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Q3 2024 SUN LIFE FINANCIAL INC EARNINGS CALL

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- **Dan Fishbein** *Sun Life - President, Sun Life U.S.*
- **Randy Brown** *Sun Life - Chief Investment Officer*
- **Steve Peacher** *Sun Life - Executive Chair, SLC Management*
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- **Operator**
- **John Aiken** *Jefferies - Analyst*
- **Tom MacKinnon** *BMO Capital Markets - Analyst*
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PRESENTATION

Operator

Good morning, and welcome to the Sun Life Financial Q3 2024 conference call. My name is Gaylene, and I will be your conference operator today. All lines have been placed on mute to prevent any background noise, and the conference is being recorded. (Operator Instructions)

Your host for today's call is David Garg, Senior Vice President, Capital Management and Investor Relations. Please go ahead, Mr. Garg.

David Garg *Sun Life - SVP, Capital Management and IR*

Thank you and good morning, everyone. Welcome to Sun Life's earnings call for the third quarter of 2024. Our earnings release and the slides for today's call are available on the Investor Relations section of our website at sunlife.com.

We will begin today's call with opening remarks from Kevin Strain, President and Chief Executive Officer. Following Kevin, Tim Deacon, Executive Vice President and Chief Financial Officer, will present the financial results for the quarter.

After the prepared remarks, we will move to the question-and-answer portion of the call. Other members of management are also available to answer your questions this morning.

Turning to slide 2, I draw your attention to the cautionary language regarding the use of forward-looking statements and non-IFRS financial measures, which form part of today's remarks. As noted in the slides, forward-looking statements may be rendered inaccurate by subsequent events.

And with that, I'll now turn things over to Kevin.

Kevin Strain *Sun Life - President & CEO*

Thanks, David, and good morning, everyone. Turning to slide 4, we had a strong quarter for profitability, for financial strength, and for growth.

Our EPS was $1.76, up 11%, ahead of our medium-term financial objective of 8% to 10%. Both underlying and reported earnings exceeded $1 billion, showcasing the power of our diversified business platform, the strength of our Client impact strategy, and our focus on execution.

We maintain a strong capital position, reflecting our financial discipline and capital-light businesses. Underlying ROE for the quarter of 17.9% was in line with our medium-term financial objectives, while our LICAT ratio at SLF remained strong at 152%.

We announced an increase to our quarterly common share dividend, consistent with our medium-term objective for a dividend payout ratio. We also bought back $146 million of common shares as part of our share buyback program.

The business continues to produce capital and cash, consistent with our objectives. And both the dividend increase and the share buybacks demonstrate our strong capital generation and our commitment to return capital to our shareholders.

We achieved solid growth across all business groups, driven by Canada and U.S. Group - Health & Protection sales that were up 19%; Individual - protection sales, up 9%; and higher fee income and asset management, driven by higher AUM.

Our AUM reached an all-time high, surpassing $1.5 trillion, reflecting both strong equity markets and the continued strength of our asset management capabilities. At $1.5 trillion, we are Canada's largest asset manager based on AUM.

Turning to slide 5. Our success continues to be driven by our winning strategy, which is driven by our purpose of helping Clients achieve lifetime financial security and live healthier lives. We continue to focus on positioning ourselves in high-growth spaces and delivering for our Clients.

As such, we have sharpened our focus on our four strategic imperatives to include leverage our asset management capabilities and extend our wealth presence, accelerate our momentum in Asia, deepen our impact along our Client health journey, and operate like a digital company.

Turning to slide 6, we share some of our key highlights and progress from this last quarter. Starting with our focus on asset and wealth management, we realized solid earnings momentum stemming from higher fee income in MFS and SLC Management.

MFS delivered strong investment performance during the quarter, and AUM returned to its highest level since Q1 2022. While outflow challenges remain, we are confident in the long-term strategy of MFS and the actions they're taking to address these headwinds, including offering a diverse range of investment products to meet evolving Client needs.

This quarter, MFS achieved strong momentum in separate managed accounts, which year to date were up 40% relative to the same period last year. MFS also experienced growth in fixed income on strong investment performance, which contributed to steady AUM growth. Finally, MFS will be launching five actively managed ETFs on December 5.

In SLC Management, fee-related earnings were up 6% year over year on higher AUM, driven by strong capital raising. This was SLC's highest capital-raising quarter since Q1 2021. We also acquired the remaining 20% interest in InfraRed Capital Partners, our global infrastructure investment manager.

Since our initial majority stake acquisition in 2020, InfraRed has broadened SLC Management's suite of alternative investment solutions while also creating the opportunity for InfraRed to access North American investors through our distribution networks.

We are also delivering on our purpose of helping Clients achieve lifetime financial security through offering innovative wealth solutions. In our Canadian Group Retirement Services business, we are helping Clients with their longevity needs and have launched MyRetirement Income, an innovative first for Canadians that offers retirees a reliable source of income while maintaining flexibility and the potential for continued investment growth. This fully automated solution will help ease the transition from saving during working years to drawing income in retirement.

We also achieved record wealth earnings in Asia during the quarter, driven by solid fund performance in India and our Hong Kong MPF business. And we also realized strong protection results in Asia. Individual protection sales were up 19% year over year, driven by higher sales in Hong Kong, India, and Indonesia.

In Hong Kong, we observed growth across all channels, including all-time-high agency sales and strong contribution from our bancassurance partnership with Dah Sing Bank. In India, we continued to execute well across our distribution channels. We also continue to see strong sales momentum in Indonesia, where we are preparing to launch the next stage of our partnership with CIMB Niaga on January 1.

Shifting to health, both Canada and the U.S. delivered strong Group Benefits earnings, driven by improved morbidity experience and strong sales during the quarter. In dental, we saw positive momentum in both Canada and the U.S.

In Canada, as the administrator of the Canadian Dental Care Plan, we continue to provide access to dental care for Canadians in need. To date, we have enrolled 2.7 million Canadians onto the plan and processed 2 million claims.

In the U.S., our plan to improve dental results is proceeding well. Pricing renegotiations and claims and expense management actions are driving improved results. Membership is growing again. And while there is more work ahead, we expect results to continue to improve towards the US$100 million of earnings in 2025 that we discussed last quarter.

Further, this quarter, we reached a milestone, becoming the largest dental benefits provider in the U.S. with approximately 35 million members. We are well-positioned in this attractive high growth market.

Looking at digital, Sun Life was recognized this quarter as a 2024 CIO Award Canada winner for our Sun Life Asks Generative AI chatbot, an internal GenAI chatbot that supports employees in delivering daily tasks more efficiently. GenAI is an important part of our digital transformation, and we are committed to innovating and adopting emerging technology.

