



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



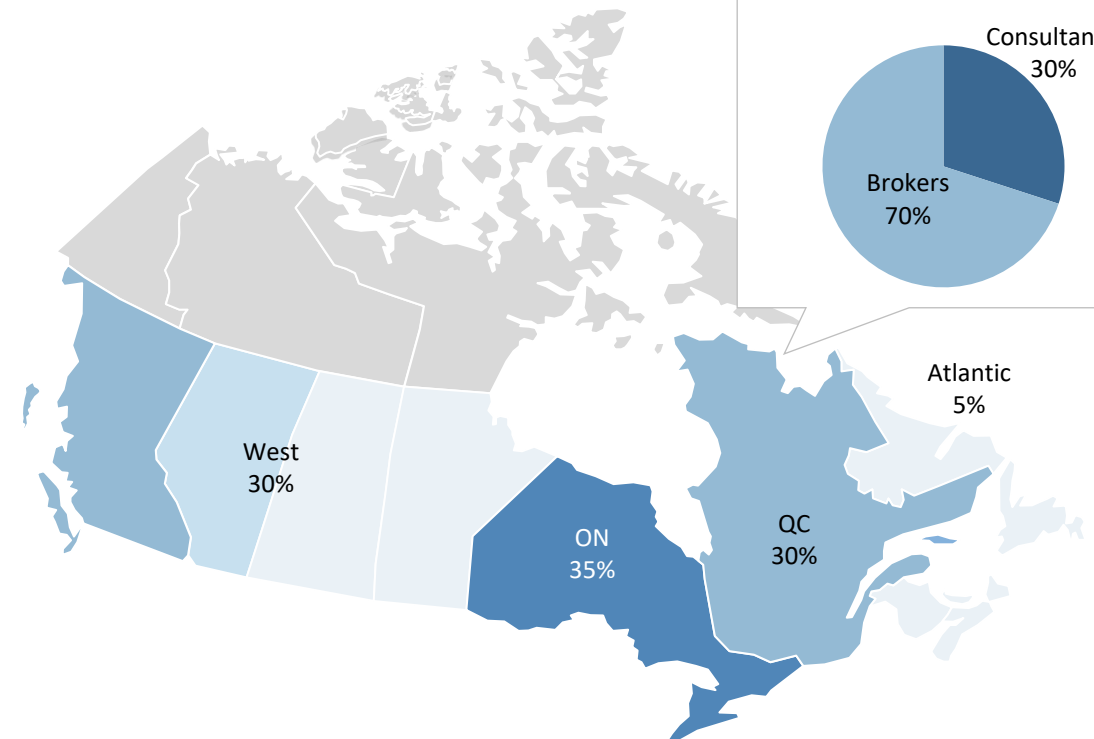
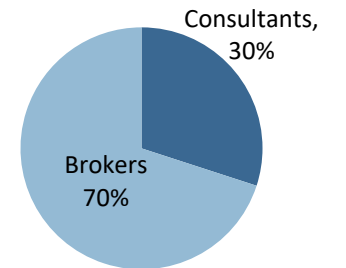
DATA ANALYTICS

Study Overview

- ▶ NMG completed our 4th 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

Industrial Alliance rose as the leader on the BCI¹, driven by a focus on relationship management and operational capabilities



Sun Life

Sun Life ranked 2nd on the BCI with strength in technology and thought leadership



Manulife

Manulife strengthened to 3rd 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

