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## A Financial Analysis of Sun Life Financial (Philippines)

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**Abstract:** Sun Life Financial is the longest-standing life insurance company in the Philippines (150 years), delivering a diverse range of insurance products, superior investment performance and strong asset management practices. They are the #1 life insurance provider in the Philippines measured by total premium income and our operations are considered one of the strongest and most stable insurance companies in the market. For over a century, Sun Life of Canada (Philippines), Inc. has provided generations of Filipinos with protection and savings products and services designed specifically for their needs. Headquartered in Bonifacio Global City, Taguig, Metro Manila, they have 32 branches, 28 sales offices and 5 financial stores throughout the country. They offer individual insurance, education savings plans, mutual funds and retirement planning, group insurance and retirement benefits. Their mission is to help customers achieve lifetime financial security. Their vision is to be an international leader in protection and wealth management. They continue to grow Sun Life Grepa Financial, Inc., their joint venture with Grepalife Financial Inc. In addition to its current agency distribution network, Sun Life Grepa Financial, Inc. has an exclusive bank assurance relationship with the Rizal Commercial Banking Corporation, allowing it to provide insurance products to the bank's over 2.5 million customers in over 350 branches nationwide.

**Key Words:** Sun life financial; Insurance; individual insurance; education savings; plans; group insurance and retirement



## 1. INTRODUCTION

### 1.1 Brief Background

Sun Life Financial is the longest-standing life insurance company in the Philippines. They are also the number one life insurance provider in the Philippines measured by total premium income and our operations. Sun Life Financial Philippines Headquarter is at the Bonfacio Global City, Taguig, Metro Manila, having 32 branches, 28 sales offices and 5 financial stores throughout the country. Furthermore, it is not only operating in the Philippines. Sun Life is one of the world's leading financial service companies. With headquarters stationed in Toronto, Sun Life operates in key markets worldwide including Canada, the United States, the United Kingdom, Ireland, China, Hong Kong, the Philippines, Japan, Korea, Indonesia, India and Singapore. Their global workforce is composed of 29,180 employees and has a direct sales force of 170,000 worldwide. As of June 30, 2015, the Sun Life Financial group of companies had total assets under management of \$808 billion.

In the Philippines, Sun Life Financial served the country since 1895, and today, being 151 years. They have ensured quality insurance services and products, which includes Life Insurance, Accidental Insurance, Pension Plans, Education Plans and Mutual Funds, unwavering in the times of peace or war for centuries.

Sun Life Financial having strong credit ratings from international rating agencies and many International Recognitions. Currently, Sun Life Financial is the largest and most trusted insurer in the country with almost half a million policy holders to date. Having incorporated the social responsibility and the values that benefits both the employees and the customers by providing sound financial solutions for our customers with best interest and encouragement, support and reward to supplement the talented individuals, Sun Life Financial strives to help the customers achieve lifetime financial security and to be an excellent international leader in protection and wealth management.

### 1.2 Relevant development

Sun Life Financial goal is to help Filipinos achieve a sustainable future by continuously providing high quality products and services and expanding its branches throughout the Philippines. In the early 2007, Sun Life Financial opens its first two stores in Quezon City and Greenhills at the same time, launching three-in-one financial services chain, offering clients a totally guiltless shopping experience. Also in the same year, it opened its third and biggest store in the Makati further reaching out their hands to the needs of the Filipinos. Most recently, Sun Life Philippines is named (or awarded) Asia Life Insurance Company of the Year awarded with the highest honor in the category at the 2015 Asia Insurance Industry Awards where it is also first time that a Filipino company bestowed the prestigious award.

### 1.3 Describe objective

This study would analyze Sun Life Financial in terms of its financial statement by using the SWOT Analysis.

### 1.4 Scope of the study

This study is limited to the financial analysis of Sun Life Financial Corporation. To be more specific, the study would deal with the financial and operational strengths and weaknesses of the said corporation by providing different techniques and models to be able to fully analyze and understand the subject.

