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PRESENTATION

Operator

Good morning, and welcome to the Manulife Financial Third Quarter 2022 Financial Results Conference Call. Your host for today will be Mr. Hung Ko. Please go ahead, Mr. Ko.

Hung Ko ***Manulife Financial Corporation - VP, Group Investor Relations***

Thank you. Welcome to Manulife's earnings conference call to discuss our third quarter 2022 financial and operating results.

Our earnings materials, including the webcast slides for today's call are available on the Investor Relations section of our website at manulife.com. Turning to Slide 4. We will begin today's presentation with an overview of our third quarter highlights, and an update on our strategic priorities by Roy Gori, our President and Chief Executive Officer. Following Roy's remarks, Phil Witherington, our Chief Financial Officer, will discuss the company's financial and operating results and provide additional information on IFRS 17. We will end today's presentation with Steve Finch, our Chief Actuary, who will discuss the company's annual review of actuarial methods and assumptions.

After the prepared remarks, we will move to the live Q and A portion of the call.

(Operator Instructions)

Before we start, please refer to Slide 2 for a caution on forward-looking statements and Slide 41 for a note on the non-GAAP and other financial measures used in this presentation. Note that certain material factors or assumptions are implied in making forward-looking statements, and actual results may differ materially from what is stated.

With that, I'd like to turn the call over to Roy Gori, our President and Chief Executive Officer. Roy?

Roy Gori ***Manulife Financial Corporation - President & Chief Executive Officer***

Thanks, Hung, and thank you, everyone, for joining us today.

Yesterday, we announced our third quarter 2022 financial results. I'm incredibly proud of the resilience that our businesses demonstrated despite the ongoing challenging market and operating environment, and the impact of Hurricane Ian on our Property and Casualty reinsurance business this quarter. Our financial strength, diversified product offerings and geographical reach, as well as the focus on execution of our strategic priorities are instrumental for our continued success in making decisions easier and lives better for our customers.

We delivered core earnings of $1.3 billion, primarily driven by strong contributions from Canada and resilient results in Asia and Global WAM. And we reported net income attributable to shareholders of $1.3 billion, reflecting positive investment-related experience, partially offset by a modest net charge from the direct impact of markets during a period of volatile equity markets and rising interest rates.

We delivered new business value of $514 million. The lower NBV compared to prior year quarter was primarily driven by lower sales in Hong Kong due to the impact of weaker customer sentiment and lingering pandemic effects in certain markets in Asia. This was partially offset by strong NBV growth in North America, driven by improved margins. In fact, on a year-to-date basis, the U.S. and Canada achieved 30% and 22% increases compared to the same period last year.

Global WAM recorded its eighth consecutive quarter of positive net flows, an achievement that demonstrates the strength of our business given the challenging market environment. Our diversified portfolios generated positive net flows across all three business lines.

Our core EBITDA margin, a key performance indicator of profitability for Global WAM, further increased to 32.7% for the quarter. And our capital remained strong with a LICAT ratio of 136%.

Turning to Slide 7. Our highest potential businesses accounted for 66% of total company core earnings in the first three quarters of 2022 compared to 63% for the same period in 2021. In Global WAM, we seized the opportunity to meet increasing demand for sustainable investment solutions and expanded our ESG investment offerings with the launch of the Global Climate Action strategy in Europe.

We also accelerated the utilization of ManuAcademy, our regional digital learning platform, which we rolled out in Vietnam last quarter. The platform has enabled the onboarding of over 11,000 newly recruited insurance agents and delivered over 150,000 training hours to approximately 45,000 insurance agents since the rollout. Our new training series, Manulife MasterClass, captures best practices from our Million Dollar Round Table agents and shares them across all agents through the platform.

We are committed to helping our customers lead longer, healthier, better lives. And through our behavioral insurance offerings, we are awarding them for making healthy lifestyle choices. In Asia, we continue to roll out servicing features in our ManulifeMOVE app, furthering its position as a one-stop health and servicing gateway for our customers.

In Canada, we announced the expansion of our Manulife Vitality program, making it available to all new term and universal life insurance policyholders effective November 2022. In the U.S., we continue to innovate our wellness offerings and announce the partnership with GRAIL, a health care company, offering access to their leading-edge multi-cancer early-detection test to a pilot group of customers through John Hancock Vitality. As the first life insurance carrier to make the test available, we are enabling eligible customers to take proactive steps to better understand and make more informed choices about their health.

We remain laser-focused on executing our bold ambition to be the most digital, customer-centric global company in our industry. In Asia, we continued to drive the adoption of ePOS, our proprietary digital onboarding app, to enhance the distributor experience and enable faster, error-free, new business application submissions with case adoption at 90%, an increase of 9 percentage points compared with the third quarter of 2021.

In the U.S., while automating the background check process, we reduced the amount of time to onboard producers within our traditional brokerage channel by 92%. And in Global WAM, we made a number of enhancements to our digital platform in Retirement, including rolling out functionality that enables members in Canada to book one-on-one meetings with a Manulife PlanRight financial advisor directly in the mobile app. We saw successful engagement in the third quarter with approximately 1,400 advisors meetings requested.

Turning to Slide 8. Expense efficiency continues to be a key strategic priority and an important lever in the current operating environment. We kept our year-to-date core general expenses flat compared to the same period last year, providing an offset to top-line pressure. In October, we closed the reinsurance transaction related to our variable annuity block of business written in New York. This transaction completes the optimization of our legacy U.S. VA business, and is expected to release approximately $120 million of capital, including a one-time after-tax gain of approximately $30 million to be recognized in the fourth quarter.

Our team and culture is critical to our sustained success. We recently completed our 2022 Global Employee Engagement Survey, and we're delighted to share that 2022 marks our fourth straight year with an increase in engagement. Our overall score puts us in the top 6% compared to Gallup's Financial and Insurance company benchmark, which is a tremendous accomplishment.

Turning to Slide 9. To summarize, we have a diverse franchise which continues to deliver resilient results despite market volatility and macroeconomic headwinds. We strongly believe that culture is a long-term competitive advantage for our company. Alongside being recognized for the third consecutive year as one of Forbes' World Best Employers, our recent employee engagement [survey] (added by company after the call) results are a testament to the passion, energy and tenacity of our global winning team to build an inclusive culture that promotes health and wellness, connectivity and continuous learning.

We remain committed to generating shareholder value and have repurchased 3.1% of outstanding common shares so far this year, and our LICAT ratio remains strong, providing continued capital deployment flexibility. Despite the confluence of market and macro uncertainties impacting our industry, the long-term fundamentals and trends underpinning our strategies are as strong as ever. We are well positioned to win in an uncertain environment.

Thank you and I'll hand over to Phil Witherington, who will review the highlights of our financial results. Phil?

Phil Witherington ***Manulife Financial Corporation - Chief Financial Officer***

Thanks, Roy. I'll start on Slide 11. We delivered resilient results in the third quarter despite a challenging operating and macro environment. We generated core earnings of $1.3 billion, a year-over-year decrease of 14%, reflecting a number of factors, including a $256 million charge in our P&C reinsurance business for estimated losses related to Hurricane Ian compared with the $152 million charge in the prior year quarter for losses related to Hurricane Ida and the European floods, lower net gains on sales of AFS equities and the unfavorable net impact of markets on seed money investments, lower new business gains in Asia and the U.S., lower in-force earnings in U.S. annuities due to the variable annuity reinsurance transaction that closed in the first quarter of this year as well as net unfavorable U.S. policyholder experience.