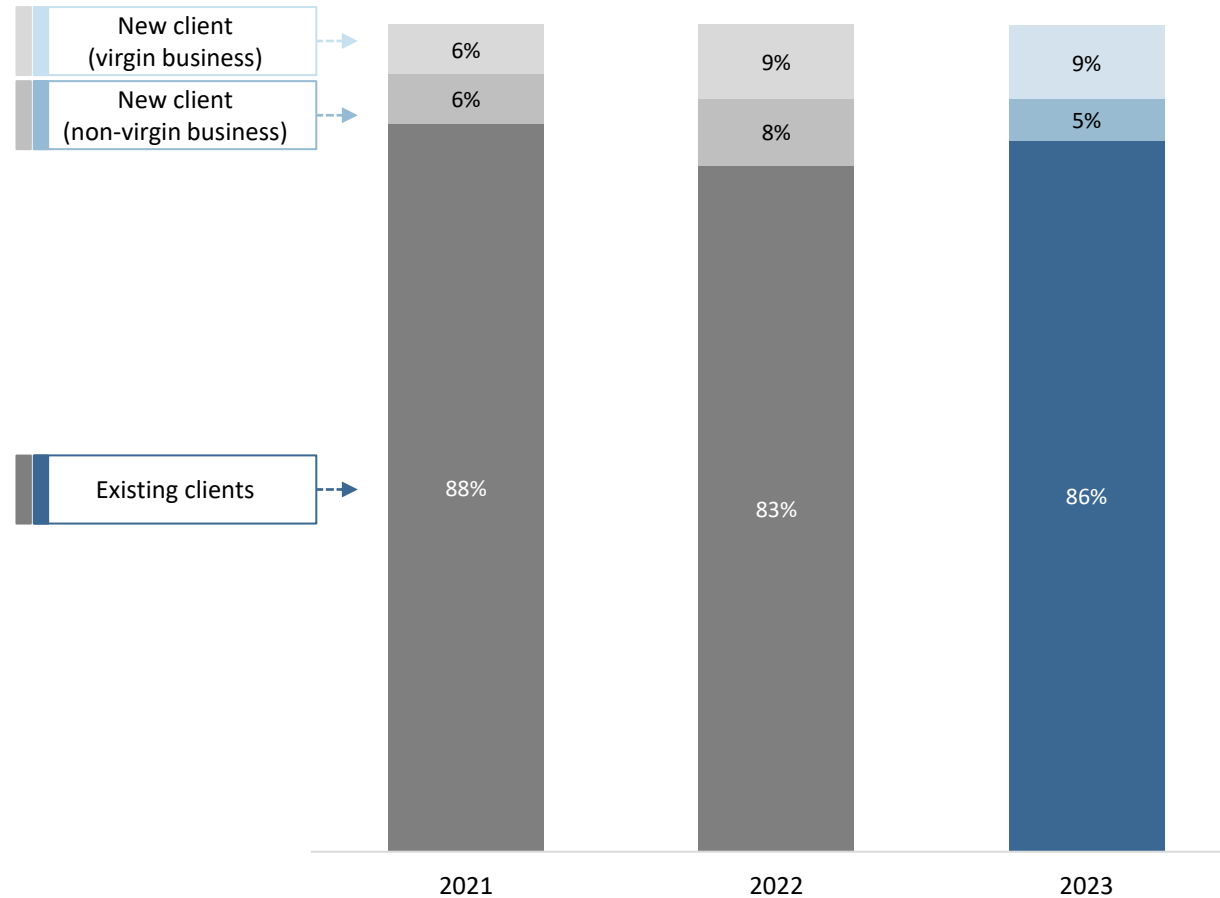


Canada Life

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)



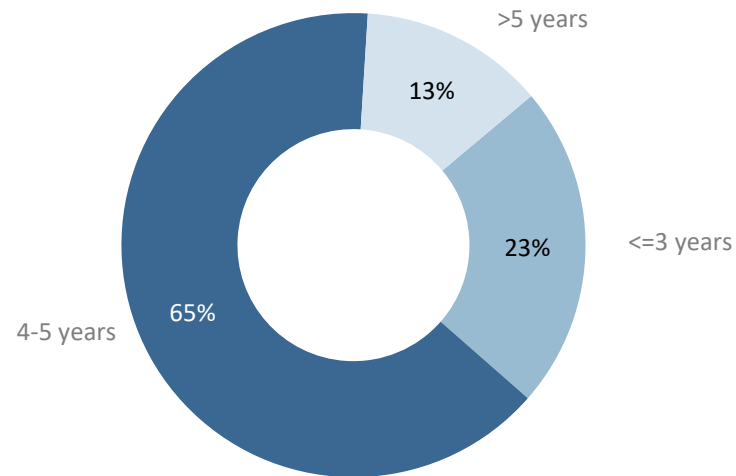
- ▶ The growth in number of plans is primarily driven by virgin plans across start-ups and small to medium sized groups who previously did not have a retirement plan
- ▶ New clients from non-virgin cases have declined this year back to 2021 levels
- ▶ Brokers saw a higher proportion of their new clients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