## 2. METHODOLOGY

In order to know which decisions will suit best for a specific company, we must analyze our available data and use certain frameworks that can benefit our decisions most. There are many frameworks to choose from, but this study will make use of the SWOT (Strengths, weaknesses, opportunities, and threats) analysis or matrix that can be used for effective planning and decision making. The first element, strengths, is where we indicate our advantages and uniqueness from other companies. The second element is weaknesses, wherein we look for areas needed for improvement and what matters should be avoided. The third one is opportunity. This is where we analyze data for good opportunities and for evitable and inevitable changes that can be of good use in the company. The last element would be

threats. This is where we look for risks and competitors and examine the obstacles and current position of the company. This information can help us avoid problems that can be faced by the company in the near future.

### 3. RESULTS AND DISCUSSION

#### SWOT

**Strength** - The Sun Life Financial is currently the number 1 insurance company in the Philippines with a premium of \$30.7 Billion. Stability is one of its strengths given that it has a large asset in its account. The Philippines, as one of the congested and overpopulated countries in the world, make it as a good opportunity for insurance company to invest in the country. Their skilled work force is one of the top notch, convincing a lot of individuals to get insured by their premium offers.

**Weaknesses** - Future debt rating and future profitability are some of the weaknesses of the company. The rates are beyond the company's control and there's a possibility for the rates to increase depending on the economic situation. Predicting the company's profitability is vital in the long run, this is the indicator whether the company is in the right path. Cost structuring is one of its weaknesses for the reason that it has a large volume of customers making it hard for the company to keep efficient records.

**Opportunities** - The Philippines is a rising economy and it has been considered as a tiger cub economy of Southeast Asia with a GDP rate of 5.8% as of 2016. As a country with a rapid growing economy, it is very natural for foreign investment like Sun Life Financial to enter the market. This creates a greater opportunity for the people both in jobs and services.

**Threats** - Corruption and unreasonable government regulation is a big threat to the company. The threat of increasing tax and price changes on raw materials and goods will have a great impact on the premiums that the company offers.

Table 1: Total Sales of 2014

| Companies | Total Sales |
|-----------|-------------|
|-----------|-------------|

|                                    |                |
|------------------------------------|----------------|
| Sun Life Financial                 | 30,732,665,043 |
| Philippine AXA Life                | 18,348,460,744 |
| Philam Life & Gen                  | 18,311,487,253 |
| Pru-life Ins. Corp. of UK          | 15,450,736,710 |
| Manufacturers Life Ins. Co. (Phil) | 13,357,406,867 |

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#### Financial Analysis

| For the Year Ended                |                      |
|-----------------------------------|----------------------|
| December 31, 2012                 |                      |
| (In Pesos)                        |                      |
| <b>Revenues</b>                   |                      |
| Interest Income                   | 12,506,432           |
| Net Realized gains on investments | 998,221,812          |
| Dividend Income                   | 110,411,781          |
| Other Income                      | -                    |
| <b>Total</b>                      | <b>1,121,140,025</b> |
| <b>Operating Expenses</b>         |                      |
| Management Fees                   | 141,862,592          |
| Net realized loss on Investments  | -                    |
| Commission                        | 24,946,898           |



|  |                    |
|--|--------------------|
| Clearing Fees  | 3,356,907          |
| Taxes and Licenses                                   | 207,271            |
| Professional Fees                                    | 100,173            |
| Custodianship Fees                                   | 1,364,141          |
| Directors Fees                                       | 310,000            |
| Printing and supplies                                | 65,286             |
| <b>Total</b>   | <b>172,368,583</b> |
| Profit (Loss) Before Unrealized Gains on Investments | 948,771,442        |
| Net Unrealized Gains on Investments                  | 788,120,254        |
| Profit before Tax                                    | 1,736,891,696      |
| Income Tax Expenses                                  | 43,670,376         |
| Profit (Loss) for the year                           | 1,693,221,320      |
| Basic Earnings Per Share                             | 1.41               |
| Diluted Earnings Per Share                           | 0.90               |

Sun Life Asset Management (2014), Sun Life Prosperity Funds Annual Report (p.39)

For the Year Ended

December 31, 2013

(In Pesos)