In the Philippines, we implemented a new automated underwriting platform, resulting in a 50% increase in straight-through processing. This platform not only enhances the Client experience through faster turnaround times, but it also delivers operating efficiencies. We are implementing this automated underwriting platform across Asia.

Finally, underpinning our strong business performance is our exceptional people and culture. This quarter, Sun Life was awarded the Canada Order of Excellence, recognizing our company as a leading employer that consistently prioritizes employee well-being, fosters a positive work culture, and achieves excellence in mental health. We are one of two corporations in Canada to have received this honor.

Special thanks goes to Jacques, Sun Life Canada's Executive Chair, who has helped elevate our commitment to support the well-being of our people, our Clients, and Canadians. I'd also like to welcome Jessica Tan, our President of Sun Life Canada.

Jessica has extensive global experience in insurance and digital innovation and is widely recognized for her thought leadership and execution across digital transformation and health. She brings unique skills and capabilities to Sun Life, and we are fortunate to benefit from her global experience.

With that, I'll turn the call over to Tim, who will walk us through the third-quarter financial results in more detail.

Tim Deacon *Sun Life - EVP & CFO*

Thank you, Kevin. Good morning, everyone. Turning to slide 8, we delivered record results in the third quarter with underlying net income of more than $1 billion, up 9% year over year.

Underlying earnings per share of $1.76 was up 11% year over year, exceeding the high end of our medium term financial objective. Underlying return on equity of 17.9% was in line with our medium-term financial objective, supported by strength across our diversified businesses.

Wealth and asset management was 42% of Q3 underlying earnings, up 4% over the prior year on higher fee income, primarily from increased asset levels due to higher markets. Group - Health &Protection businesses were 31% of underlying earnings, up 21% year over year. These results reflect strong business growth in Canada and the U.S., higher fee income in Canada, and improved group life mortality in the U.S. Individual Protection was 27% of underlying earnings, up 3% year over year, driven by strong business growth in Asia and Canada, partially offset by favourable mortality in Asia in the prior year.

Total company underlying results included adverse credit impacts of $43 million before tax and net of provision release. The net charge was less than 0.01% of assets and was isolated to a few names across several sectors.

Reported net income for the quarter was $1.348 billion, $332 million above underlying net income. The difference between underlying and reported net income was driven by an update to estimated acquisition-related liabilities in SLC Management, favourable net market-related impacts, and positive actuarial assumption updates.

Favourable market-related impacts were driven by positive net interest rate and equity market impacts. Real estate experience showed improvement this quarter, as total returns were slightly positive but below our long-term expectations of 7.5% per year.

We completed the annual review of our actuarial assumptions or ACMA, which resulted in a modest $36 million benefit to net income and a $95 million reduction in total CSM. Our balance sheet and capital position remained very strong, with SLF LICAT ratio of 152%, up 2 percentage points from the prior quarter due to strong organic capital generation, partly offset by debt redemption and share buybacks.

Organic capital generation of $693 million this quarter was driven by underlying net income and new business CSM. Holdco cash remains robust at $1.2 billion, and our leverage ratio declined sequentially and remains low at 20.4%.

New business CSM of $383 million was up 4% over the prior year. Total CSM has now grown to $12.8 billion, up 12% year over year, representing an increasing source of future profits.

Finally, book value per share increased 11% over the prior year and 6% quarter over quarter. This demonstrates our ability to generate strong growth while returning value to our shareholders, with 2 million shares repurchased this quarter under our share buyback program.

Turning to our business group performance on slide 10. MFS' underlying net income of US$218 million, , was up 5% year on year from higher average net assets. Reported net income of US$210 million, was down 1% year over year, and the pre-tax net operating margin of 40.5% was in line with the prior year.

AUM of US$645 billion, was up 16% over the prior year and up 4% over the prior quarter, driven by market growth, partially offset by net outflows. This quarter outflows of US$14 billion, included several large institutional mandate redemptions and retail outflows.

Institutional outflows were largely due to portfolio rebalancing, with retail outflows reflected continued preference in the current environment for high-growth tech stocks and shorter-term interest-bearing products.

Overall, MFS's long-term investment performance remains strong, with 97% of fund assets ranked in the top half of their respective Morningstar categories for 10-year performance. Fixed income performance was also strong, with 98% of fund assets ranked in the top half of Morningstar on a 10-year basis.

Turning to slide 11. SLC Management generated underlying net income of $47 million, down 11% year over year, as higher fee-related earnings were more than offset by a favourable tax adjustment in the prior year, which did not repeat.

Fee-related earnings of $72 million were up 6% year on year on continued growth in fee-earning AUM driven by capital raising and deployments. Reported net income of $357 million includes the impact of a decrease in estimated acquisition-related liabilities from recent projections related to the future purchases of the remaining equity ownership in our SLC affiliates.

Since acquisition, the net cumulative future liability has grown by over $300 million, reflecting continued earnings growth from our affiliate businesses. Capital raising of $7.1 billion was up $3.9 billion from the prior year, reflecting solid activity at SLC fixed income and BGO.

Deployments of $4.6 billion were in line with the prior year, as we saw continued opportunities in SLC fixed income and Crescent, partly offset by slower deployment in BGO. SLC's total AUM of $230 billion was up $11 billion year over year.

Turning to slide 12. Canada delivered solid results with underlying net income of $375 million, up 11% year over year on higher fee income and strong insurance business growth, partially offset by credit experience. Reported net income of $382 million included net favourable market related impacts, partially offset by unfavourable ACMA.

Wealth and asset management underlying earnings were down 13% year over year as higher fee-related earnings were more than offset by negative credit experience. Canada reported record wealth AUM of $185 billion, which was up 20% year on year on market appreciation and positive net flows.

Group health and protection underlying earnings were up 26% year over year on business growth in Sun Life Health and higher fee-based income. Group sales were up 4% year over year due to higher health sales.

Individual protection earnings were up 19% year over year, driven by business growth and higher investment contribution. Individual protection sales were down by 24% year over year due to lower participating policy sales through our third-party broker channel.

Turning to slide 13. Sun Life U.S. underlying net income was US$161 million, up 15% from the prior year. This was driven by strong business growth in employee benefits, Health & Risk Solutions, and higher net investment results in IFM. Reported net income of US$250 million, includes favorable ACMA and net market-related impacts.

In Group - Health & Protection, earnings were up by 13% year over year on strong business growth in Group Benefits and improved group life mortality experience, partially offset by lower Dental results. In Dental, we continue to observe the impact of Medicaid redeterminations and the resulting higher average acuity of remaining members, partially offset by pricing updates and claim and expense management actions.