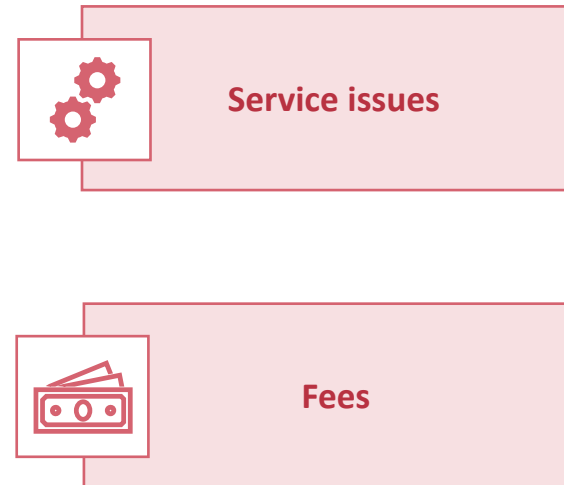
Typical cadence of going to market
(% of respondents)

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



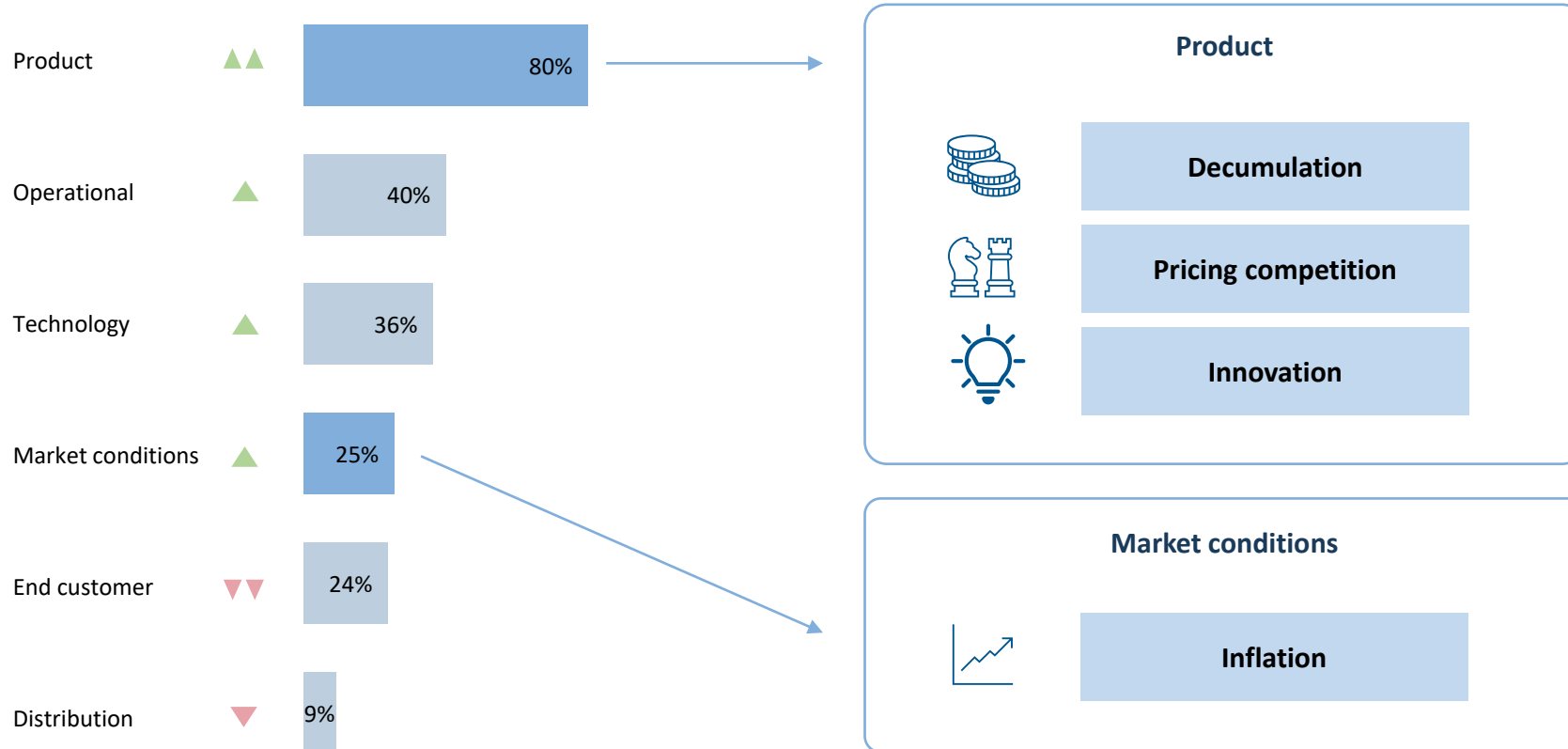
