



# Canadian Group Retirement Study – 2023

2023 Insights Partner Report for  
participating Consultants and Brokers

March 2024

# About NMG and the Study

## NMG Consulting

- ▶ NMG Consulting is a specialist multi-national consulting firm focused on insurance and investments
- ▶ Founded in 1992, NMG Consulting has established primary hubs in Toronto, New York, London, Singapore and Sydney



PROTECTION & RETIREMENT



ASSET MANAGEMENT



WEALTH MANAGEMENT



CONSULTING



INSIGHTS



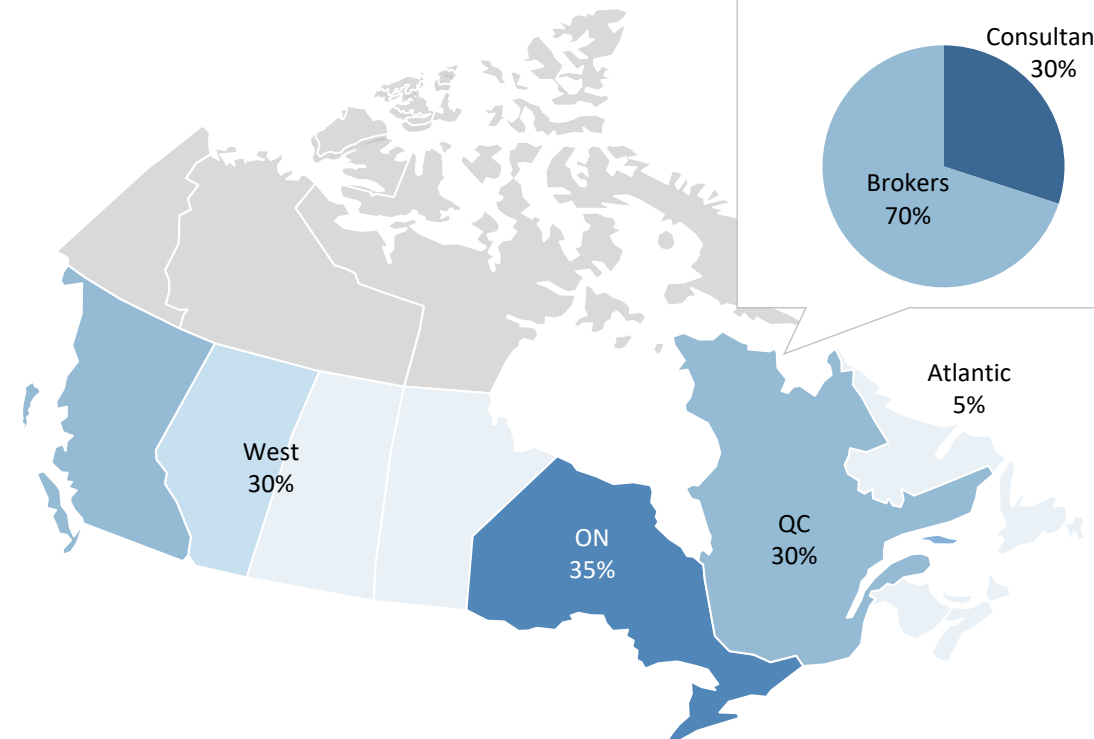
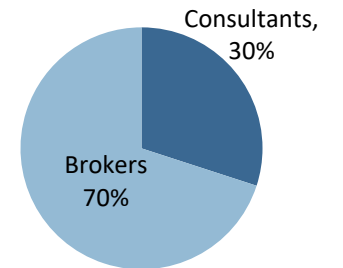
DATA ANALYTICS

## Study Overview

- ▶ NMG completed our 4<sup>th</sup> annual Canadian Group Retirement study
- ▶ Feedback received from 61 consultants and brokers focused on Group Retirement in Canada
- ▶ Objectives for this report is to share feedback with participants on:
  - ▶ Trends shaping the industry
  - ▶ Competitive positioning of providers

Total interviews: 61

Respondent breakdown by business model



# NMG has identified these core themes that drive discussions in the Canadian Group Retirement market



Market dynamics



## Business growth

Virgin clients setting up new retirement plans help grow the retirement industry organically. Intermediaries advocate for clients to market their Group Retirement plans every 4-5 years, with the transition to new providers being influenced by critical factors such as service-related excellence and fee structures



## Group Retirement & Group Benefits integration

One-in-three intermediaries anticipate increased use of same provider for both Group Retirement and Group Benefits, highlighting the advantages of streamlined processes such as single sign-on and an enhanced member experience