Q3 results also included a retroactive premium adjustment back to September 1, 2023, supporting our expectation that states will continue to reflect claims experience when repricing these programs over time. We expect Dental results to continue to improve as we reprice the Medicaid book, generate new sales, and further execute on productivity initiatives.

U.S. Group - Health & Protection sales of US$219 million were up 22% year over year, driven by higher Dental and employee benefit sales. Individual - Protection underlying earnings benefited from higher net investment results.

Turning to slide 14. Asia's underlying net income of $170 million was up 1% year on year on a constant currency basis as higher fee income and business growth were partly offset by mortality experience and the global minimum tax. Reported net income of $32 million includes unfavorable ACMA and market-related impacts.

We continue to see strong sales momentum in Individual - Protection, particularly in Hong Kong and India. Asia's strong sales drove new business CSM of $267 million, up 11% over the prior year. And total CSM in Asia increased by 22% year over year.

Overall, we're very pleased with our results this quarter as we delivered on our medium-term financial objectives while maintaining a strong capital position. Our diversified businesses, supported by our purpose-driven culture, continues to position Sun Life for sustained superior growth.

As a reminder, on Wednesday, November 13, we are hosting an Investor Day, where we will share further details and updates on our progress, differentiated strategy, and financial leadership. We look forward to seeing you then.

With that, I will now turn the call over to David for the Q&A portion of this call.

QUESTIONS AND ANSWERS

David Garg *Sun Life - SVP, Capital Management and IR*

Thank you, Tim. (Event Instructions)

Operator

(Operator Instructions) John Aiken, Jefferies.

John Aiken *Jefferies - Analyst*

Good morning. In terms of the -- you mentioned the retroactive premiums on dental. Is there anything else in the pipeline that may be coming down towards you? And the experience that you had in the quarter, does that change how you expect US$100 million to be recognized through 2025?

Dan Fishbein *Sun Life - President, Sun Life U.S.*

Thanks, John. This is Dan Fishbein. In terms of the retroactive premium, that was for the past year, so a relatively recent period of time, and is clearly a reflection that the states understand that the premiums need to be adjusted to reflect the actual emerging experience in the wake of the disenrollments after the Public Health Emergency ended.

Of course, a retroactive premium is quite an unusual event, and we're not counting on those. But there are other places and other instances where that could occur. In addition to the retroactive premium, we've obviously been focused on proactive premium adjustments, and quite a bit of that has been completed and continues to be effective with each subsequent quarter.

In fact, with our two largest state contracts have their new prospective premiums effective 9/1 of this year and 10/1. So we'll obviously see a meaningful impact from that starting, especially, in the fourth quarter.

At this point, our efforts are proceeding quite well. Our work with the state's proceeding well as well as our own management actions. So we continue to believe that the US$100 million for next year is quite possible, is a very reasonable expectation for us.

John Aiken *Jefferies - Analyst*

Thanks. And just a point of clarification. The retroactive premiums are state based. Are there any states that might -- that have made this determination yet? Or did you basically receive retroactive premiums for last year on all the states you operate in?

Dan Fishbein *Sun Life - President, Sun Life U.S.*

No. Generally, that's a very unusual event. We do have some risk-sharing arrangements with states that have been in place for many years. But as far as an ad-hoc retroactive premium adjustment, that's a quite unusual event.

But as I said, there may be some other limited places where that could occur. Of course, most of the focus, both by the states and us as well, the health plans we work on, is on prospective premiums.

John Aiken *Jefferies - Analyst*

Understood. Thanks, Dan. I'll re-queue.

Operator

Tom MacKinnon, BMO Capital.

Tom MacKinnon *BMO Capital Markets - Analyst*

Yeah, thanks. Good morning. A question just with respect to credit. It seems to be a little bit elevated in the quarter. If you can elaborate on what was driving that, it may have been a private loan in Canada. And maybe just talk a little bit about how that might be secured, what that relates to, yields you've been getting on that, is it generally idiosyncratic. Or should we -- is it indicative of something else? And then I have a follow-up. Thanks.

Randy Brown *Sun Life - Chief Investment Officer*

Thank you, Tom. It's Randy Brown. Let me just start high-level, if I could, for a minute. I think when you look at credit performance, you have to think of it in a longer term, given the episodic nature of credit hits. So over the long term, our credit losses, which are a function of both impairments, net upgrades and downgrades, and ECL, has been lower than estimates built into liabilities.

So this pattern, over many years and quarters, has resulted in losses that are lower than our expected credit results. And every now and then, you get a credit loss spike, so individual borrowers that run into trouble. So they tend to be very lumpy and any one credit impairment, given the size of our book can have a perceived outsized impact in the quarter.

So with that said, the impairments this quarter are limited to a few credits that had specific borrower challenges. And yes, you're right to point out that it was -- it hit Canada more than other geographies in this case. So these unique challenges are factored into the release.

We do have a large fixed income portfolio over $140 billion and over 3,000 unique credits, very well diversified both by sector and geography. And so within that, you will see these periodic losses. So yes, this one happen to be the bigger of the several, were in the private fixed income book, which we've talked about in the past -- again, a big book, highly diversified, covenants, collateral protection, well rated, and offers both diversification and incremental yield.

So it's a sector that's performed quite well for us. And in the context of that, this credit experiences is relatively benign.

Tom MacKinnon *BMO Capital Markets - Analyst*

Okay. And maybe just as a follow-up then. 152% LICAT here, that looks pretty good. You're generating capital, certainly if you add back the dividend, it's over 100% of your underlying earnings. Your leverage is pretty low at 20.4%.

You've accelerated some of the share buyback, but a high-class problem here to have with this kind of capital position and generating so much excess organic capital. Any thoughts as to what to do with that? Investing in the business, buying back stock?

The dividend increase, maybe -- I would have thought it would have been higher than the bottom end there of your medium-term target. So any comments you can share with us there? Thanks.

Kevin Strain *Sun Life - President & CEO*

Tom, it's Kevin. And as you know, the business is generating capital and cash on a strong basis. And it's as we expected to generate capital and cash. And our priorities for deploying cash and capital remain largely as they have been for a long time.

First, we look at funding organic growth and funding our dividend increases. But as you know, we target a dividend in the 40% to 50% payout range based on underlying earnings. And we think that that returns the right amount of cash to shareholders and capital to shareholders.

Then, we -- our next focus line is M&A, where we can add either scale or capabilities to businesses that need that. And as we've discussed before, we have pricing discipline around that where we look at M&A that can support our medium-term objectives and can help us with all three of our medium-term objectives: earnings growth, ROE, and also cash flow.