Plan sponsor admin efficiency

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

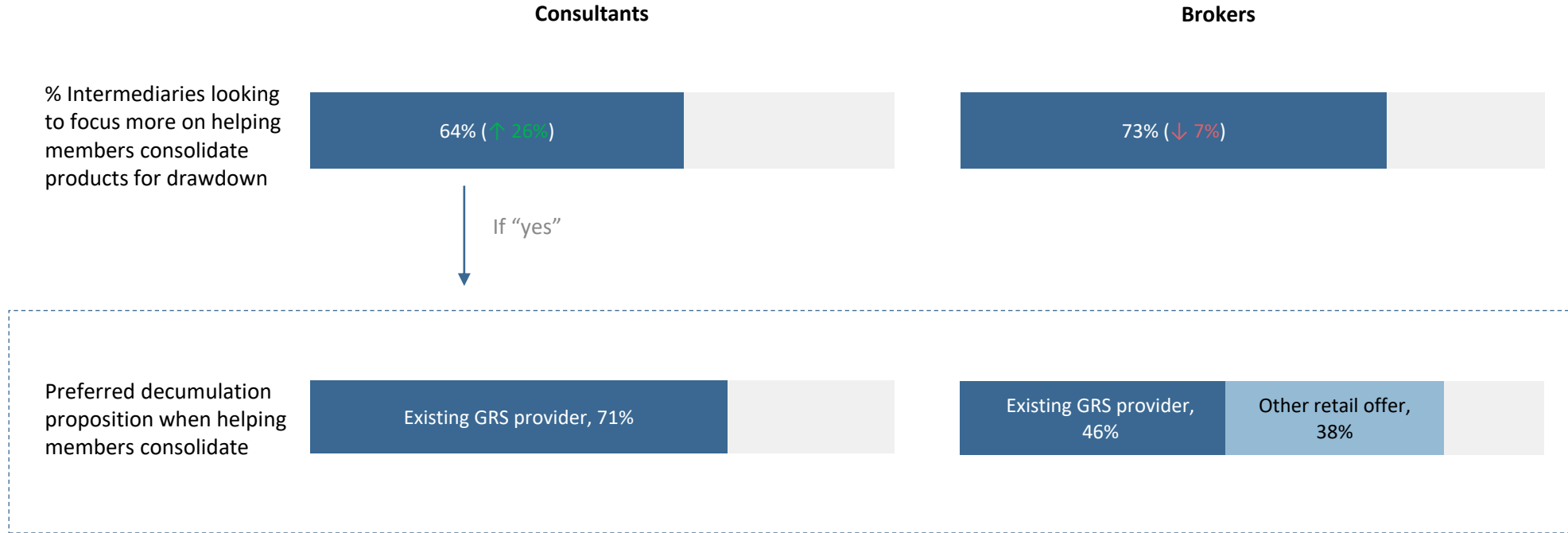
Key outlook / challenges for the Group Retirement market (1 – 2 years)
(% of respondents)