Of note, the unfavorable impact of markets on seed money investments was $56 million and consisted of approximately $37 million from equity funds and approximately $19 million from fixed income funds. These were partially offset by higher yields on fixed income investments, lower expenses in Corporate and Other, and in-force business growth in Asia and Canada.

Net income attributed to shareholders of $1.3 billion decreased by $245 million from the prior year quarter, mainly due to the lower gains from investment-related experience and lower core earnings, partially offset by a smaller charge from the direct impact of markets.

Of note, we recognized a gain of $225 million from investment-related experience, $100 million of which was included in core earnings as core investment gains, with the remaining $125 million reported outside of core earnings.

Investment-related experience in the quarter reflected the favorable impact of fixed income reinvestment activities and favorable credit experience, partially offset by lower-than-expected returns on alternative long-duration assets, primarily related to real estate.

Slide 12 shows our source of earnings analysis for the third quarter of 2022 compared with the prior year quarter. Expected profit on in-force decreased by 1%, driven by lower U.S. annuities in-force earnings due to the variable annuity reinsurance transaction, partially offset by in-force business growth in Asia and Canada. Excluding the impact of the reinsurance transaction, our in-force earnings would have increased 5% compared to the prior year quarter.

New business gains decreased by 19%, primarily driven by lower gains in Asia and the U.S. In Asia, lower new business gains reflect a decline in sales volumes in Hong Kong, primarily driven by the impact of weaker customer sentiment on financial planning decisions and changes in product mix in Asia Other. This was partially offset by higher sales and improved margins in Japan.

Lower new business gains in the U.S. reflect lower brokerage sales and changes in product mix.

Policyholder experience was a net charge of $386 million on a pre-tax basis. Our P&C reinsurance business incurred a $261 million pretax charge for estimated losses related to Hurricane Ian, one of the largest-ever insured loss events in the U.S. Net unfavorable experience in our U.S. segment was primarily driven by a small number of large claims in our Life Insurance business as well as modestly unfavorable LTC policyholder experience.

We completed our annual review of actuarial methods and assumptions, which resulted in a modest gain of $36 million to net income attributed to shareholders and had an approximately net-neutral impact for LTC. Steve Finch will provide more details on the results of the actuarial review in a moment.

Slide 13 shows our earnings by segment and return on equity. Core earnings in our Global WAM business decreased by 3%, primarily driven by a decrease in net fee income from lower average AUMA due to the unfavorable impact of markets, partially offset by lower variable incentive compensation expense and favorable tax items. Core earnings in Asia decreased by 2%, driven by lower new business volumes primarily in Hong Kong, partially offset by changes in product mix and in-force business growth.

We delivered core earnings growth of 13% in Canada, reflecting more favorable experience gains in Group Insurance, higher in-force earnings, higher Manulife Bank earnings and several smaller favorable items, partially offset by unfavorable claims experience in individual insurance.

Core earnings in the U.S. decreased by 24% largely driven by reduced in-force earnings due to the variable annuity reinsurance transaction, net unfavorable policyholder experience and lower new business gains. The core loss in Corporate & Other increased by $102 million, driven by the higher P&C reinsurance charge year-over-year, and we delivered core ROE of 10.3%.

Turning to Slide 14, which shows our APE sales and new business value generation. In the third quarter, we generated APE sales of $1.3 billion down 6% from the prior year quarter, driven by lower sales in Asia and Canada, partially offset by a modest increase in the U.S.

In Asia, APE sales decreased 7% reflecting a decline in Hong Kong, driven by the impact of weaker customer sentiment and tighter COVID-19 containment measures in Macau during the quarter. This was partially offset by higher sales in Japan and Asia Other. Asia Other demonstrated positive momentum with 6% growth year-over-year.

APE sales decreased 6% in Canada, mainly due to lower segregated fund sales and the nonrecurrence of a large affinity markets sale in the prior year quarter, partially offset by higher large case group insurance sales.

We delivered new business value of $514 million, a decrease of 6% from the prior year quarter. In Asia, new business value decreased due to the factors I noted earlier as well as changes in product mix, partially offset by higher sales in Japan. In North America, new business value benefited from improved margins resulting in a year-over-year increase of 27% and 25%, respectively, for the U.S. and Canada.

Turning to Slide 15. Our Global WAM business continued to benefit from our geographic and line-of-business diversification. Despite a challenging macro environment, we delivered positive net flows of $3 billion. In Retail, net inflows were $1 billion compared with net inflows of $7.9 billion in the prior year quarter. The decrease was mainly driven by lower investor demand amid equity market declines and higher interest rates.

Institutional Asset Management, net inflows were $0.6 billion compared with net inflows of $1.3 billion in the prior year quarter, driven by higher redemptions, partially offset by higher sales of equity and fixed income mandates.

In Retirement, net inflows were $1.4 billion compared with net inflows of $0.6 billion in the prior year quarter, primarily driven by higher member contributions and lower plan redemptions.

Overall, Global WAM's average AUMA decreased by 9%, driven by the unfavorable impact of markets in 2022, partially offset by continued net inflows. Net fee income yield was in line with prior year.

We delivered a core EBITDA margin of 32.7% despite market headwinds, reflecting the impact of lower variable incentive compensation expense, partially offset by a decline in net fee income from lower average AUMA.

Turning to Slide 16. We continue to maintain a strong balance sheet and capital position. Our LICAT ratio of 136% is strong and represents $23 billion of capital above the supervisory target. The 1 percentage point decrease compared to last quarter was driven by the impact of market movements on capital and the execution of the NCIB.

Our financial leverage ratio increased by 0.3 percentage points from the prior quarter, mainly driven by the reduction in the carrying value of AFS debt securities due to higher interest rates and continued share buybacks, partially offset by the impact of a weaker Canadian dollar and growth in retained earnings.

It's worth noting that in October, we announced our intention to redeem $1 billion of subordinated debentures at par on November 22, 2022. The impact of these redemptions will be reflected in the LICAT and leverage ratios for the fourth quarter this year. We've reflected these impacts in the pro forma metrics on this slide, all else being equal.

We're committed to delivering value to shareholders and continue to execute on our share buyback program. We've repurchased approximately 3.1% of our common shares so far this year.

Slide 17 shows the summary of our financial performance for the quarter. While the performance of our profitability and growth metrics was impacted by a challenging macro environment, our global strength and diversity continued to provide notable offsets. Our balance sheet continues to remain strong and provides us with financial flexibility to deliver on our strategic and capital deployment priorities.

Slide 18 outlines our medium-term financial targets and recent performance. Our performance reflects the resilience of our business against the backdrop of a challenging macro and operating environment in the third quarter. We remain confident in our ability to continue to deliver on our targets over the medium term.

Turning to Slide 19. Before I hand over to Steve to discuss the results of our annual actuarial review, I would like to provide additional information on IFRS 17, the new insurance contract accounting standard that will be effective January 1, 2023. One of the key impacts of this new standard will be a new component to our insurance contract liabilities, the Contractual Service Margin or CSM, for short.

Today, under IFRS 4, we recognize new business gains immediately in income, whereas under IFRS 17, new business gains will be recorded in the CSM and released into income over the life of the contract. Upon implementation, we will present our financial position as though IFRS 17 had always applied and will establish a CSM on our in-force business. As a reminder, the CSM will be treated as available capital under LICAT.

Upon transition and as previously communicated, we expect an approximate 20% net reduction in equity. The establishment of the CSM will be the main driver of the decrease in equity, and we expect the transition CSM balance to be approximately $15 billion post-tax.