## Product-related challenges

Product-related challenges rose as the key concern amongst intermediaries. This included the demand for decumulation solutions, lower fees, and a call for more innovative products



## Decumulation practice

Intermediaries frequently play a crucial role in facilitating the consolidation of products for drawdown, with a common trend of consolidating these assets with the existing Group Retirement provider



## Use of AI

Intermediaries indicated a strong inclination towards leveraging AI for various back-end support functions, including the development of marketing materials and enhancing reporting and communications processes

# NMG has also examined how industry leaders demonstrate core capabilities



**iA Financial  
Group**

iA Financial Group rose as the leader on the BCI<sup>1</sup>, driven by a focus on relationship management and operational capabilities



**Sun Life**

Sun Life ranked 2<sup>nd</sup> on the BCI with strength in technology and thought leadership



**Manulife**

Manulife strengthened to 3<sup>rd</sup> rank on the BCI, with strength in Ontario and West



**Desjardins**

Desjardins is well positioned in Quebec with top-2 BCI rank across consultants and brokers. They are improving outside of Quebec, especially with consultants in Ontario

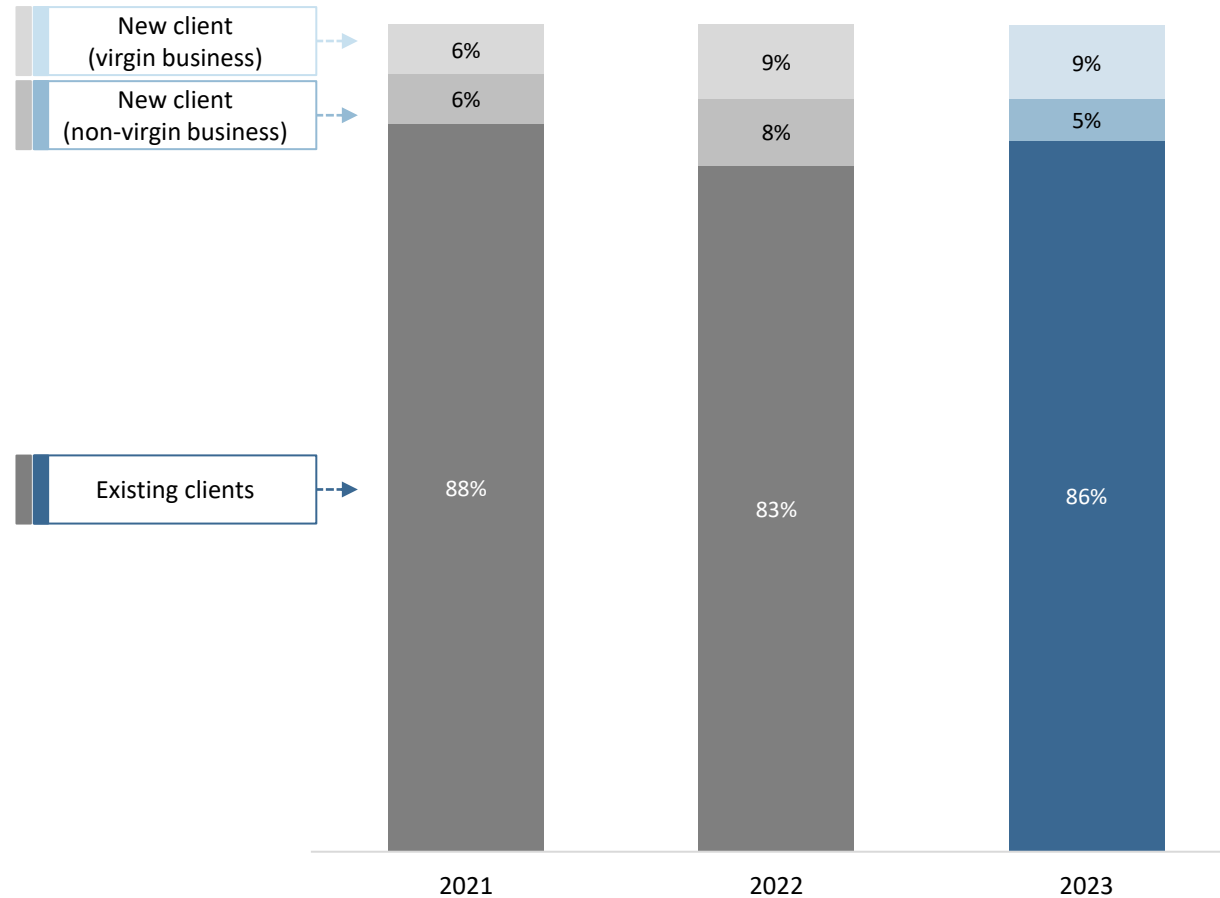


**Canada Life**

Canada Life trailed peers despite improvements in Ontario

# Virgin clients setting up new retirement plans help grow the retirement industry organically across Group Retirement brokers and consultants