**Revenues**

|                                   |             |
|-----------------------------------|-------------|
| Interest Income                   | 10,484,092  |
| Net Realized gains on investments | 693,067,989 |
| Dividend Income                   | 266,320,270 |
| Other Income                      | -           |

|                                  |                    |
|----------------------------------|--------------------|
| <b>Total</b>                     | <b>969,872,351</b> |
| <b>Operating Expenses</b>        |                    |
| Management Fees                  | 331,552,342        |
| Net realized loss on Investments | -                  |
| Commission                       | 70,457,380         |
| Clearing Fees                    | 9,665,025          |
| Taxes and Licenses               | 14,178,016         |
| Professional Fees                | 307,832            |
| Custodianship Fees               | 3,153,502          |
| Directors Fees                   | 310,000            |
| Printing and supplies            | 116,159            |
| Other Expenses                   | 3,214,016          |
| <b>Total</b>                     | <b>432,954,272</b> |

|  |                 |
|--|-----------------|
| Profit (Loss) Before Unrealized Gains on Investments | 536,918,079     |
| Net Unrealized Gains on Investments                  | (1,647,704,573) |
| Profit before Tax                                    | (1,110,786,494) |

|                            |                 |
|----------------------------|-----------------|
| Income Tax Expenses        | 93,272,368      |
| Profit (Loss) for the year | (1,204,058,862) |
| Basic Earnings Per Share   | (P1.00)         |
| Diluted Earnings Per Share | (P1.00)         |

Sun Life Asset Management (2014), Sun Life Prosperity Funds Annual Report (p.39).

For the Year Ended

December 31, 2014

(In Pesos)



|  |                       |
|--|-----------------------|
| <b>Revenues</b>                                      |                       |
| Interest Income                                      | 9,933,812             |
| Net Realized gains on investments                    | 735,439,053           |
| Dividend Income                                      | 348,260,403           |
| Reversal of Accrued Expenses                         | -                     |
| Other Income   | 725,792               |
| <b>Total</b>   | <b>1,094,359,060</b>  |
| <b>Operating Expenses</b>                            |                       |
| Management Fees                                      | 376,236,501           |
| Net realized loss on Investments                     | -                     |
| Commission   | 101,071,843           |
| Clearing Fees  | 16,965,929            |
| Taxes and Licenses                                   | 2,852,761             |
| Professional Fees                                    | 117,645               |
| Custodianship Fees                                   | 3,551,156             |
| Directors Fees                                       | 371,667               |
| Printing and supplies                                | 1,857,555             |
| Other Expenses                                       | 978,401               |
| <b>Total</b>   | <b>504,003,458</b>    |
| Profit (Loss) Before Unrealized Gains on Investments | 590,355,602           |
| Net Unrealized Gains on Investments                  | 2,085,372,215         |
| Profit before Tax                                    | 2,675,727,817         |
| Income Tax Expenses                                  | 108,658,262           |
| <b>Profit (Loss) for the year</b>                    | <b>2,567,069,555`</b> |

|                            |       |
|----------------------------|-------|
| Basic Earnings Per Share   | P0.72 |
| Diluted Earnings Per Share | P0.63 |

Sun Life Asset Management (2014), Sun Life Prosperity Funds Annual Report (p.39)

Sun Life Financial Philippines Year 2012 was the most prosperous year in terms of profits for the company. A huge factor which contributed to the year's highest revenue was the realized gains on investment from the previous year 2011. The year 2012 has also the lowest expenses. As the company earns a high income, the basic earnings per share also increases which resulted for the earnings to spike up to P1.41 per share. In 2013 and 2014, profits decreased compared to 2012's highest profit before unrealized gains on investment. Management fees and commission (incentives for employees) also increased. However, despite the increase in expenses, it was still a profit for both years. The only determinant for the final prediction of profit (loss) for all the years was the unrealized gains on investments. In the unrealized gains on investments, we can determine the company's future profitability. However, there is no accuracy on the assurance it will all be collected. Unless it's converted to cash, it will remain pending or in the loss bracket.

#### 4. CONCLUSIONS

In conclusion, Sun Life Financial has been the leading insurance company since 2011. They distinguish themselves from the products they offer like Sun Flexilink (health insurance) or Sun Maxilink, (insurance and investments). The company not only gives priority to their clients but they equally give importance to their employees. Their skilled employees make the company more liable to difficult events in the long run.

Gaining insurance in the Philippines is not most Filipinos put much effort to invest in. They usually think of the present time rather than what their lives in the future can be. But Sun Life Financial has somehow manage to accumulate clients that made this people insured from any casualties in the future.



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