Other net asset movements that will arise from the adoption of IFRS 9 and 17 are expected to result in a post-tax net increase in equity of approximately $3 billion upon transition, which is modest in the context of our total insurance contract liabilities.

Turning to Slide 20, which provides an illustration of how the CSM balance is expected to evolve. We expect to continue generating profitable new business, particularly in Asia, which will drive growth in the overall CSM balance and translate into future core earnings. Given the importance of CSM, as previously announced, we will be adding 2 medium-term targets. New business CSM growth of 15% per year and CSM balance growth of 8% to 10% per year.

We expect CSM amortization to be approximately 8% to 10% of the CSM balance per year. With strong contributions from new business and amortization of in-force business, we expect the transition CSM balance to represent a progressively smaller portion of the total CSM balance over time. This illustrates why a growing CSM balance is important to future core earnings growth and why we've issued CSM-related medium-term targets.

Turning to Slide 21, which shows the composition of the transition CSM balance. Asia has been our fastest-growing insurance segment, supported by strong volume growth and attractive margins. Asia will have the largest transition CSM, comprising well over half the total company balance. We expect Asia to remain a major growth driver going forward and its share of the total CSM balance is expected to grow over time.

While Canada and U.S. segments are not expected to grow as quickly, we do expect their CSM balances to grow, albeit representing a declining relative share of the total CSM balance over time, given Asia's higher growth rate. We look forward to continuing the dialogue on IFRS 17 as we approach a live IFRS 17 reporting environment from the first quarter of 2023.

I would now like to turn the call over to Steve Finch, who will discuss the results of our annual actuarial review. Steve?

Steve Finch ***Manulife Financial Corporation - Chief Actuary***

Thank you, Phil, and good morning, everyone. On Slide 23, we have summarized the impact of this year's annual actuarial review, which included our comprehensive triennial review of U.S. long-term care business.

We recorded a modest net gain of $36 million in total, and the impact of the LTC study was approximately net-neutral. In addition to the LTC study, this year's review included mortality, morbidity and lapse assumptions in our Canadian insurance businesses as well as for certain Asia markets, including Vietnam and Singapore, a review of our investment assumptions in North America, and although we did not make any changes to our long-term returns, we benefited from annual updates to our valuation models to reflect market movements during the year.

Overall, our actuarial valuation practices continue to be conservative, and our reserves and margins are appropriately aligned with the risks in each of our businesses.

I will now discuss the results of our comprehensive LTC experience study in more detail. Turning to Slide 24, which highlights the key drivers of our comprehensive LTC study that resulted in a $15 million post-tax charge to net income attributed to shareholders. I will be referencing results in U.S. dollars for the next 2 slides.

This year's review included all aspects of claim assumptions, the impact of policyholder benefit reductions as well as the progress on future premium rate increases. The review of our claim assumptions led to a strengthening of LTC reserves by approximately $2.2 billion. On our older block of business, the claim cost assumptions established at the last triennial review in 2019 remain appropriate in aggregate. This is notable as there are more developed claims experience for the older block of business, and it has been stable.

As the overall LTC block continues to mature, the potential variability in claims experience will continue to narrow. We strengthened reserves for claim costs on our newer block of business driven by active life mortality and utilization, reflecting impacts of inflation to current year. This was partially offset by an update of incidents and claim termination assumptions, which, on a net basis, reduced reserves by $0.5 billion as well as a $0.2 billion decrease in reserves to reflect the fact that some policyholders have been electing to reduce their benefits rather than paying increased premiums on their policies.

Finally, experience continues to support the assumptions of both future morbidity and mortality improvement, resulting in no changes to these assumptions.

Slide 25 highlights the progress we have made to date in obtaining regulatory approval for premium increases. Since 2008, state regulators have approved rate increases amounting to approximately $10 billion on a present value basis to offset higher future claim costs. As at the end of the third quarter, we achieved the entire $1.9 billion in premium increases embedded in our padded reserves at our last comprehensive LTC review in 2019.

Consistent with past practice, we continue to be conservative on how much future premium increases we reflect in reserves. In this year's review, we embedded $2 billion of premium increases in our padded reserves, which is less than 1/3 of the $6.5 billion of total ask. Overall, our approach to premium increases embedded in reserves remains at the conservative end of industry practice with the amount reflected representing only 5% to 6% of our total reserves.

Turning to Slide 26. Our LTC experience study covers 4 years of experience from 2016 to 2019, with 2018 and 2019 being new since the last triennial review. The study and resulting assumptions are based on pre-COVID experience as any potential impacts related to COVID are uncertain over the long term. One notable exception is that we reflected the impact of higher inflation up to the current year.

Since the 2019 study, there has been a significant increase in credible claims data as the block continues to mature. To date, over 200,000 of our LTC policyholders have gone on claim or roughly 15% of the original policyholders. Combined with those who lapsed or died, close to half of original customers are no longer with us.

More importantly, claims data at older ages continues to accumulate. For our older and more mature block, the stability of experience reinforces the adequacy of current claim costs in our reserves. For our newer block, claims data has more than doubled for key assumptions since the last study, providing increased credibility to update our assumptions.

Turning to Slide 27. Our LTC business is among the most conservatively reserved in the industry. Our provisions for adverse deviation continue to represent a significant buffer of 42% over our best estimate reserves. Furthermore, after 4 comprehensive reviews over the past decade, we had only one notable strengthening of reserves. Additionally, policyholder experience has closely aligned with our reserve assumptions, resulting in a modest average annual gain over the same period.

Finally, we have drawn from industry studies to supplement our analysis and engaged independent consultants for detailed reviews of our updated assumptions. As a result, we remain confident in the prudence of our LTC reserves in aggregate.

Turning to Slide 28. In summary, the impact of our actuarial review on net income in the third quarter was a modest net gain of $36 million in total and approximately net-neutral for LTC. For LTC, we have higher confidence in the prudence of our LTC reserves given the significant increase in credible claims data as the block matures. After 4 comprehensive assumption reviews over the past decade, we have strengthened reserves only once.

Additionally, policyholder experience is closely aligned with our reserve assumptions, resulting in a modest average annual gain over the same period. We also have a strong track record of obtaining approval for rate increases and our approach to embedding premium increases in LTC reserves remains conservative.

Overall, our LTC business is among the most conservatively reserved in the industry with a margin of 42% or USD 10.5 billion over our best estimate reserves.

This concludes our prepared remarks. Before we move to the Q&A session, I would like to remind each participant to adhere to a limit of 2 questions, including follow-ups. This will help to ensure that everyone will have an opportunity to ask a question.

Operator, we will now open the call to questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

And the first question is from Gabriel Dechaine from National Bank Financial. Please go ahead.

Gabriel Dechaine ***National Bank Financial, Inc., Research Division - Analyst***

Good morning, quick questions here. How much does your CAT reinsurance business make per year? I guess, I mean, we've had big losses this year, last year, and just wondering the size of the business relative to what we have noticed lately.

Phil Witherington ***Manulife Financial Corporation - Chief Financial Officer***

Gabe, it's Phil. Thanks for the question. So if we -- I think it's better to look back at the CAT business over a period of time. And I think that's what you're getting at. If we look at the track record over the past 10 years, the business has generated earnings well in excess of USD 0.5 billion net of all the claims over that period. So on average, and this is quite precise, but on average, that's USD 57 million of profit per year.