**Intermediary client type over the past year**  
(Average % of clients, weighted by # of clients per intermediary)



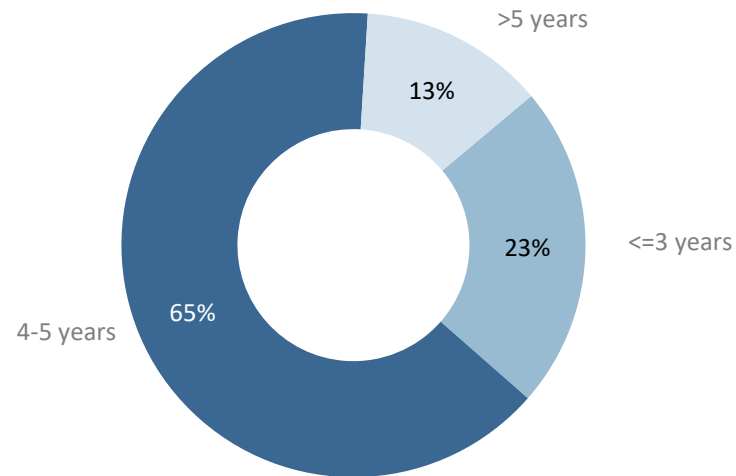
- ▶ The growth in number of plans is primarily driven by virgin plans across start-ups and small to medium sized groups who previously did not have a retirement plan
- ▶ New clients from non-virgin cases have declined this year back to 2021 levels
- ▶ Brokers saw a higher proportion of their new clients sourced from virgin plans, in comparison to consultants

# Intermediaries advise clients to market Group Retirement plans every 4-5 years. Service concerns or fee issues prompt recommendations for switching providers

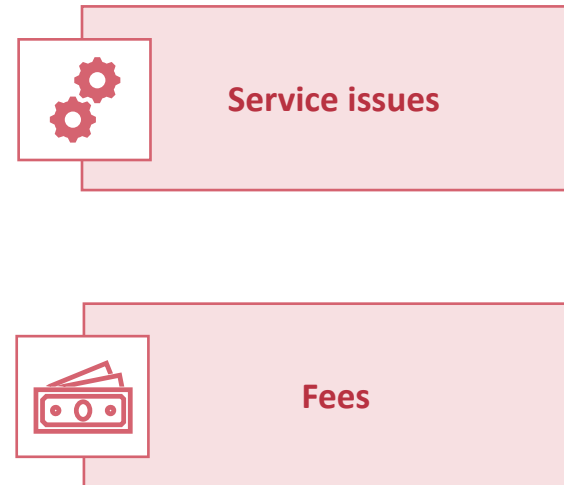
Typical cadence of going to market  
(% of respondents)

4.5

Average cadence of going to market



Top 2 circumstances intermediaries would recommend to switch providers




- ▶ Brokers and consultants generally recommend going to market every 4-5 years
- ▶ Intermediaries will typically recommend switching providers if the client faces persistent service issues or if fees are high relative to peers

# One-in-three intermediaries anticipate increased use of same provider for Group Retirement & Benefits, citing single sign-on & member experience as key advantages



Outlook for selecting the same insurer for Group Retirement & Group Benefits  
(% of respondents)

36%



of intermediaries expect the usage of the same insurer for Group Benefits and Retirement to increase