- ▶ 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

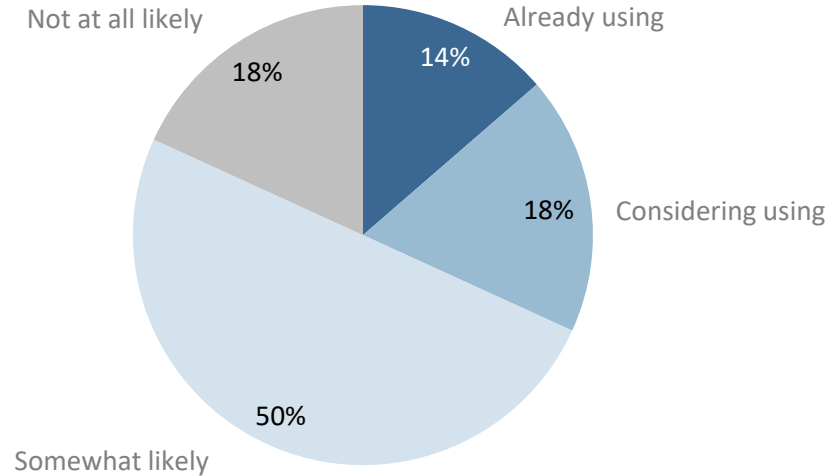
Intermediary current decumulation practice



- ▶ 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

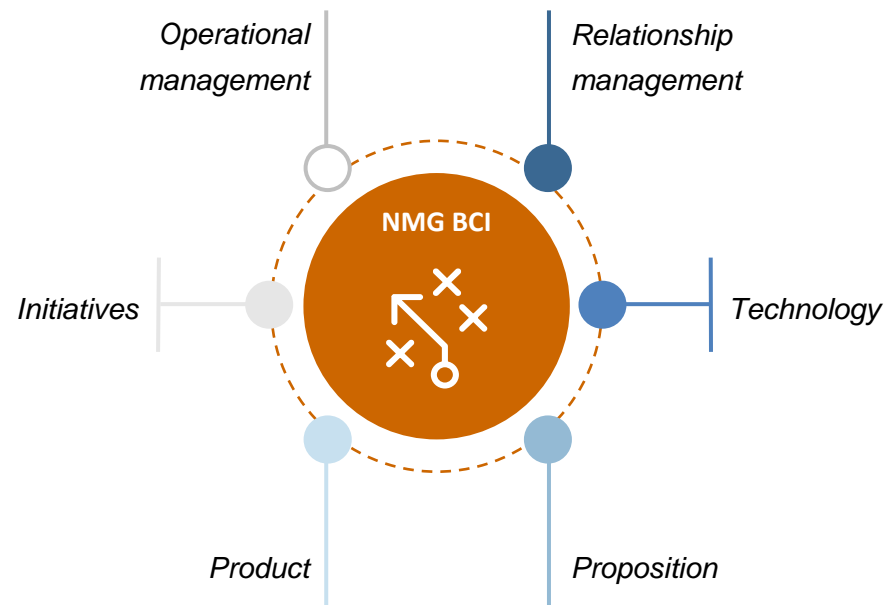


- ▶ 14% of intermediaries are already using AI tools while an additional 68% are likely to start using AI tools
- ▶ Key areas in which AI could be implemented in practice revolved around back-end support functions, help in preparing marketing materials, and improving plan reporting and communications 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