Now one additional important point that you may be getting at here is, we have recognized a claim in the current period. And that's USD 200 million pre-tax. The post-tax number is $256 million on a Canadian-dollar basis. That doesn't represent the actual net income -- expected net income for the business. If we take into account the premiums that have been collected on that business, we're expecting a loss of $80 million this year, all else remaining equal. And so $80 million in the context of average earnings over the past 10 years of $57 million, the claim year represents about 1.5 years' worth of profits.

Gabriel Dechaine ***National Bank Financial, Inc., Research Division - Analyst***

Okay. So that's greater than $0.5 million -- $0.5 billion US over the past 10 years net of claims like such as this one? Is that -- did I understand that correctly?

Phil Witherington ***Manulife Financial Corporation - Chief Financial Officer***

Yes. Spot on. And in terms of ROE and return on capital, that's a 25% ROE.

Gabriel Dechaine ***National Bank Financial, Inc., Research Division - Analyst***

Okay. Great. And then my next -- last question relates to the actuarial review. I saw the lapse component there, nearly $200 million reserve strengthening. My mind immediately went to secondary guarantee UL, which is pretty topical these days, given some charges taken by peers. But it was explaining that it was more the product in Singapore that were having some lapse challenges, I guess. That's a pretty new business, well, at least with regards to DBS, that partnership. I suspect it doesn't relate to those products, but maybe older ones. And maybe you can expand on what you're seeing in that market related to lapse.

Steve Finch ***Manulife Financial Corporation - Chief Actuary***

Sure, Gabe. It's Steve here. I'll touch on that. And to your point, on secondary guarantee UL. No, the lapse study did not include secondary guarantee UL. We were fully up to date on those assumptions leading at the end of the pandemic, and we've strengthened reserves on that business over time. In terms of what we saw in this year's study, it was primarily related to Singapore and Canada.

In Singapore, we reviewed our index-linked products and reviewed the emerging lapse experience on that business. And effectively, we increased lapse rates assumed in the reserves, which lowered future fee income. That product is sold by multiple distribution channels.

In Canada, it was on our term insurance business where we reviewed the experience on renewal. So when customers get to the end of their premium-paying period and there's a change in premiums, we reviewed the assumptions there and had a modest strengthening there as well.

Gabriel Dechaine ***National Bank Financial, Inc., Research Division - Analyst***

Alright thanks. Two questions.

Operator

Thank you. The next question is from Meny Grauman from Scotiabank.

Meny Grauman ***Scotiabank Global Banking and Markets, Research Division - MD of Financial Services Equity Research & Analyst***

Hi. Good morning. Steve, you talked about embedding USD 2 billion of assumed future premium rate increases and that's out of $6.5 billion -- $6.5 billion ask. And I'm just wondering how you get that $2 billion? Is there something different about that $2 billion more likely to get that $2 billion versus the balance?

Steve Finch ***Manulife Financial Corporation - Chief Actuary***

Sure, Meny. And maybe a little bit of context as I explain what we decided to embed in the reserves. We've been managing this business well over the past more than decade. We were early to recognize emerging experience challenges, and recognize the need to increase premiums. And you can see in the slides that we have got a strong track record of success with achieving close to $10 billion of present value of premium increases over time.

We do maintain a conservative position in terms of how much future increase we want to embed in reserves. So you saw in the last study in 2019, we embedded $1.9 billion out of $6 billion ask at the time. And that was conservative. We actually achieved that in 3 years. It's a lifetime assumption, but we were able to achieve it in 3 years.

So as we move forward to the current study based on what we're seeing in terms of the claims cost, we reviewed the premium increases that we expect to file. We update for outstanding approvals plus add on any new approvals that we're seeking. And that gets us to a total ask coming out of this review of $6.5 billion, but we chose to only embed $2 billion even though, over time, we expect to achieve significantly more than that.

Meny Grauman ***Scotiabank Global Banking and Markets, Research Division - MD of Financial Services Equity Research & Analyst***

So it's not like that $6.5 billion has different probabilities in different buckets. Is that correct? In terms of your ability to -- or what do you think you'll be able to get, you view it all the same. Is that correct?

Steve Finch ***Manulife Financial Corporation - Chief Actuary***

Yes. I mean we look block by block. We look state by state, very granular. The thing I'd note for you is that in the review, the strengthening of claims cost was on the newer block of business. There's a longer runway on that business to achieve premium rate increases versus the older block.

Meny Grauman ***Scotiabank Global Banking and Markets, Research Division - MD of Financial Services Equity Research & Analyst***

And then just as a follow-up in terms of risk to not being able to get some of those price increases. The question is, will recession impact your ability to get approval from states? Like does that have any impact?

Steve Finch ***Manulife Financial Corporation - Chief Actuary***

We've been -- we've had a consistent ability to achieve these rate increases over time. We see that across the industry as well. And the contracts do allow for it. If we have strong actuarial justification for the rate increases, the contracts allow us to achieve those re-rates. And you know I got that question at the start of the pandemic, would the pandemic actually impact our ability to achieve re-rates? And we have seen that we have continued to maintain very consistent progress. So that's my expectation going forward regardless of whether there's a recession or not.

Roy Gori ***Manulife Financial Corporation - President & Chief Executive Officer***

Meny, I might just add, this is Roy here, that in addition to seeking price increases from the various regulatory bodies, we've also offered options for customers to have benefit reductions. That certainly makes getting approvals easier, and it makes it also easier for us to engage with customers on the options that they have as it relates to the price increase. So -- and from our perspective, they're both equal from a reserving perspective.

So we absolutely feel confident around our ability to get what we've put into our reserving assumptions. We've demonstrated that over the years, as Steve highlighted. And I think with our benefit reduction options that are available, that gives us even more confidence around the conservatism that we've got in our reserves.

Meny Grauman ***Scotiabank Global Banking and Markets, Research Division - MD of Financial Services Equity Research & Analyst***

Thank you.

Operator

The next question is from Paul Holden from CIBC.

Paul Holden ***CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research***

Good morning. So first question for you is maybe an update on the sales outlook for Asia. And I guess, Hong Kong, specifically. Results this quarter, I think, were a little bit weaker than we were expecting. Clearly, some mobility/pandemic-type hangover still in Hong Kong in Q3. But how are things trending Q4 to date? And maybe just an outlook as things are opening up, what should we be expecting for sales?

Damien Green ***Manulife Financial Corporation - President & CEO, Manulife Asia***

Yes. Thanks, Paul. It's Damien here. Firstly, let me just refer to the first part of your question on sales outlook from Asia and then I'll address specifically how we see Hong Kong. We're definitely cautious in the short term, given the capital-market volatility and dampened consumer sentiment in some of our markets in the Asia segment. Long term, though, the fundamentals from our perspective remain positive and in many ways, unparalleled based on demographics and expected economic growth throughout the segment. So we continue to have conviction in our ability to deliver on our 15% core earnings growth target in the medium term.

We're focused on material opportunities across Hong Kong, China, emerging markets, where we've registered double-digit growth, strong year-on-year double-digit growth in all key financial metrics in the third quarter. And in Singapore, where we -- it's a powerfully positioned economy, and we have an unrivaled distribution reach through bancassurance and independent advisory channels. If I'm just turning to Hong Kong there, I'd like to give you a flavor for what's happening here before giving you a sense of our outlook.

In Hong Kong, year-on-year comparator is quite -- over 2021 was quite a challenge for us. We delivered an outstanding performance in 2021 on top of the strong performance in 2020 and in fact, exceeded pre-pandemic growth levels in Hong Kong in that year. So in some ways, we're competing with ourselves on the year-on-year comparator having outperformed the market considerably in that year.