And finally, then, we -- when we have capital and cash that's in excess of our organic growth needs, our dividend, and our M&A needs as we look at our M&A pipeline, we return that cash back to our shareholders. And we've been doing that through the buyback program.

So our priorities haven't changed on that front, and we continue to watch that. We're in a really strong position, and we'll continue to deploy capital against all of those things.

Tom MacKinnon *BMO Capital Markets - Analyst*

Okay. Thanks.

Operator

Meny Grauman, Scotiabank.

Meny Grauman *Scotiabank GBM - Analyst*

Hi. Good morning. Question on expenses. You're targeting $200 million in efficiencies by '26 on the back of the restructuring you announced last quarter. I'm just wondering how you're tracking the percentage achieved as of the end of Q3. And then how should we think about expenses for Q4 overall, specifically? Thanks.

Tim Deacon *Sun Life - EVP & CFO*

Hi, Meny. Thanks. It's Tim Deacon. I would be happy to respond to that question.

We were quite pleased with the progress that we've been making in our restructuring program that we announced last quarter. So this year, we're on track to deliver about 40% of the savings that we had targeted. And then we're also on track for delivering the remaining savings through 2025 and then into 2026. So you'd expect about 80% of the savings will be realized by the end of next year.

Both the savings are going to come across all of our business lines, in particular in the U.S. and Canada in 2024. Those were two business areas that had some the earlier impacts and opportunities. And when you think about overall expenses, this program is really designed to help ensure we achieve the higher end of our EPS growth target.

So this is really underpinning the results that you're seeing both this quarter and would expect going forward. I would add that there is always some volatility in the quarter-to-quarter expenses, mostly in the corporate segment and other areas, just from timing of initiatives. And in the fourth quarter, we do updates to our overall incentive comp as an example, just based on how the total year-end results reflect.

So you can get some volatility from quarter to quarter. But overall, very pleased with the progress that we're making, and the discipline that we're showing.

Meny Grauman *Scotiabank GBM - Analyst*

Thanks, Tim. And I'm just trying to better understand how much efficiency should we expect for Q4 specifically. Are you able to tell how far we are along as of the end of Q3 in terms of gauging? Like, I'm trying to figure out the cadence here. Is there a bigger bump in efficiency that is expected in Q4 versus Q3? It's hard to tell looking at the disclosure itself.

Tim Deacon *Sun Life - EVP & CFO*

Sure. So the 40% that I referenced, that is for total of 2024. There is very limited impact last quarter because we just announced it. We had some this quarter; but the rest, the bulk of that 40%, will occur in the fourth quarter.

Meny Grauman *Scotiabank GBM - Analyst*

Great. Thank you.

Operator

Gabriel Dechaine, National Bank Financial.

Gabriel Dechaine *National Bank Financial - Analyst*

Good morning. Couple of quick number questions, and then something on SLC. The retroactive premium thing, if it's unusual, how big of a number was that? And is this something you have already collected or you're just accounting for it?

Dan Fishbein *Sun Life - President, Sun Life U.S.*

Yeah, thank you. This is Dan. We're not going to disclose the exact amount of each premium contract, but it was meaningful in the quarter. And it is an adjustment to prior premiums that we entered in as an accounting adjustment in the quarter. I don't believe we've yet received the payment, but we have a contract that indicates we will receive that payment.

Gabriel Dechaine *National Bank Financial - Analyst*

Okay. Stop-Loss experience, just wanted to get a sense of how that trended for you guys. Because I've seen -- I've noticed a few of your peers have had some issues and probably were too aggressive in selling the product the past few years. And just wondering if you're relatively shielded from that trend?

Dan Fishbein *Sun Life - President, Sun Life U.S.*

Yeah. I'll talk about our experience, not so much competitors. But as we've talked about over the past few years, during COVID, there was significantly lower healthcare utilization, particularly on the kinds of claims that would impact Stop-Loss.

However, that utilization, especially over the past year, has been recovering back to pre-COVID norms. We understood that. We understood that there was some uniqueness, some aberration, in the very low utilization. And eventually, it would recover, as indeed it has.

So our pricing has reflected an expectation of normalized utilization as opposed to aggressively pricing to reflect the temporary reduction in utilization. We've always been a very conservative pricer. We work with high-quality brokers who appreciate that. They appreciate the stability and the expertise that we bring, the great people that we bring to the table, and the products and services.

So while no one is completely immune from an underwriting cycle, our history has been and continues to be a responsible approach to pricing. And indeed, our pricing and our loss ratios remain at or below what we set in our pricing targets. So even though the loss ratio has risen compared to the very, very low levels we were experiencing, we are still achieving our targets and our margins.

Gabriel Dechaine *National Bank Financial - Analyst*

Okay, great. And then the wrap up on SLC here. Your underlying income, if I annualize it, you're at 160. Can you remind me what your target is? I don't have it written down anywhere. And then I guess the accounting gain, the $300 million-plus gain related to lower payments to SLC minority owners. What should I take away from that?

When you struck your deal, set a price that was in part contingent on future sales or AUM growth that some or maybe one, I don't know, are falling short. So you're -- I mean, it's good to get a gain, but the growth isn't coming in as expected.

Steve Peacher *Sun Life - Executive Chair, SLC Management*

Hi, Gabriel. It's Steve Peacher. Maybe I can take that and I can tag team on the accounting question with Tim. I think your -- first part of your question was on the run rate earnings. Underlying net income this quarter was $47 million. And I would -- we can say today, that's right in the range, what I would consider our run rate.

The core of our business, which is management fees, is pretty stable and has been an upward trend because AUM continues to grow. But on any given quarter, there are some few things that can move around results. For example, we get catch-up fees if we have a fund closing. Those can move around quarter-to-quarter performance fees, seed income, there's some seasonality.

So those things that can vary offset each other this quarter -- you asked about our target. The target that we've got out there from Investor Day a number of years ago for '25 was $235 million of underlying net income, and we think we're trending toward that. So hopefully, that addresses your first question.

Gabriel Dechaine *National Bank Financial - Analyst*

It does.

Steve Peacher *Sun Life - Executive Chair, SLC Management*

If you like, I can take a cut at the second part of the question. And Tim you correct me if I don't say it correctly. What I would say is that -- we have a book of liability, of course, for our -- for what we owe on the put-call payments. And we've got three entities left with back-end payments, BGO, Crescent, which are in early '26 and AAM which is in early '28.