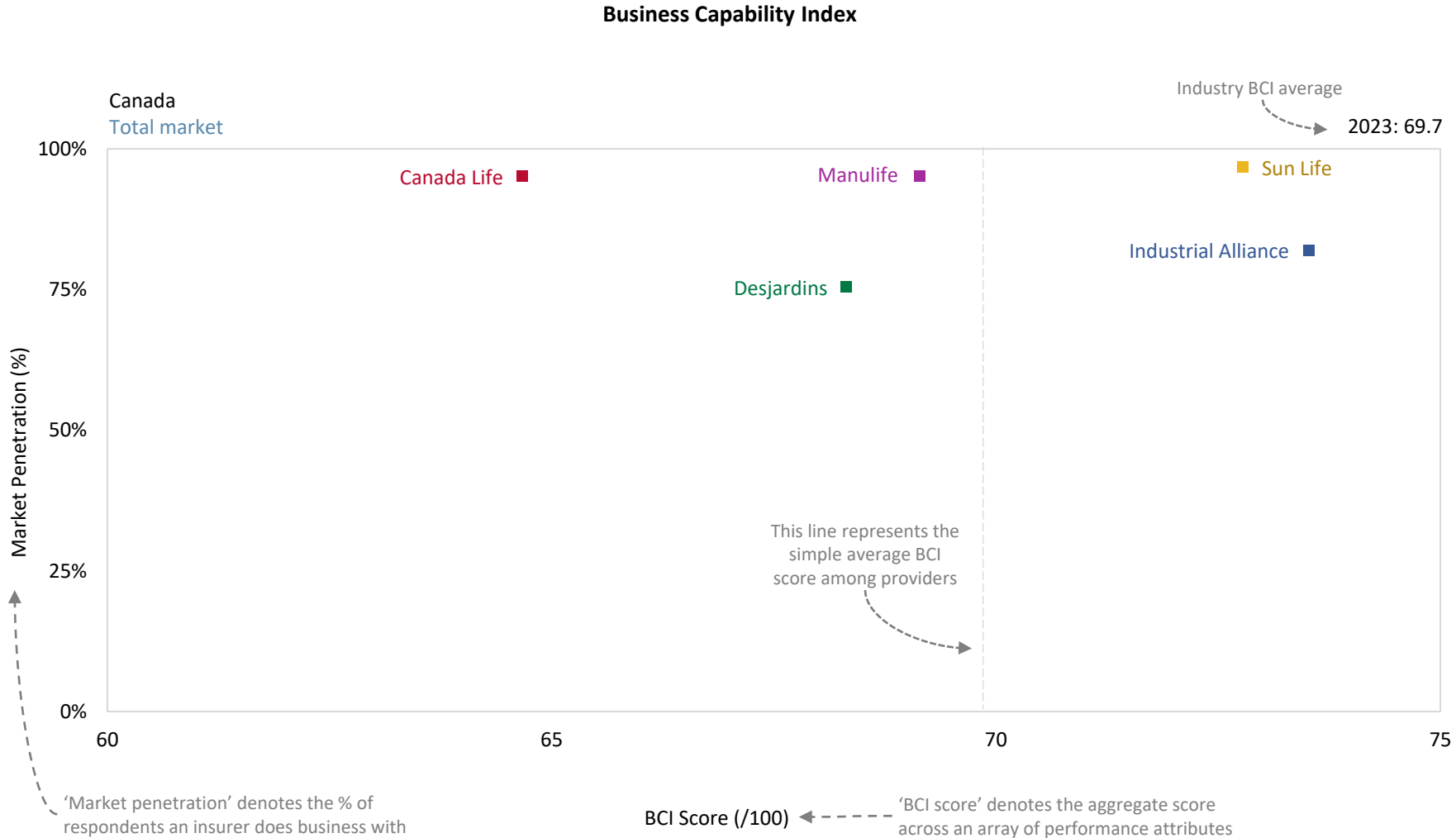
NMG BCI Components



NMG Business Capability Index (BCI)