Now some of the headwinds that we faced earlier in the year in Hong Kong in the second quarter persist into the third quarter. We are seeing some relaxations in quarantine requirements. We have seen some gradual reopening and certainly some signs of recovery in Hong Kong, which is positive and important. However, the challenges remain driven by weakened macroeconomic environment and capital-market volatility.

And underscoring this, in the third quarter of this year, we registered the third consecutive quarter of GDP decline in Hong Kong of 4.5%. And I guess you've seen the wild gyrations in the Hang Seng Index as well in late October through to now. But in terms of outlook in Hong Kong, we are encouraged by the return of gradual business momentum that we're currently seeing. We registered quarter-on-quarter growth in core earnings in the third quarter. Sales are beginning to stabilize, driven by quarter-on-quarter Agency APE sales growth of 8%, which is pretty robust in this environment.

Within that, we saw successive month-on-month growth in APE sales throughout the quarter. And just to focus on value here in Hong Kong, we refuse to accept trading-off margin and value growth even when the top line is under pressure. We've been tightly focused to our agency channel in Hong Kong on outstanding high-value product mix around health and protection. And we, in fact, grew our NBV margin in the Hong Kong business by 12 percentage points up to almost 83%, up 2.2 percentage points for the quarter as well over the third quarter. So -- which is a record for us.

So by and large, we remain cautious in the short term, at both the segment level and in Hong Kong, given the uneven recovery that we're seeing across geographies in the pandemic and particularly the consumer sentiment on the native side in Hong Kong, but we're seeing the signs of recovery, and we have conviction on the long-term growth opportunities. Thanks for the question, Paul.

Paul Holden ***CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research***

All right, thanks for the answer. And then my second one is just going back to the long-term care reserving and those embedded price or premium rate increases. I guess first part of the question is, can you clarify whether that $2 billion is the total amount that's included in the current reserves? Or is there anything sort of left over from prior assumptions?

And then the second point is, you know Steve, I think you mentioned that contractually, you're allowed to increase the premiums. What is it specifically, I guess, embedded within those contracts that allows you to trigger premium-rate increases? Because I think, obviously, there's going to be some questions on your ability to achieve that. And just maybe help to understand what contractually is allowed?

Steve Finch ***Manulife Financial Corporation - Chief Actuary***

Yes. Thanks, Paul. In terms of the $2 billion embedded in the reserves, and you were asking if there was any sort of true-up versus prior. It was a -- it just so happened that the amount that we had embedded in the reserves previously is almost exactly what we had achieved as of this review. So the $2 billion reflects an update forward-looking going forward. But yes, no meaningful true-up based on the success that we had achieving the increases.

And then contractually, the contracts are term-guaranteed renewable, which means that they are not fully guaranteed that we can seek premium increases. And the requirement, you can think of it as we have to demonstrate to each individual state that our projected claims costs are actuarially justified. So that's why we talk so much about a focus on data, understanding our experience, and that's effectively how you should think about the requirement. And the states do review our filings very closely.

Paul Holden ***CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research***

Okay, got it. Thank you Steve.

Operator

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

Doug Young ***Desjardins Securities Inc., Research Division - Diversified Financials and Insurance Analyst***

I'll stick with you, Steve. Looking at Slide 26, on long-term care insurance claims data. I mean how important is it to have more certainty in data on how claims are going to unfold to get out part -- outside parties interested in this block? Because obviously, this is part of the legacy block and you're looking at ways to move that legacy block to reinsurance. And maybe within the same vein, if you can talk a bit about an update on where we stand in terms of options to reinsure all or more important parts of that block?

Steve Finch ***Manulife Financial Corporation - Chief Actuary***

Sure, Doug. I'll start, and then I'll pass it over to Marc Costantini to add his thoughts. From my perspective, I think the accumulation of additional claims data is really important. We saw in variable annuities, we couldn't have done the transaction that we did 3 to 5 years ago, and we've talked about how, as the block matured, we got past surrender charge period, more data, the range of outcomes narrowed. And I expect the same thing to happen on long-term care, which is why I highlighted on the older business, more mature block. We've got a lot of claims data there, and we didn't need to strengthen reserves or claim costs in aggregate on that business.

I fully expect that as -- and we are accumulating significant data on that newer block, the range of outcomes will continue to narrow, which I think makes it more possible to transact, but Marc, I'll pass it over to you.

Marc Costantini ***Manulife Financial Corporation - Global Head of Inforce Management***

Yes. Thank you, Steve, and thanks for your question, Doug. I mean the only thing I would add to Steve's comments, have to do with the interest rate environment that has been increasing, which I think has a positive tailwind to transacting on a business like this. But as Steve said and my perspective, being here 5 months back at Manulife, is that exactly what Steve said, credible experience, predictable experience, ability to push these rate increases that you guys have been asking questions on is very, very good in terms of looking at the ability to transact over time on blocks that demonstrate all of those qualities. So I'll leave it at that.

Doug Young ***Desjardins Securities Inc., Research Division - Diversified Financials and Insurance Analyst***

And if I can just follow up, Marc or Steve, what is that magic number and maybe there isn't one, but like at the older block, is it -- do you have 50% of the policies that are unclaimed? Is that the magic number I think that was around what it was for the VA block? Can you talk a bit about that? And what -- how much of the role the block is on claims relative to what the general total block?

Marc Costantini ***Manulife Financial Corporation - Global Head of Inforce Management***

Yes. Steve, do you want me to take that one?

Steve Finch ***Manulife Financial Corporation - Chief Actuary***

Yes. I'm happy to start on that one. I think you know it's -- what really matters, and Marc, I'll pass it back to you for additional comments. But what really matters is claims when people are in their 80s and 80 -- getting over 85, that's when people use these benefits. So if you look at the data that we provided at Investor Day, you can see on the older block of business, you know, our -- we're up to the -- those not on claim, they're in their 80s. And the newer block more mid-70s. So, you know, over time, as we get into the 80s, I think that's when we start to get more certainty. Marc?

Marc Costantini ***Manulife Financial Corporation - Global Head of Inforce Management***

Yes. No, so I was going to say the exact same thing. And we have a number of the older blocks that are starting to demonstrate those -- that experience. And I think the key question is, as we have discussions with various parties, how they see this. And the other thing that I would say is important here is that the blocks of business have predictable cash flows in the short term, which is typically what buyers are interested in.

So it all depends, you know, how you package the overall information to the markets and how they receive it in the current environment. But we'll feel it over time that there will be a market for this business.

Doug Young ***Desjardins Securities Inc., Research Division - Diversified Financials and Insurance Analyst***

Thank you.

Operator

Thank you. The next question is from Tom Gallagher from Evercore ISI. Please go ahead.

Thomas Gallagher ***Evercore ISI Institutional Equities, Research Division - Senior MD***

Good morning. Just a follow-up on the review. The $1 billion charge that you've taken, I guess, on a gross basis for inflation, it sounds like that's a true-up to your experience to date. Can you talk about how much inflation you've actually seen so far, like what the percentage change has been? And also whether you've made any future changes to claim costs and inflation?

Steve Finch ***Manulife Financial Corporation - Chief Actuary***

Sure. Thanks, Tom. It's Steve. You caught that correctly. We -- in the review, the update to our utilization assumptions, we reflected experience that we're seeing, which included, we wanted to make sure that we were up to date in terms of what we've seen on cost of care inflation. And over the past 3 years, we've seen roughly 4% to 4.5%. That was higher at the end of the period, but on average, that's roughly what we saw.

