concentration in wealth management products, which expose the company to equity and interest rate risks and drive higher earnings volatility than protection-oriented products.

March 13, 2017 – S&P: Sun Life Financial Inc. Ratings Affirmed; Outlook Revised to Positive

Standard & Poor's affirmed its 'AA-' financial strength rating for Sun Life Assurance Co. of Canada and revised its outlook to positive from stable. According to S&P, the positive outlook is based on its expectation that Sun Life's capital adequacy will remain above the 'AAA' level based on S&P's model. If the company maintains the same level of capital adequacy, S&P said it would likely lead to an upgrade within the next 24 months. S&P also said it views Sun Life's business risk profile as very strong, benefiting from the company's top-three position in Canada's life insurance market.

December 2, 2016 – A.M. Best Affirms Ratings of Sun Life Financial Inc. and Its Subsidiaries

A.M. Best affirmed the 'A+' financial strength rating of Sun Life Assurance Co. of Canada. The outlook is stable. According to A.M. Best, the affirmation reflects Sun Life's strong business profile and leading positions in its core Canadian markets. A.M. Best stated Sun Life maintains sound risk-adjusted capitalization and a sophisticated enterprise risk management process. A.M. Best also commented that Sun Life's sales and earnings are favorable and contribute to the group's excellent financial flexibility. A.M. Best noted that while Sun Life has focused its U.S. operations on markets that lack sensitivity to interest rates and equity markets, it faces significant competition in those markets. A.M. Best also said the company's results remain subject to new business strain and lower investment returns related to the sale of its U.S. life and annuity business in 2013.

July 19, 2016 – Fitch Affirms Sun Life Financial Inc.'s Ratings; Outlook Stable

Fitch Ratings affirmed the 'AA-' insurer financial strength ratings of Sun Life Assurance Co. of Canada. The rating outlook is stable. According to Fitch, the affirmation reflects Sun Life's strong capitalization, improved earnings, solid asset quality, and stable operating profile. Fitch also mentioned the company's leading market position in Canada as a factor. Fitch said views Sun Life as very strongly capitalized on a risk-adjusted basis as a result of extremely low asset and operating leverage. Fitch also stated Sun Life continued its favorable earnings trend with a 17% increase in operating earnings in 2015. Fitch noted that Sun Life has met, or is close to meeting, multiple upgrade triggers. Partially offsetting these strengths in Fitch's opinion are sustained low interest rates and sluggish global economic growth. Fitch also mentioned Sun Life's exposure to equity market volatility as a result of its ownership of MFS Investment Management, which has over 80% of its assets under management comprised of equities.

¹ 30 life and health insurance groups representing over 30% of issued face amounts in permanent policies in 2016

² Total invested assets for Sun Life Financial's consolidated balance sheet as of 12/31/2015 were C\$142.4 billion.