And while those vary slightly, they're -- those back-end payments are basically structured in a similar manner. And that is the amount we pay is a function of a formula. And the formula is based on an agreed upon multiple multiplied by the earnings figure in the previous two 12-month periods prior to the put call date.

So for example, on an AAM, which is in '28, we would take that earnings measure in '26 and '27, average it, and then put an agreed upon multiple on that. That gives us the enterprise value, and we pay 49% of that because we'd be buying 49% of the equity.

So when we -- as we try to estimate what that liability is going to be, we have to predict, and we do this on an ongoing basis. Predict two things, the magnitude of those earnings, but also the timing of those earnings. Because earnings that hit in that -- for example, in the example I gave, the earnings that hit in '26 and '27 would have an impact on the put call payment for AAM. Earnings that actually hit in '28 wouldn't.

So it's not just magnitude, it's also timing. And if you look at the adjustment this quarter, it's really a function of moving out the timing of those expected earnings a bit as opposed to the magnitude.

Gabriel Dechaine *National Bank Financial - Analyst*

Thank God for transcript. But is it something that we can conclude that -- you're saying the timing is pushed back on profit. So if something's trending behind schedule or expectations, is that not a logical conclusion?

Steve Peacher *Sun Life - Executive Chair, SLC Management*

Well, I think that -- if you think about -- for example, one of the impacts this quarter is that we are -- one of our big, most important strategies is to move -- get our alternative strategy sold into the retail marketplace. That is -- if you read any research report, that's a megatrend. We're just -- we're in the first inning of that.

We were confident in our ability to do that because we've got a broad range of alternative strategies. We bought AAM, which is a national wholesaling platform in the US. We've got a partnership with Scotiabank in Canada. But we're at the very beginning of that.

So as we predict -- try to predict, years from now, how will that AUM flow and the earnings off that AUM, there's a lot of uncertainty around that. So as we start to gain experience, we're adjusting that. But you can appreciate the difficulty in projecting exactly when AUM is going to come in three and four, five years from now.

Gabriel Dechaine *National Bank Financial - Analyst*

All right. Well, that's very helpful. And I will go over the transcript because you have a thorough response. Thanks, and --

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Tim Deacon *Sun Life - EVP & CFO*

Gabe, this is Tim. I might just supplement everything that Steve said, just to summarize overall. This is really timing related. So the liability value that was updated, that only goes to the remaining purchase date. So any of the cash flows that come after that are all of the benefit of Sun Life.

And just to add, we've written up these liabilities by over $600 million since the initial acquisitions, so $300 on a net basis after the end of Q3, and all of that was charges to income. So you can see the liability valuation is really sensitive to the timing of these projected results.

But overall, that cumulative $300 million increase reflects the positive growth in our AUM, the fundraising and deployment that we've done since the initial acquisition of these businesses. So we're very confident in the long-term value, just the timing of when the actual final payment occurs.

Gabriel Dechaine *National Bank Financial - Analyst*

All right. Cool. Have a good day.

Operator

Alex Scott, Barclays.

Alex Scott *Barclays Estimates - Analyst*

Hey, good morning. Thanks for taking the question. I had another one on Stop-Loss for you. We heard a peer today actually say that they were going to take 100% pricing action on one-one renewals. And I mean, it just seems like this is potentially setting up to be one of the hardest markets we've seen in stop loss for a long, long time.

You all seem to be much more price adequate in where you sit today. How much of a growth opportunity could that be? How much would you be willing to lean into a business like this, where pricing might look a lot better for you next year? But even though it is still a cyclical business, I'm just trying to gauge your appetite.

Dan Fishbein *Sun Life - President, Sun Life U.S.*

Yeah, thank you. This is Dan. Great question. We tend not to lean into those dips in the market. No question that pricing is going to harden in the near future. And some of our competitors, as you noted, very likely have to do some significant pricing -- take significant pricing action to correct their books of business. That will certainly make the market more favorable, especially for someone like us who is well priced at the moment and doesn't have that issue.

However, we don't typically discount our pricing. Our pricing is set to be appropriate for the business that we write and the targets that we have. And the brokers that we work with understand that and generally appreciate that.

So while it may be somewhat of an opportunity as the market hardens, you shouldn't expect us to go and acquire market share.

Alex Scott *Barclays Estimates - Analyst*

Got it, okay. Maybe switching over to MFS. I mean, as I look to the results, I mean, one of the places that it continues to stand out is just the outflows in institutional. And I heard the commentary on that from the call.

But I was wondering, maybe just provide more color on like what to expect from that over the next several quarters as we think through 2025. I mean, will we see those outflows tempered down? Was it more temporary pressure from specific mandates? Or is there ongoing pressure there?

Mike Roberge *Sun Life - Chief Executive Officer, President and Executive Chairman of MFS Investment Management*

Good morning, Alex. Mike Roberge. Yeah, I think the retail flows were very similar to what we talked about prior and, as Tim mentioned, the assets sitting in cash, which as central banks begin to lower rates, we and our partners expect to get better retail net flows.

On the institutional side, the last couple of quarters have been impacted by a particular strategy that is underweight at MAG 7. And we've seen Clients -- and they're both moving passive as well as active alternatives. We would expect that to moderate.

Obviously, we don't know what the next couple of quarters look like. You don't -- many times, you get them within the quarter. You get redemptions, and you see them redeem within quarters. So we would expect those to moderate and improve from here.

And what I'd say is as we look into next year -- I've got Ted Maloney here as well, he can mention -- talk about is we are seeing some momentum in fixed income institutionally as well as retail and also, as Kevin mentioned, the launch of active ETFs. So I'll let Ted comment on some of the things we're working on as we move into next year.

Ted Maloney *Sun Life - Chief Investment Officer of MFS Investment Management*

Sure. Morning. Just real quickly, the -- where we have performance-related float pressure, as Mike mentioned, it's in actually a small number of strategies. And it's ones that compete against heavily MAG 7-dominated benchmarks and where we're underweight them. So our view on that will be dependent on what happens to MAG 7 as well as how we manage risk around it.

But taking a step back, as Mike referenced, we've got very diversified business across the full spectrum of public equity and fixed income. Where performance is measured in most time frames is actually strong across the board, notably in fixed income, which is where we do see the most meaningful medium- and long-term growth opportunities.

So we certainly are aware of the near-term challenges, both in terms of performance-related challenges here as well as industry-exogenous flow pressures. But we're confident in resolving those as well as all of the growth opportunities we have.

And as Mike referenced, the launch of the ETFs in a couple of weeks, we think, is both an offensive opportunity and a defensive opportunity. And we're excited about being able to provide our Clients with our investment solutions in whatever package works best for them. And we think that as we continue to do that and deliver investment results across the cycle, the flows will once again be positive in the future.