In terms of our go-forward outlook, we -- you know, I think it's important on LTC in particular, to take a step back and look at this holistically. It's a very long-term business. We do have inflation assumptions in the reserves to reflect higher cost of care over time. So we do have that in our reserves, of course. And there's -- you know, I think there's a number of trends that could emerge here. You know, we've seen during the pandemic, some tailwinds that we could see going forward. And we didn't reflect pandemic experience in this review, right?

So when you see that we had positive experience over the past several years, we did not reflect that. We're taking that approach because over the long term, we want to see experience emerge before we adjust long-term assumptions. So some of the tailwinds that we saw in terms of reluctance of consumers to seek care. We saw trends for customers where they did seek care, they were more often seeking care at home versus facilities or nursing homes, which is a lower cost to us.

And then if you think inflationary environment overall, yes, if they were higher than our valuation assumptions in terms of inflation of cost of care, that would be a headwind. But if you look more broadly in the company and also backing our long-term care business, we would expect to see in a prolonged inflationary environment, higher nominal returns on our ALDA portfolio. So the way we've been managing this business over time is really drill in on the data, reflect the experience that we see, manage our claims costs, seek and achieve the actuarial -- just actuarially justified rate increases. And that approach has served us very well.

Thomas Gallagher ***Evercore ISI Institutional Equities, Research Division - Senior MD***

Thanks, Steve. So it's been running around 4% to 5%, and you're assuming that will fade as we get out of the pandemic. Is that a correct interpretation?

Steve Finch ***Manulife Financial Corporation - Chief Actuary***

Our long-term assumption is, yes, below what we've seen in the last couple of years.

Thomas Gallagher ***Evercore ISI Institutional Equities, Research Division - Senior MD***

Okay. And then just one follow-up on the actual experience in the quarter for the unfavorable policyholder experience. Was that -- on the long-term care part in particular, was that frequency? Or was that cost of claim or both?

Steve Finch ***Manulife Financial Corporation - Chief Actuary***

Yes. The LTC experience this quarter was a modest negative. So there was nothing really to call out there. The one thing we did see was, we saw, as we expected, consumers or policyholders seeking care again. So we saw higher incidence, but we had established during the pandemic an IBNR for that risk. And we released a portion of the IBNR. We continue to hold a material IBNR for the block of about USD 85 million.

Thomas Gallagher ***Evercore ISI Institutional Equities, Research Division - Senior MD***

Thanks.

Operator

The next question is from Tom MacKinnon from BMO Capital Markets.

Tom MacKinnon ***BMO Capital Markets Equity Research - MD & Analyst***

Yes, thanks very much and good morning. Just a question on maybe an update on excess capital. I think you used to say it was around $10 billion, but that was with a higher LICAT ratio. I think it was north of 140% maybe when you gave us that, it's 136% now. And the leverage then was lower, somewhere around 25%, and it's closer to 29% now. So just not sure how you incorporate leverage with respect to this excess capital calculation. And any update there? Any update on what you think you want to do with it, I mean, even buying back some stock. But are there opportunities to deploy this in other ways? What's the outlook there? And then how would -- what's your thinking of how this excess capital would change as we move into IFRS 17?

Roy Gori ***Manulife Financial Corporation - President & Chief Executive Officer***

Tom, Roy here. Thanks for the question. Let me start, and then I'll hand over to Phil. I guess the first thing I'd say is, as you rightly point out, we are in a strong capital position, LICAT ratios at 136%, which we feel very good about. We were very purposeful about building capital over the last 5 years to put us in a position of strength and it served us well, especially in the uncertain environment that we've been in over the last 2.5 years and the uncertain environment that we're in right now.

So I think that's certainly been a part of our strategy, and we're very happy about that. That 136% LICAT ratio means that we've got about $23 billion above the supervisory minimum. And it's about $9 billion above the upper operating range. So I think that gives you a bit of a sense on where we're at versus the upper operating range, which is very significant. We've been prudent with deployment of capital, but we feel that there's certainly a lot of value that we can create for shareholders through our deployment, and that's why we were very active with our NCIB, as Phil highlighted.

We've already deployed $1.4 billion thus far this year to buying back stock, and that represents about 3.1% of outstanding shares. And we remain active in that space. So we're committed to continuing our NCIB and continuing to create value for shareholders, especially with the share price being as low as it is. We think this is a great tool for us to create value for shareholders. So that's going to definitely continue. Obviously, dividend increases is something that we've always been focused on. We've got an attractive dividend. In Q4 of 2021, we'd increased our dividend 18% as, again, a way of creating value for shareholders. And we've been selective in the M&A space over the years.

In '22 -- in Q1 of '22, in fact, we did the 16-year Banca deal in Vietnam with VietinBank, 14 million customers, we got access to through that transaction. We acquired the Aviva Vietnam portfolio in Q4 of '21. We extended Danamon in Q1 of 2020, and we entered the JV with Mahindra in India in 2020. So I think what I would leave you with is that we are in a strong capital position. This does put us in a good position to create value for shareholders, and we will continue to focus in that space, but we're also going to be prudent. We want to make sure that when we deploy capital, we do it in a very sensible way.

Phil Witherington ***Manulife Financial Corporation - Chief Financial Officer***

Thanks, Roy. And Tom, this is Phil. Just to add a couple of points to address a couple of elements of your question. On the leverage ratio, 25% remains our medium-term target. And really, the main driver of variability that we've seen from quarter-to-quarter has been movements in book value in response to interest rates. And that's something that we think largely goes away under IFRS 17. We expect to see a much more stable book value in an IFRS 17 environment.

The -- more generally, to your point on IFRS 17, we did disclose last quarter that we expected to see stability of the LICAT and our capital strength on transition to IFRS 17. Nothing has changed there. It continues to be the case. And therefore, in terms of our confidence in capital deployment, IFRS 17 is not something that is a concern for us.

Tom MacKinnon ***BMO Capital Markets Equity Research - MD & Analyst***

And is there any movement to try to bring that 29% leverage back down to 25%? Or what's your feeling with respect to that?

Phil Witherington ***Manulife Financial Corporation - Chief Financial Officer***

Yes, Tom, this is Phil again. It's a good question. We actually have announced in the course of October that we will redeem $1 billion of subordinated securities on the 22nd of November. We have no need to refinance that redemption. In fact, we had proactively prefinanced earlier this year when the rate environment was more favorable. So that's something that will reduce the leverage ratio in the order of 1 percentage point. And we continue to look at opportunities to manage the leverage ratio to the 25% medium-term target.

Tom MacKinnon ***BMO Capital Markets Equity Research - MD & Analyst***

So generally, it doesn't sound like there's any -- would you look at doing anything transformational with respect to all this excess capital? It just seems to be various tuck-ins, have -- would you look at sizably increasing presence in Asia? What are your thoughts with respect to something along that as opposed to various smaller deals? Or is there anything immediately on the horizon with respect to a substantial bank assurance deal that could be coming or that you might be interested in? Looking for something along those lines, if you could care to comment. Thanks.

Roy Gori ***Manulife Financial Corporation - President & Chief Executive Officer***

Yes. Thanks, Tom, Roy here. So I think the first thing that I'd say is that given the footprint that we have, I think we're really in a very strong and unique position to achieve our medium-term targets and grow quite significantly through the footprint that we already have. So I think the good news is that we don't need to do any transformational M&A to achieve our targets. That's true in Asia, and it's certainly true in our WAM business, because of the breadth and depth of our franchise, both geographically, but also from a business-line perspective.