Top advantages from using same insurer for Group Retirement & Group Benefits



## Single sign-on

Better familiarity with portal/site architecture, increased convenience



## Seamless member experience

Easier access to information and HR services, such as payroll feed



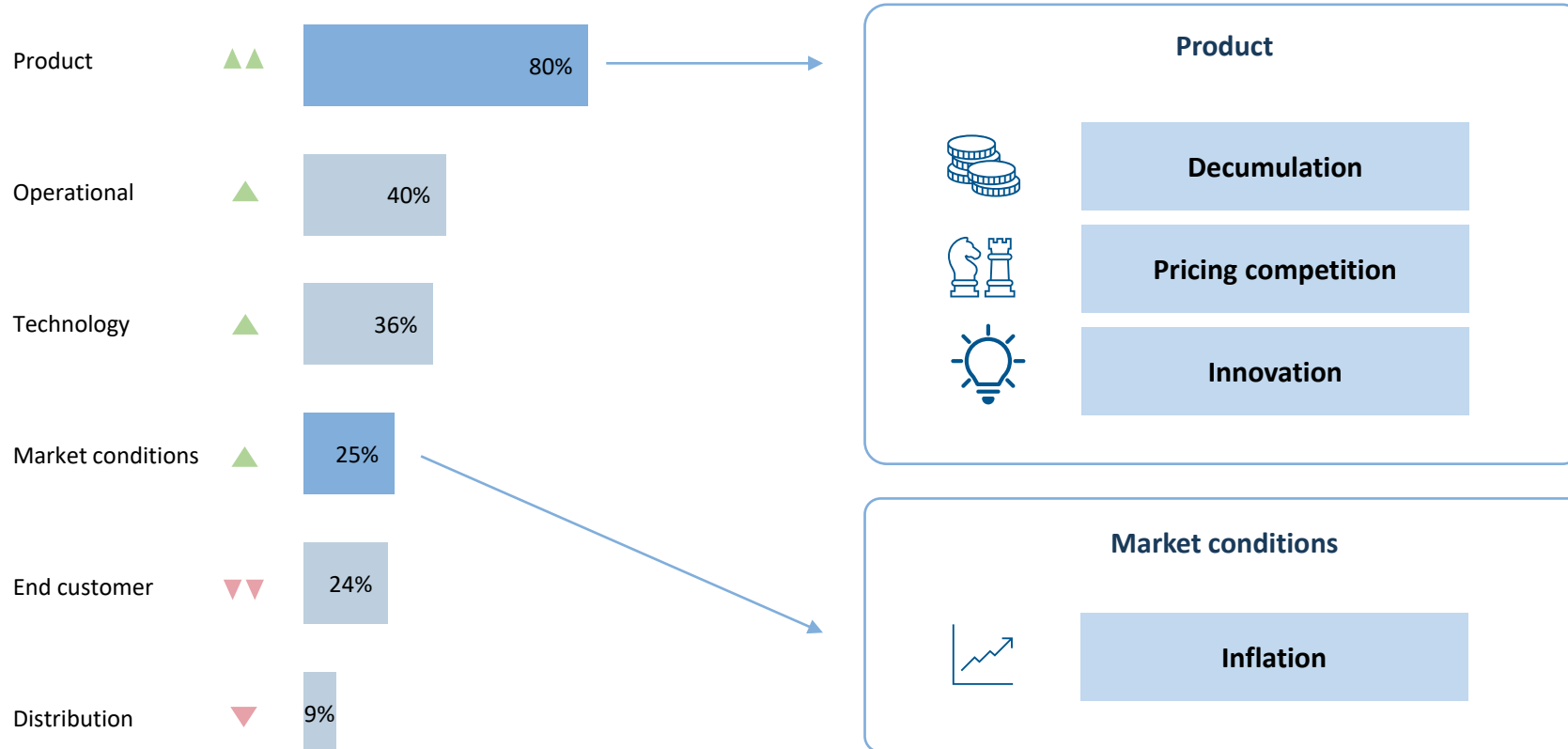
## Plan sponsor admin efficiency

Back-end administrative functions, such as integration of HR and payroll systems

- ▶ Over 35% of intermediaries believe that the trend of using the same insurer for group retirement and group benefits will increase in the next 12 months
- ▶ The key advantages for consolidation include the single sign-on function, an improved member experience, and back-end efficiency for the plan sponsor

# Product-related challenges were the primary intermediary concern. This is followed by operational issues and digital disruption