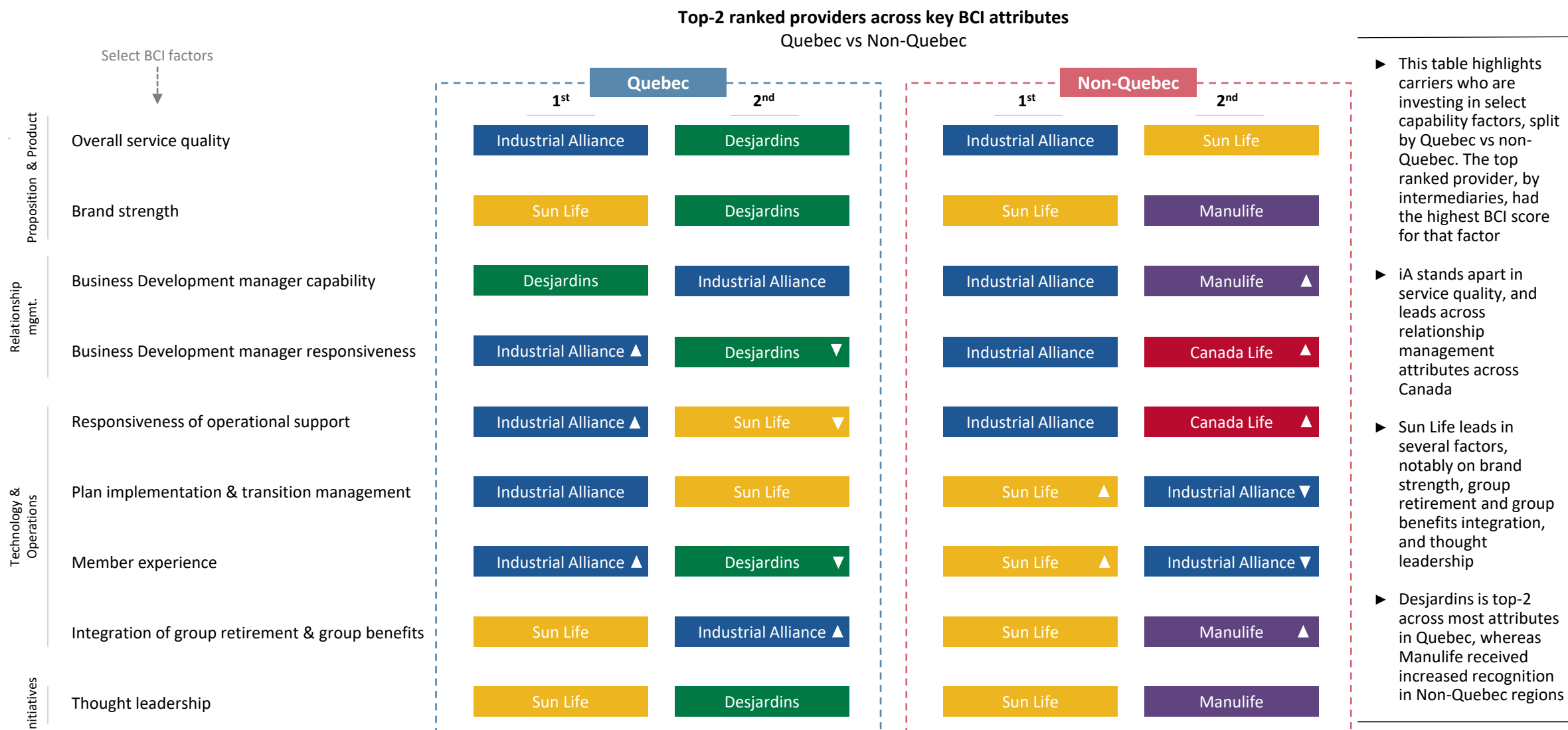
- The NMG Business Capability Index (BCI) is a single composite score that **compares provider effectiveness** by aggregating intermediary feedback across **45 key capabilities**
- The NMG BCI provides an assessment of which providers are **delivering the best propositions to intermediaries, and consequently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

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



- ▶ **Industrial Alliance** improved to 1st rank on the BCI across Quebec and West, driven by a focus on strong relationships with intermediaries
- ▶ **Sun Life** lost BCI leadership. They rank 2nd with differentiation in technology, product and initiatives
- ▶ **Manulife** improved to 3rd 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

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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