So I think that puts us in a position of strength. And it means that we don't have to deploy capital to achieve our targets. So that's the first thing that I would say. When we do deploy capital to M&A in particular, we want to make sure that we can deliver the returns that we are seeking. So again, it's easy to do a transaction, but ensuring that you're executing against it is more difficult than, quite frankly, more important.

So we're always open to looking at those transactions and being in a strong capital position means that we can actually entertain them, which is great. Not having to do them, means that we can be confident that when we do transact, we can do it in a way that is attractive and creates value without much risk. So we continue to look at those, and there are opportunities. And quite frankly, in a more challenging environment as we're seeing at the moment, that perhaps we'll continue to see in the next year or so, I suspect that there may be more opportunities to deploy capital inorganically and we'll definitely look at those.

In the meantime, we think that dividend increases, NCIB and being very smart about our organic deployment will create a lot of value for shareholders.

Operator

Thank you. The next question is from Mario Mendonca from TD Securities. Please go ahead.

Mario Mendonca ***TD Securities Equity Research - MD & Research Analyst***

Steve, if we could go to the assumption review for a moment. I'm looking at Slide 23. The net number is modest. Let's think about IFRS 17. In IFRS 17, the adjustment -- the net number would not have gone to earnings, it would have gone to the CSM, I suppose. But is that the only change for assumption reviews under IFRS 17? What I'm getting at here is, are there any offsets, like, for example, the increased higher prices in long-term care. Is there anything about IFRS 17 that would impact the offsets, impact your capacity or ability to assume price increases or any other updates like the other updates amount for $212 million? Does IFRS 17 change that in any way?

Steve Finch ***Manulife Financial Corporation - Chief Actuary***

Thanks, Mario. And at a high level, there -- I'll highlight one change, but the IFRS 17 is principles-based. So we will continue to set best estimate assumptions and a risk adjustment. So the one notable item is investment. We will no longer link our assets and liabilities in the valuation. So we won't see changes in ALDA assumptions, that kind of thing going through. But related to premium increases, it would work the same. The discount rates will be slightly different block by block, but not that big a change.

So nothing terribly notable there. And you're correct, that assumption changes will go through the CSM as long as there is a CSM. If the CSM on any particular cohort of business were 0, it would go to net income. So those are the key things to highlight.

Mario Mendonca ***TD Securities Equity Research - MD & Research Analyst***

I think that then that the investment-return assumption, the $157 million under IFRS 17 wouldn't be there?

Steve Finch ***Manulife Financial Corporation - Chief Actuary***

That is, yes. I think that's right. But I also want to note that I don't know yet what the assumption updates. We haven't got all the results of the models embedded under IFRS 17, there will be other noise, like I said, from discount rates. So I don't want to guide to what the assumption review would be under IFRS 17.

Mario Mendonca ***TD Securities Equity Research - MD & Research Analyst***

Quick question then on earnings on surplus. I appreciate the seed capital discussion. But could you talk a little bit about the potential that earnings on surplus improves over time as the portfolio is reinvested. Would I be correct in saying that some of the AFS book is extremely long term, so we may not see any real improvement in earnings on surplus for some time? Or is there a portion of that that's sufficiently short term that we could see an improvement in earnings on surplus reflecting the increase in interest rates?

Phil Witherington ***Manulife Financial Corporation - Chief Financial Officer***

Yes. Mario, this is Phil. I'll take that one. And you're right, there is -- the AFS portfolio is a long portfolio, but there are also some shorter instruments within the surplus portfolio as well. Actually, if we look at the run-rate benefit that we've seen so far this year. So within Q3, we've seen a run-rate benefit on earnings on surplus in the order of $90 million pretax. And about 1/3 of that benefit, 1/3 of that uplift has come from high yield on short-term instruments and 2/3 -- about 2/3 has come from improved yield on the AFS portfolio. And that largely comes from a combination of natural turnover of the portfolio, combined with some trading that has given rise to some realization of losses into net income.

But it's something that, as you can see from our total net income results for the full year has not impacted net income relative to core earnings. In fact, net income is higher on a year-to-date basis than core earnings. So I would anticipate that, that run rate will stick with us. And as interest rates rise and as we stay in this environment for a longer period of time, that's something that could well increase in the quarters to come.

Mario Mendonca ***TD Securities Equity Research - MD & Research Analyst***

Did you say $19 million or $90 million?

Phil Witherington ***Manulife Financial Corporation - Chief Financial Officer***

Sorry, $90 million, $90 million, 9-0.

Mario Mendonca ***TD Securities Equity Research - MD & Research Analyst***

From what period to what period? I didn't quite follow that.

Phil Witherington ***Manulife Financial Corporation - Chief Financial Officer***

That -- if we -- that's this year. So if you look at how much is accumulated into the run rate Q1, Q2, Q3.

Operator

Thank you. The next question is from Lemar Persaud from Cormark Securities.

Lemar Persaud ***Cormark Securities Inc., Research Division - Research Analyst***

I want to move to IFRS 17, so probably most appropriate for Phil. And specifically, what I'm talking about here, what I'm looking at is the CSM amortization of 8% to 10% per year. Can you talk about how that 8% to 10% amortization rate evolves as we see the CSM mix shift over to Asia? Or are we intended to expect that 8% to 10% range to remain static even as that CSM balance shifts to Asia and outside of Canada and the U.S.? Thanks.

Phil Witherington ***Manulife Financial Corporation - Chief Financial Officer***

Yes. Thanks for the question, Lemar. This is Phil. The -- our modeling suggests that the 8% to 10% that we've guided to today will actually be very stable over time. And that's because we are at scale. We do have a large in-force portfolio. And to the extent that we write new business that would have a longer expected or a longer life at the time that we write the business, we would also see the in-force block maturing. So at least for the foreseeable future, 8% to 10% is a good number.

And I think what's also interesting along the lines of your question is that when we look at the 8% to 10% that we've guided to today, it's actually largely consistent between each of our insurance segments, Canada, the U.S. and Asia. And what that represents is that although we have some business that does have a long life, particularly in the legacy portfolios of North America, that business has been on the books for a long time. So it's not something that is materially extending the amortization profile of CSM.

Lemar Persaud ***Cormark Securities Inc., Research Division - Research Analyst***

Okay. That's helpful. Thank you for that. And then my second question, I want to circle back to wealth management. I'm wondering if you can help me understand the net flows and what's kind of driving that positive result despite what we're seeing in terms of interest rates in weak markets? So like what's driving that? Like is it flows from the AUM managed on behalf of other segments? Is it just that you guys are scaling up in certain markets? Any color there would be helpful.

Paul Lorentz ***Manulife Financial Corporation - President & CEO, Manulife Investment Management***

Yes. Thanks for the question, Lemar. We've been really, really pleased, as you can tell from the flows considering the difficult markets across equity and fixed income. And the $3 billion was we were positive, not just in the quarter, but positive across all 3 business lines, so Retail, Retirement and Institutional. In Retirement, we're seeing higher-member contributions amid the market. People aren't taking money out, but they continue to put money in, and that's definitely helping across all of the platforms. In Retail, while we have seen kind of a shift there, we feel really good about how well we're positioned. Our redemption rate in the U.S., in particular, is below industry-average.

We've got really strong market share across all of our markets. And we've been able to drive sales in different markets, particularly in Asia, to help offset some of the market pullback that we were seeing. So we feel really good about that. And our long-term investment performance is also strong. But I think what's more important is that, our strategies are performing as expected in this difficult market, and that bodes well in terms of just those that purchased our products, understand how it should perform and it is performing. And we have not seen redemption spike up in this market, which really makes us feel confident that we're positioned well as this turns around.