**Key outlook / challenges for the Group Retirement market (1 – 2 years)**  
(% of respondents)

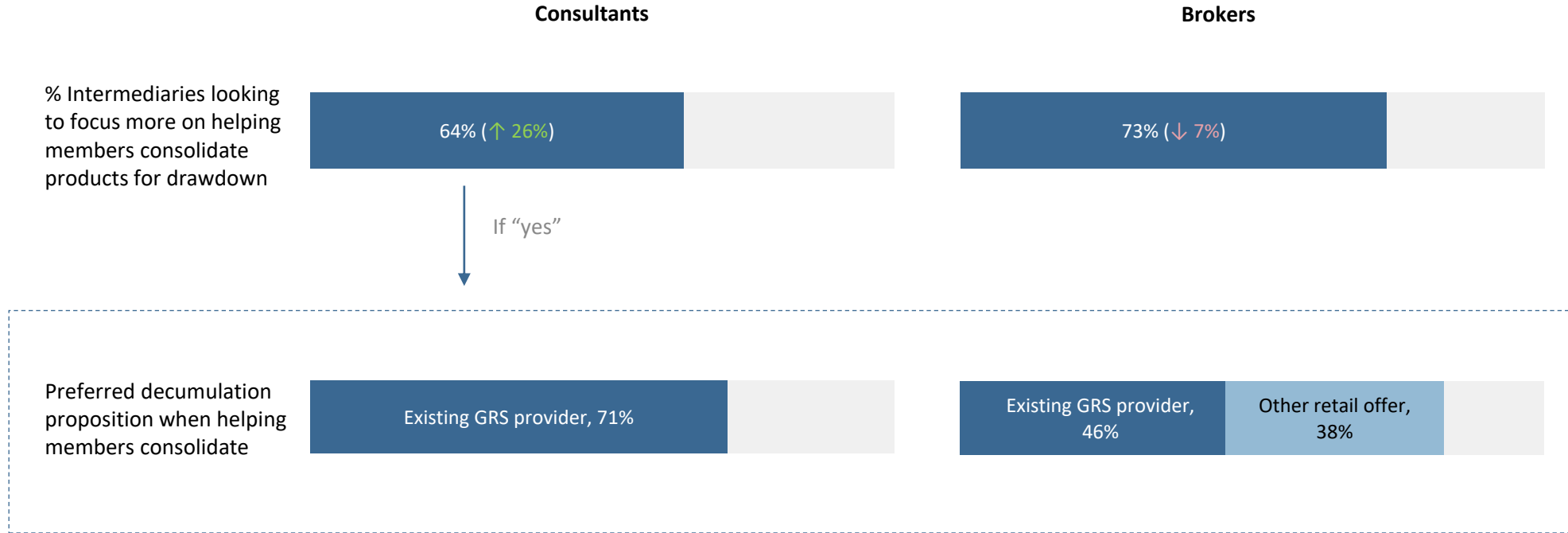


- ▶ Product was increasingly called out as a primary challenge, particularly as it relates to decumulation, pricing and overall product innovation
- ▶ Difficulty in recruiting and retaining qualified staff persisted as an operational challenge
- ▶ Disruptive online offerings signalled the need for traditional institutions to keep up with technology
- ▶ This year, market conditions also emerged as a prevalent challenge, as this directly impacts members' retirement savings



# Intermediaries commonly assist members in consolidating their assets for decumulation, increasing collaboration opportunities with providers

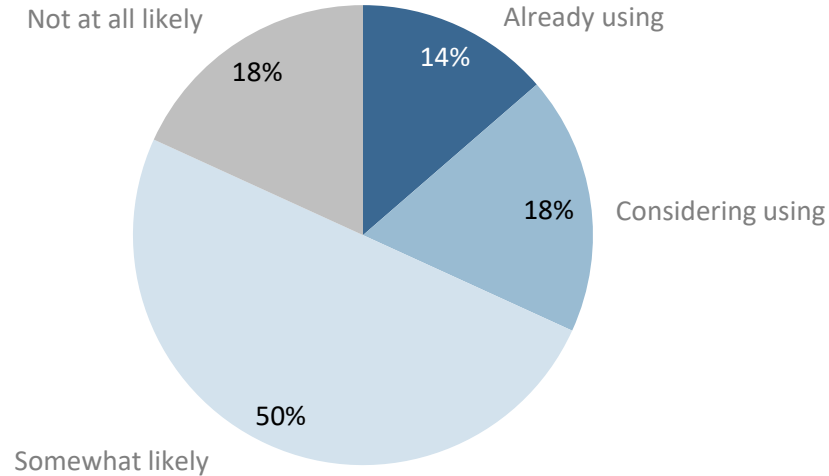
## Intermediary current decumulation practice



- ▶ 64% of consultants and 73% of brokers are focused on helping retirees to consolidate Group Retirement products
- ▶ Consultants typically favour consolidating with the client's existing Group Retirement provider's proposition
- ▶ However, brokers were evenly split between consolidating the client's assets to the existing provider's decumulation solution or using a retail solution

# Intermediaries reported a strong inclination towards leveraging AI for various back-end operational support functions and for preparation of marketing materials