Alex Scott *Barclays Estimates - Analyst*

Thank you.

Operator

Doug Young, Desjardin Capital Markets.

Doug Young *Desjardins Securities - Analyst*

Hi. Good morning. Dan, back to you. Just -- there's been, I think, expense pressures at the U.S. Dental side of your business because of the lower -- I think it was talked about being the lower Medicaid membership. But I think in the presentation package, you also say you are the largest U.S. Dental provider with 35 million members.

So I'm just trying to square the two. Maybe you can talk about what I'm missing there. And then to get to that US$100 million next year, of underlying earnings, like how much of that is being driven on the expense side? And maybe you can add on, just talk about how sales are going with the dental business, both Medicaid and the commercial side.

Dan Fishbein *Sun Life - President, Sun Life U.S.*

Sure. In terms of the expenses, what you're looking at there is a year-over-year comparison. Of course, we've had a lot of membership loss in the Medicaid business. During that past year, about 19.5% of the starting members lapsed due to the Medicaid redeterminations.

So while we have cut expenses and driven more efficiencies, that hasn't completely kept up with that loss of membership. However, the membership is stabilizing. And actually, with new sales starting to grow, we continue to have a robust set of initiatives going on to drive more productivity. So we don't really anticipate expenses being a drag on the business and, in fact, an opportunity to make it more efficient over time.

In terms of the improved earnings for next year, certainly, our expense initiatives play a role, but it's not a major role. The biggest impact, of course, comes from the pricing actions that are being taken in conjunction with the states, with health plans; and getting the pricing to the right place.

Another significant contributor are our claim management actions. These are things around utilization management, claim edits, and other management actions that we can take. And that's certainly a contributing factor. I would say the expense actions are the third most important as opposed to a leading component.

As far as sales, sales continued to be robust. As you know, in the government market, they're few and far between, but very large. So sales can be lumpy. But for example, in the quarter, we had our first wins ever in California, which is the largest Medicaid market in the country.

We won three Medicaid contracts that are expected to be effective July of 2025. And California is a great opportunity for us in the future for significant further growth. There's also a significant pipeline of other Medicaid opportunities.

We continue to see Medicare Advantage as a substantial growth opportunity, and that growth is certainly underway, and then quite a bit of opportunity in commercial. Our sales are up over 40% in the quarter year over year in commercial, and we continue to see that as a very significant part of our growth trajectory in the future.

Doug Young *Desjardins Securities - Analyst*

And then just a follow-up. How much of the pricing -- repricing has gone through? Is it 50%, 60%, 80%, 90%?

Dan Fishbein *Sun Life - President, Sun Life U.S.*

So what's happened so far, and we weight this by premium -- and this is, of course, specific to the Medicaid business -- is on a weighted basis, 91% of the contracts have been repriced as of October 1. Now some of those contracts repriced quite a long time ago, and that was before the full impact of the experience had fully emerged.

So we've looked at that and said, okay, if we had gotten the pricing on these contracts that we needed through pricing alone to bring the loss ratios back to target levels, what would we have needed and what has been achieved? And on a weighted basis, that number is 61%. So as of October 1, 61% of what would have been needed to have full margins in the business has been achieved and is now going forward in the results.

So of course, the obvious question would be what -- how do you get the other 39%? And clearly, these contracts will need to go through a second round in some cases of pricing action. The good news is virtually all of them are annual contracts in terms of the pricing.

So even this Fall and certainly into next year, there will be additional actions that will occur to bring the pricing to full levels. But to your first question, we're also not waiting for the pricing to do all the work. Our management actions, both claim and expense, are playing a role to close that gap as well.

Kevin Strain *Sun Life - President & CEO*

Doug and Dan, it's Kevin. I wanted to add just one quick thing as a reminder. If you look at the quarter, third quarter is a high quarter from claims experience because there's some seasonality to dental. And I think it's important that we keep that in front of us.

And Dan mentioned that two of the bigger contracts were 9/1 and 10/1, right? So if you're looking specifically at the quarter, you need to keep those two things in mind. I just wanted to add that just so that everybody had that perspective.

Doug Young *Desjardins Securities - Analyst*

Okay. And then just -- I appreciate that, Kevin. Second question. Just Manjit in Asia, I think expenses have been running a little bit high over the last little while. Can you talk about where you're investing? What -- and maybe just what I'm trying to understand is to get the momentum in Asia and maybe drive that underlying ROE towards -- I think the target has been loosely stated at 15% plus, but you can correct me if I'm wrong. What has to happen to start to get that bottom line underlying earnings momentum?

Manjit Singh *Sun Life - President, Sun Life Asia*

So we have been making investments in Asia for the last little while. We're really investing across the board in our brand, in talent and technology and digital. And you are, in fact, seeing the results in our bottom line already.

Year-to-date earnings are up 15% year over year. As Tim said, our sales were up 17% on the protection side, and we had a record quarter on the wealth side. So you are seeing the impact of those investments in our results today, Doug.

Doug Young *Desjardins Securities - Analyst*

What about the ROE? Any comment on that?

Manjit Singh *Sun Life - President, Sun Life Asia*

Well, the ROE will take time, right? Because you have a big denominator, so you're not going to move that on a quarter-over-quarter basis. And in fact, you have seen lift in the ROE. A few years ago, it was at 10%. And now, we're trending in the 12% to 13%, and we expect to see further progress as we move ahead.

Operator

Mario Mendonca, TD Cowen.

Mario Mendonca *TD Cowen - Analyst*

Good morning. I want to start with the first question. Dan, if you could just help me understand one thing on this retroactive premium. I appreciate you're not going to get into the size. But was it recorded in experience gains? Is that the right place and driver of earnings to look for?

Dan Fishbein *Sun Life - President, Sun Life U.S.*

I may need to ask for help from Tim on that one. I think the answer is yes.

Tim Deacon *Sun Life - EVP & CFO*

Hi, Mario. It's Tim. Yeah, that's where it will show up.

Mario Mendonca *TD Cowen - Analyst*

Okay. So the delta there, like it went from a loss of $17 million last quarter to a gain of $8 million. Can we use that as a gauge of how -- the size of the retroactive premium?

Tim Deacon *Sun Life - EVP & CFO*

No, because of the seasonality. Sorry, Dan.

Dan Fishbein *Sun Life - President, Sun Life U.S.*

Well, Tim, yeah, I would say there's three things in there that we need to look at. One is the seasonality. So Q3 is the worst quarter for seasonality in the dental Medicaid business and for a pretty obvious but interesting reason. It's right before school starts, so parents take their kids to the dentist before school starts.