And then on the Institutional side, Institutional investors tend to be longer term. So short-term volatility typically doesn't get in the way of RFPs and activity there, and we're seeing some good activity. So when we look forward, when we look at our investment performance, how well we fared and just our leading market share, we feel on a relative basis, well positioned. Having said that, we're not immune to market volatility. You know, and I think September was the worst month of active flows in the U.S. since March of 2020. So we'll see what happens with markets. But again, relatively, we feel we're well positioned.

Lemar Persaud ***Cormark Securities Inc., Research Division - Research Analyst***

Thanks. I will stick to the two questions.

Operator

The next question is from Nigel D'Souza from Veritas Investment Research. Please go ahead.

Nigel D'Souza ***Veritas Investment Research Corporation - Investment Analyst***

I wanted to follow up again on LTC and the claims data you highlighted on Slide 26. When I look at the data for the older and newer block, my understanding is the difference there, is being driven by differences in the average age of policyholders. So just trying to get a sense of if you normalize for differences in age across those blocks, is the current level of claim counts tracking to match the older block, more favorable or less favorable then? And where are you seeing the older block for LTC?

Steve Finch ***Manulife Financial Corporation - Chief Actuary***

Sure. Thanks, Nigel. And yes, you got it exactly right that it's the relative age or maturity average age of the block in terms of why there's less data over age 85 currently in that newer block. And there will be a lot of similar characteristics in terms of what we see with the claims experience coming out, but there are nuances in that there were differences in product design, benefits changed somewhat over the years. So it is incredibly valuable to have data specific to a certain contract. And that's what we're accumulating there is data specific to those contracts, because we'll be able to really hone in on those assumptions as we go forward.

And like I said, I expect that sort of range, the fan of outcomes or range of outcomes to continue to narrow as we accumulate that experience.

Nigel D'Souza ***Veritas Investment Research Corporation - Investment Analyst***

But it sounds like you've already reserved based on your best estimates, but you're not yet ready to commit to whether those termination or incidence rates are going to be less or more favorable to you?

Steve Finch ***Manulife Financial Corporation - Chief Actuary***

Yes. It's a good sort of question. We have confidence. I have confidence in the reserves that we've set. I have confidence that we've got enough data to set those reserves. But as you know, I would love to, I can't fully predict the future. So we will continue to track the data over time, but don't -- I have confidence that we have the data to set those assumptions.

Operator

The next question is from Darko Mihelic from RBC Capital Markets.

Darko Mihelic ***RBC Capital Markets, Research Division - MD & Equity Analyst***

Hi, thank you. I wanted to focus on the new medium-term targets, new business CSM growth of 15% per year, and the balanced growth of 8% to 10% per year. Sounds like good numbers. I don't know, I've never seen a CSM before. So maybe one way you can help me understand how aggressive that is. Combining Slide 20 with 21, my assumption is Asia is a big proponent of that. Can you give me an idea of what kind of sales you would need next year to achieve these goals? And just assume the sales mix is the same.

Phil Witherington ***Manulife Financial Corporation - Chief Financial Officer***

Thanks, Darko. It's Phil. And I really appreciate you looking at the IFRS 17 disclosures and asking questions about them. It means a lot to us. In terms of our level of confidence in the new guidance, it's high. I feel it's appropriate. We wouldn't release it unless we felt this was achievable. And in terms of a reference point as to what you could look at, new business CSM generation, directionally, I would expect to behave very similar to new business value. There are some technical differences. For example, new business value includes an allowance for cost of capital. New business CSM doesn't.

But I think a good indication of how achievable this is or what the benchmark would be is whether or not we'd be expecting to grow new business value next year by 15%. And given that we've certainly seen a very challenging environment in 2022, there are potential stimuli on the horizon that could give rise to notable improvements in new business momentum. Damien touched on the potential for that earlier. I think that gives us reasonable confidence that we'll see a similar level of growth in the new business CSM.

Now in terms of the CSM balance, that's something that naturally will grow over time from the accretion of new business CSM, but also it will grow from the impact of accretion of interest that then is offset by the 8% to 10% amortization that was discussed a few moments on the call.

Roy Gori ***Manulife Financial Corporation - President & Chief Executive Officer***

Darko, Roy here. I just want to add a couple of other points. One thing that we've said quite consistently is that IFRS 17 is an accounting standard and doesn't impact the business fundamentals. So the targets that we've established and the guidance we've given around CSM, both balanced growth and new business growth, aren't new ambition for our business in an IFRS 17 world. They are what we would achieve given our current ambition. So our ambition hasn't changed. We're not getting more aggressive or less aggressive. This is what will translate in an IFRS 17 world as it relates to CSM, both balance and new business growth.

And the final thing I'd say is, whilst it's new to everyone, it's really critical to appreciate the value of CSM, which is why we've provided these new targets as guidance. In an IFRS 17 world, you can't just look at earnings to decide how well a company has performed, because you can deliver really strong earnings in the short term, but then dilute or decrease your CSM, which is obviously not a good thing for the future. Because that's future earnings that are not going to be amortizing through. So this is a really important part of how to look at companies like ours in a new world, which is why we've given those targets. Because I think it's critical for us to establish targets and then to be held accountable to whether we're delivering against them as well.

Darko Mihelic ***RBC Capital Markets, Research Division - MD & Equity Analyst***

Yes, that's very helpful. That's very useful. Very quickly for Steve on long-term care. I wanted to get back to the line of questioning that Mario was asking with respect to the difference that I see with your long-term care block is a significant amount of PfADs or excess reserving over and above your best estimate. Another way to think of it is significantly better than statutory reserves. And one of the things that you've had is the flexibility of IFRS 4 to build reserves over time and adjust things as you go. Now clearly, under IFRS 17, more or less the same thing, except for the one thing that keeps coming up for me, which is adjustments happen to the contractual service margin until you don't have a contractual service margin.

So the concern or the thought process here is, as experience -- let's pretend it gets negative and negative, and your contractual service margin keeps going down until it goes to 0. And then you kind of look like a U.S. insurer where you have to unlock and make big reserve changes? Or am I being too paranoid? And so maybe the way to ask this question is how big of CSM is from the long-term care block relative to all the other CSM that you got from the U.S. business? And how hard would it be to deplete that?

Steve Finch ***Manulife Financial Corporation - Chief Actuary***

Sure. Thanks, Darko. And in terms of your point about being able to reflect experience as we go, that does not change. So it will operate very, very similar to under IFRS 4. And I actually just look at the CSM versus net income for this business, is more geography. We will still reflect our premium increase assumptions. And if we got to the point where CSM were depleted, it would go through net income. But that doesn't change the fact that we will continue to have very significant margin in our IFRS 17 reserves.

I can tell you, we'll disclose the details at an appropriate point, but LTC reserves won't decrease under IFRS 17. So we will continue to be very prudently reserved. We'll continue our practice of reflecting experience as we go along and achieving the premium increases, which is fundamental. The rest I kind of view as geography.

Operator

There are no further questions registered at this time. I'd like to turn the call back over to you, Mr. Ko.

Hung Ko ***Manulife Financial Corporation - VP, Group Investor Relations***

Thank you, operator. We'll be available after the call if there are any follow-up questions. Have a good day, everyone.

Operator

Thank you. The conference has now ended. Please disconnect your lines at this time, and we thank you for your participation.