**Likelihood to integrate AI tools to deliver advice**  
(% of respondents)



**Top areas for implementation of AI**

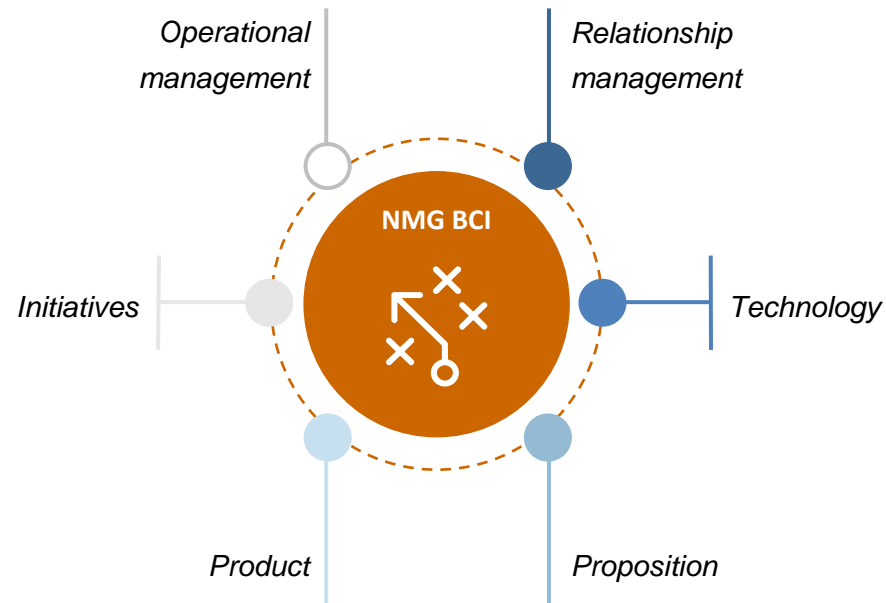


- ▶ 14% of intermediaries are already using AI tools while an additional 68% are likely to start using AI tools
- ▶ Key areas in which AI could be implemented in practice revolved around back-end support functions, help in preparing marketing materials, and improving plan reporting and communications to the plan sponsors and members
- ▶ Intermediaries also believed there are opportunities to encourage member engagement through the use of AI

# NMG Business Capability Index (BCI)

NMG's Business Capability Index (BCI), an extensive metric that allows for insurer benchmarking across key capabilities