Then conversely, Q4 is the best quarter for seasonality. School has begun. It's before the holidays. So that's actually currently a tailwind for us. But the seasonality is one factor.

A second factor is we had progress on the rate increases and the claim action. So there was some underlying improvement in the loss ratio if you normalize for both seasonality and that payment.

And then the third item was the payment. So it's the combination of those three; it's not isolated to one thing.

Mario Mendonca *TD Cowen - Analyst*

There's no real way to tell. That's good enough. Let me move on to a different type of a question on MFS. For as long as I've been paying attention to this company, it's one of those unique asset managers that does not grow through acquisitions.

In the current environment, would you be more open to M&A with MFS to pick up capabilities, distribution, people that might get you to positive flow sooner? Is that something you'd consider or is that still completely off the table?

Kevin Strain *Sun Life - President & CEO*

Mario, it's Kevin. I was going to start it, Mike, and I'll let you let you build on it. But I know we're on the same path on this one. If you look at acquisitions in the active asset manager space, they're tough to do, and they often don't result in the growth that you would expect. And we have a lot of confidence in MFS' capabilities.

I talked about them building out on the fixed income side, we talked about the active ETFs coming out and the DC space. And we've talked in the past that they know how to run assets and their Clients understand what they're doing.

So it's an area that -- I look at it, and I'm really pleased with what we get from MFS in terms of our overall earnings performance, the addition it does to ROE and the cash flow. As you know, we get 90% of their earnings back as cash.

So I think those are all important factors. And if you step back and look at MFS, it's part of our broader asset management platform that includes SLC, our wealth management pieces that are an important flow into both MFS and SLC, and then what we're doing in Asia. So it's -- now, Mike, I'll let you add to that, but I think that -- I think you and I are quite aligned.

Mike Roberge *Sun Life - Chief Executive Officer, President and Executive Chairman of MFS Investment Management*

Yeah, good morning, Mario. I mean we -- as Kevin mentioned, we still see plenty of opportunity for us to grow, whether that be adding active ETFs to existing capabilities for retail investors in the U.S., significant opportunity for us. 80% of our assets are in equity strategies institutionally. And the vast majority of the wallet for most institutional Clients is fixed income in parts of the world. So we see enormous opportunity for us to scale up that business.

The second thing I would say is you can take it from a financial modeling lens and you can make acquisitions make sense on paper. The reality of it is, if you take it from the Client lens, Clients tend to not like their asset manager doing that because it takes focus off managing the asset on behalf of the Clients rather than -- and on integrating two disparate cultures and businesses.

And so we've historically seen where some of these happened that we're the beneficiary of assets because Clients move their assets to someone else who's more stable and focusing on running their business, their assets for them. And so I'd reinforce Kevin's point. We see growth opportunities in many other places, and we don't need to think that we have to take the risk to do it, and we're better off focusing on existing Clients.

Mario Mendonca *TD Cowen - Analyst*

That's a fine answer. The final thing on ROE. I have a ledger here. I can think of four or five reasons why Sun Life's ROE can be higher. I can think of four or five reasons why it might be lower. And I cannot figure out which ledger -- which side of the ledger wins.

So maybe the question for Kevin, for Tim. How do you balance those two things? Is this a company that can punch up to like a 19% ROE over time? Or is 18% sufficiently? I mean, is that good enough?

Kevin Strain *Sun Life - President & CEO*

Hey, Mario. If you look at it -- it's Kevin. If you look at it, our ROE is driven by the mix of our business and the performance of our businesses. And if you step back and do the math, that's where we come out. And I think we're -- we like the mix of our businesses and the resiliency.

You've seen it coming through COVID. You've seen it through a bunch of different sort of factors. So we'll talk more a little bit next week on Investor Day about specific things around the businesses and driving those.

But the math of it is that the mix of business, the asset management business should add ROE. We see Asia growing ROE over time. The U.S., as DentaQuest comes back into earnings, will grow ROE. And Canada is doing a fantastic job on ROE.

So we like the mix of our businesses. We like the resiliency, and it does -- it gives you a strong ROE result.

Mario Mendonca *TD Cowen - Analyst*

Sure, no. Totally good. Thank you.

Operator

Paul Holden, CIBC.

Paul Holden *CIBC Capital Markets - Analyst*

Hi. Thanks for making time for my question. So first one is going back to Asia, negative insurance experience in the quarter. I believe you pointed to mortality. At the same time, you see a positive ACMA update on mortality in Asia. So maybe talk to what happened in the quarter, if it's indicative of trend or not. Thank you.

Manjit Singh *Sun Life - President, Sun Life Asia*

Good morning, Paul. It's Manjit. So I'll talk to the first question and let Kevin handle the ACMA question. So in the quarter, the mortality largely related to our international high net worth business, that business does see mortality from time to time. It's just the nature of the business.

Kevin Morrissey *Sun Life - Chief Actuary & Senior VP*

And Paul, thanks for the question. On the ACMA side for Asia, we did see a positive. The biggest source of that positive in the quarter, we call those related to the Hong Kong refinements. So you can think of these as kind of IFRS 17 post-implementation cleanups. We did review going back to the implementation of IFRS 17. The review is completed now, resulted in a number of one-time gains, both in net income and CSM.

Paul Holden *CIBC Capital Markets - Analyst*

Thank you. And then second question is with respect to organic capital generation, a number you just started reporting recently in your quarterly slide deck, which we do appreciate. But in each of the last two quarters, it's been significantly higher relative to earnings in that sort of 20% to 30% guidance you've given in the past.

Is there something unique to the last two quarters on why that's the case? Or perhaps maybe that 20% to 30% guidance number needs to be revisited?

Tim Deacon *Sun Life - EVP & CFO*

Hi, Paul. It's Tim. So you're right, this is a new metric for us. And you're right to point out that our organic generation has really been strong in the last couple of quarters. And it has been above target really driven by the strong profitable sales that we've been seeing in Canada and Asia quite consistently.

And we're still targeting, on a longer-term basis, 25% to 35% of UNI because this is after paying our dividend. So that gives us flexibility on the dividend payment and where we are in that dividend yield as well as other capital deployment that we would seek to make opportunistically.

So you're right, it is elevated. That's a good thing because it's shown that we've had strong sales, and it shows the earnings power and conversion to cash ultimately that the organic capital generation contributes. But over the medium and long term, we think that 25% to 35% is a reasonable guidance range.

Paul Holden *CIBC Capital Markets - Analyst*

Okay. That's it for me. Thank you.

Operator

Lemar Persaud, Cormark Securities.