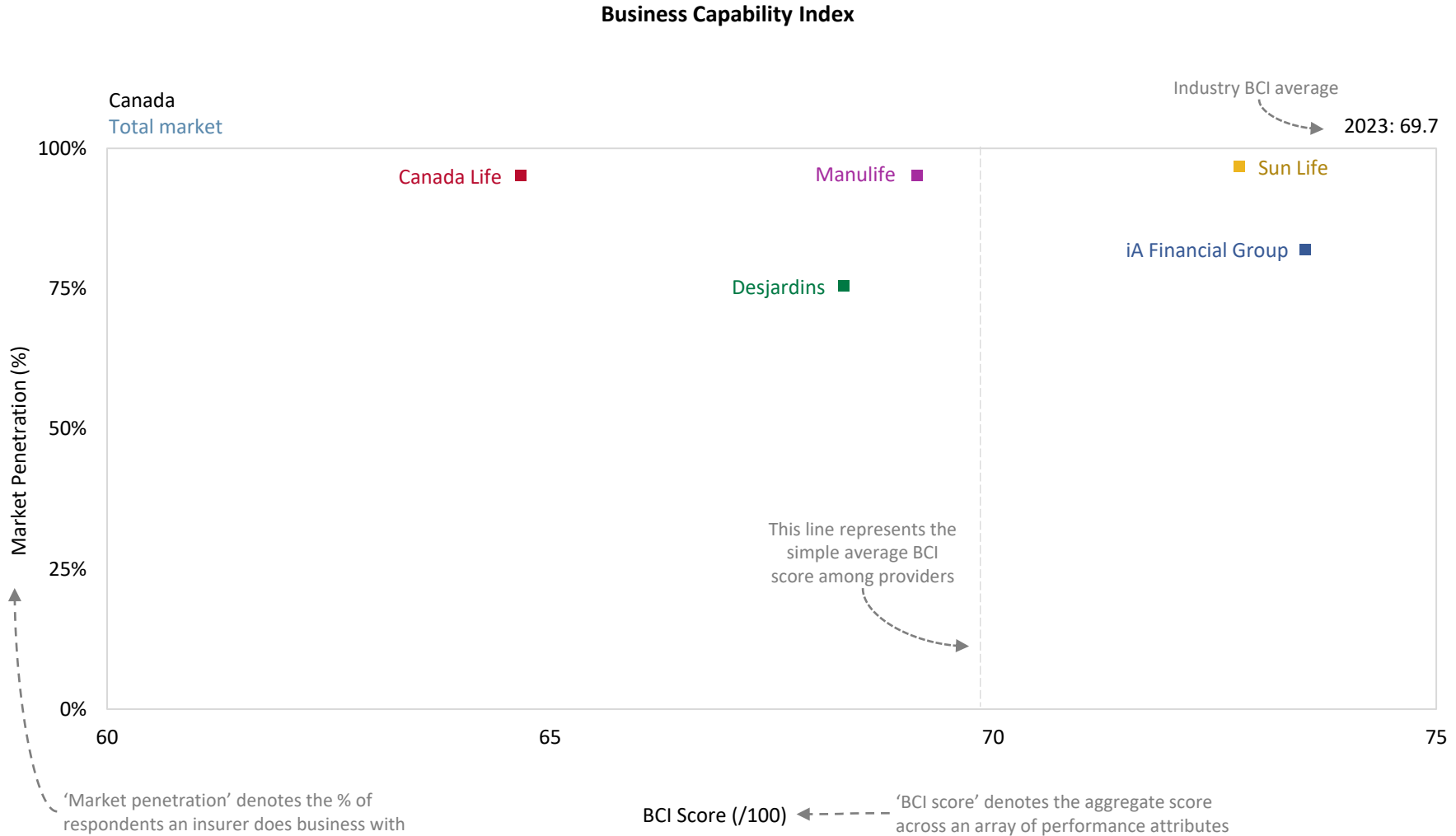
## NMG BCI Components



## NMG Business Capability Index (BCI)

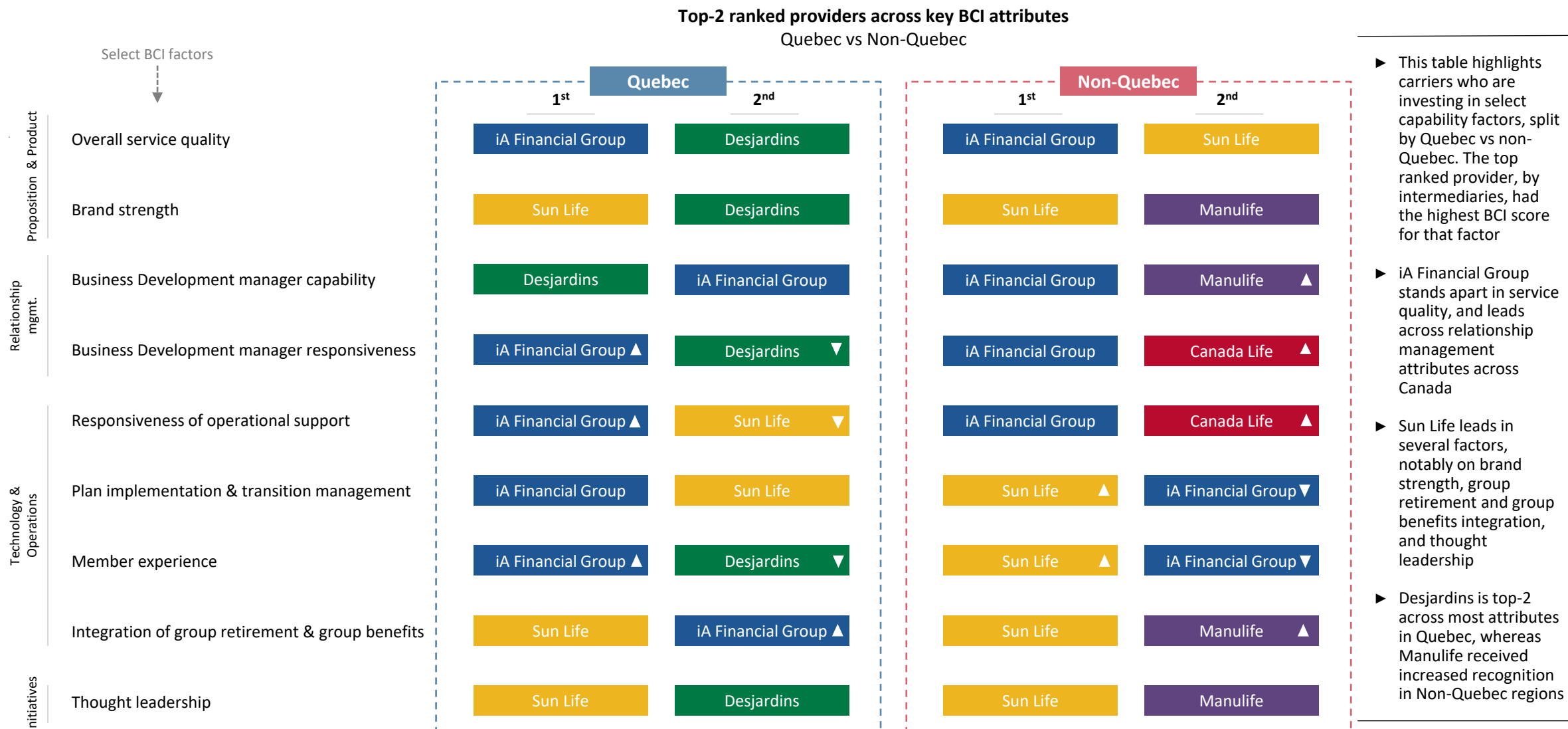
- The NMG Business Capability Index (BCI) is a single composite score that **compares provider effectiveness** by aggregating intermediary feedback across **45 key capabilities**
- The NMG BCI provides an assessment of which providers are **delivering the best propositions to intermediaries, and consequently which providers are likely to strengthen their market position over the next few years**