Lemar Persaud *Cormark Securities Inc. - Analyst*

Yeah. Thanks. I know you guys don't want to share the number of this retroactive premium. But just to be clear here, the US$9 million in underlying dental earnings in Q3, is that it in terms -- like are all the benefits recorded this quarter? Are there benefits to underlying earnings in future quarters related to this?

Dan Fishbein *Sun Life - President, Sun Life U.S.*

Well, the benefit of the retroactive adjustment itself was in the quarter. But that same state has done two other things, one is the premium increase going forward. And they've also committed to relooking at the adequacy of premium in the second quarter of next year. So it's a state that's being a very good partner, making sure that the premiums match the risk that we're taking on for them.

Kevin Strain *Sun Life - President & CEO*

Lemar, it's Kevin, I just want to reiterate that next year, our goal -- our target is US$100 million. And you can think about that as $25 million per quarter, if you divide it by four and plus or minus that based on some seasonality and repricing. But that's -- if you're looking where to sort of put your marker down, I would put it down around there.

Lemar Persaud *Cormark Securities Inc. - Analyst*

Okay. Okay, got you. And then just coming back to Mike Roberge and then maybe Tim on MFS, but thinking about the evolution of earnings at MFS. So there are actions that you guys are taking to potentially boost the earnings power of MFS perhaps related to the restructuring charges taken last quarter. And then secondly, maybe on the following the commentary of the introduction of some of these active ETF products, how does that impact the margin profile of MFS looking forward?

Mike Roberge *Sun Life - Chief Executive Officer, President and Executive Chairman of MFS Investment Management*

Hi, this is Mike. I'll take the margin question. And the prior question, I don't know, Tim, if you want to take that. From a margin perspective, both with active ETFs as well as fixed income, with active ETFs, they'll have management fees that are similar to existing vehicles. So there is no impact on profitability.

As it pertains to fixed income, while the fee rates are lower on fixed income, the majority of the cost, which would be investment cost and the platform that we've built out are already embedded in the business. And so frankly, even though asset-based -- the basis points earned on assets will go down, we actually think profitability is pretty similar and will not have an impact on profitability as we scale that business.

And then the mandate size tends to be relatively large. And so both of those things, we do not believe will have an impact on margins.

Tim Deacon *Sun Life - EVP & CFO*

Yeah, Mike. I think you covered that well. I don't know, Lemar, if there's anything further on that.

Lemar Persaud *Cormark Securities Inc. - Analyst*

Not on that, but maybe you could talk about any actions like maybe on the expense side at MFS related to the restructuring charges, like anything that you can do there to kind of boost the earnings power of MFS?

Tim Deacon *Sun Life - EVP & CFO*

So I think Mike touched on the key areas of growth. The biggest assumption or impact on the earnings is the market. At over $640 billion of AUM, that's the most material sensitivity. So as markets continue to recover, that will flow through.

The expense base at MFS is highly variable. Over 70% of the expense base varies with the AUM and the fees. So there's good operating leverage in that. And that over 40% operating margin, that's top tier for any public asset manager globally.

And so quite proud of the track record that MFS has had on that. And they weren't directly part of the formal restructuring program that we announced last quarter. They prudently manage their expenses from time to time, so it wasn't necessary that that program address MFS.

Lemar Persaud *Cormark Securities Inc. - Analyst*

Appreciate the time.

Operator

Darko Mihelic, RBC Capital Markets.

Darko Mihelic *RBC Capital Markets - Analyst*

Hi. Thank you. Good morning. Thanks for squeezing me in. I'll be very quick on this because I also had questions on the margin in MFS. And I guess my question boils down to the following.

I hear you that 70% is variable in terms of cost and 40% is top tier. So is that to say that if we took the AUM here, assume you sort of get past your challenges and flows, markets still behave very well, and you double the assets under management. If you take this thing to $5 trillion, are we still to model this thing with this sort of very recognizable pattern on operating margin, and it doesn't really improve from here?

I guess it feels as though it's designed and constructed. And you can look historically at the AUM, the average AUM, and it's a very tight range of where your margin bounces. Is that the way to think of this? If we take this thing double, triple, quadruple in size, that the margin is always going to sort of sit here at around these levels?

Kevin Strain *Sun Life - President & CEO*

Darko, it's Kevin. We're not modeling double, triple, quadruple for MFS. So I think if look at it -- yeah, yeah. Well, it's -- I'm not sure it's a perfectly aligned theoretical number, right? If you look at it, we're expecting MFS to roughly grow with the market.

And they've got some puts and takes in some of the businesses, but they'll roughly behave as Tim said, along with what the market performance is from an earnings perspective.

Darko Mihelic *RBC Capital Markets - Analyst*

Okay. So there isn't really much hope for a significant improvement in the margin?

Kevin Strain *Sun Life - President & CEO*

Well, they're already at the industry-leading margin levels, right? And they do a good job of managing that and managing their business and managing their expenses. And as Tim said, their expenses are largely variable. So I think that's the way to think about it.

Darko Mihelic *RBC Capital Markets - Analyst*

Perfect. Thanks very much.

Operator

Tom MacKinnon, BMO Capital.

Tom MacKinnon *BMO Capital Markets - Analyst*

Yeah. Thanks for taking the follow up. Question on other fee income in Canada. Just like over the last couple of quarters, it's moved up nicely, just even quarter over quarter. And I assume that, maybe correct me if I'm wrong, this has to do, to some extent, with ASO fees perhaps? Is that -- are some of those in there? Maybe you can help me with respect to that or what's in that number and what's driving it to be moving up nicely.

Jacques Goulet *Sun Life - Executive Chair of Sun Life Canada*

Tom, this is Jacques. They're different components. Obviously, increase in the market to the wealth business increases in fee income. There is also, as you just said, the ASO in the health business. And CDCP is also part of that this quarter. That's what you're seeing in there.

Tom MacKinnon *BMO Capital Markets - Analyst*

Okay. So that -- what we've seen ratchet up nicely just of late is landing on that Canadian dental account. Is that correct?

Jacques Goulet *Sun Life - Executive Chair of Sun Life Canada*

That's definitely helping as well as the market this quarter.

Tom MacKinnon *BMO Capital Markets - Analyst*

Okay. Thanks so much.

Operator

We have no further questions at this time. I will turn things back over to Mr. Garg.

David Garg *Sun Life - SVP, Capital Management and IR*

Thank you, operator. This concludes today's call. A replay of the call will be available on the Investor Relations section of our website. Thank you, and have a great day.

Operator

This brings to an end today's conference call. You may disconnect your lines. Thank you for participating, and have a pleasant day.

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