# iA Financial Group ascended to top rank on the BCI, leveraging their strengths in relationship and operational management. They are closely followed by Sun Life



- ▶ **iA Financial Group** improved to 1<sup>st</sup> rank on the BCI across Quebec and West, driven by a focus on strong relationships with intermediaries
- ▶ **Sun Life** lost BCI leadership. They rank 2<sup>nd</sup> with differentiation in technology, product and initiatives
- ▶ **Manulife** improved to 3<sup>rd</sup> rank, driven by strengthened relationship management capabilities, most notably in Ontario
- ▶ **Desjardins** experienced uplifts across regions with top-2 position in Quebec
- ▶ **Canada Life** trailed peers despite improvements in Ontario

# iA and Sun Life lead in capability attributes across Canada. Desjardins receives recognition in Quebec while Manulife is prominent in non-Quebec regions






Note: Overall service quality is defined as professional, timely, and responsive service quality




# Digital providers were seen as better suited for start-up/virgin plans. These disruptors are preferred for their technology, simplicity, and low fees

## Digital providers deep dive



### Suitable client type for digital providers

-  Start-up or virgin plans
-  Tech savvy members
-  Younger generation

### Client demands for digital providers

-  Digital experience
-  Simple & easy to use
-  Low fees

### Key drawbacks of digital providers

-  Limited investment lineup
-  Low brand profile

### Leading digital providers

- #### 1 Common Wealth

*“Great platform. User friendly and intuitive. It’s easy to work with them. They are accommodating, efficient, and their process is simplified. Start to finish, I am always well serviced by them. What I really like about them is they’re new to market. They’re nimbler than the legacy providers, and more inclined to take my feedback and apply it to their operations.”*  
**Ontario**
- #### 2 Open Access

*“Good platform. Different from the rest of the industry with their non-target date funds. Unique.”*  
**Ontario**
- #### 3 Justwealth

*“Fantastic. Good people. Great model. Small.”*  
**Ontario**

- ▶ Digital providers were viewed as more suitable for start-up or virgin cases, tech-savvy members, and the younger generation
- ▶ Clients who favour digital providers demand for a digital experience (paperless), ease of use, and are more fee sensitive
- ▶ Key limitations of digital providers is the narrow fund range and low brand profile
- ▶ Commonwealth, Open Access, and Justwealth had the highest awareness by intermediaries amongst digital providers

# Contact us for more information

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## About NMG Consulting

NMG Consulting is a leading global consultancy focused on the insurance, reinsurance, retirement/wealth, asset management markets. We bring a unique approach to integrating consulting, insights and analytics.

NMG's evidence-based consulting programs involve interviews with industry leading experts, top clients and intermediaries as a basis to analyse industry trends, competitive positioning and capabilities. NMG develops and manages several leading global programs across key elements of the insurance and investment industries: Life & Health Reinsurance, P&C Reinsurance, and Asset Management.

Established programs also exist in the underlying insurance and wealth markets in Canada: Canadian Group Benefits, Canadian Group Retirement, and Canadian Individual Life Insurance. Our insights are rebuilt on an annual basis.



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# Thank you

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For more information,  
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