



Canadian Group Benefits

COVID-19 Pulse Survey

May 2020

NMG Consulting COVID-19 pulse study overview



NMG Consulting Overview

- NMG Consulting is a leading multinational insurance, reinsurance and asset management consultancy
- We provide strategy consulting, as well as insights services to financial institutions globally
- NMG's evidence-based consulting programs carry-out interviews with industry experts to analyze industry trends, competitive positioning and capabilities



Study Overview

- NMG Consulting implemented a pulse survey with intermediaries focused on the Canadian group benefits industry to gather insights on how the market is reacting
- ~70 respondents participated during the period: April 23rd to May 4th, 2020



Objectives of the Report

Sharing back with insights partners:

- Top-of-mind concerns
- Changes and impacts to business activities
- How and which insurers are standing out

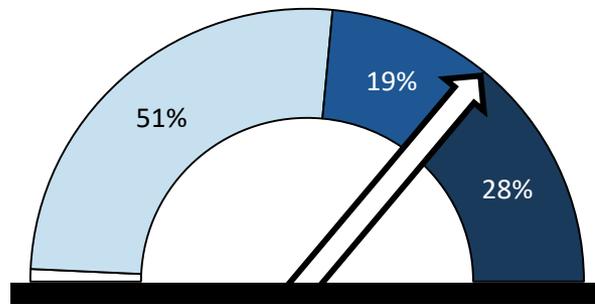


Market Observations

- More than one-quarter of group intermediaries are extremely concerned about the impact of the virus on the industry
- The main concern is declining revenue streams due to lay-offs and cancellations
- Significant decline in new business activity as in-force management becomes the strategic priority for intermediaries
- There has been a substantial decrease in quote submissions on existing plans and consequently switching of plans
- Insurers have mostly exceeded expectations in terms of providing support through this crisis. The main areas of support include proactive and transparent communication, responsiveness, flexibility in approach and premium relief
- Intermediaries expect some of the changes to last beyond this crisis given they have adapted to the new working environment. These include utilizing the available technology, adopting virtual meetings for client engagement, and increased adoption of telemedicine services

Layoff related revenue dips are a primary concern for intermediaries

Level of concern with the impact of COVID-19



- Most intermediaries in the Canadian group insurance market have some level of concern
- More than one quarter of respondents state that they are extremely concerned about the long-term economic and revenue stream impacts
- The level of concern is least among those focused on the large case market

Thoughts on the impact to your business and the market



“We are experiencing terminations and lay-offs like we have never seen before. I worry about restarting the economy and how this will draw down revenues, it could take a while.” - Western Canada

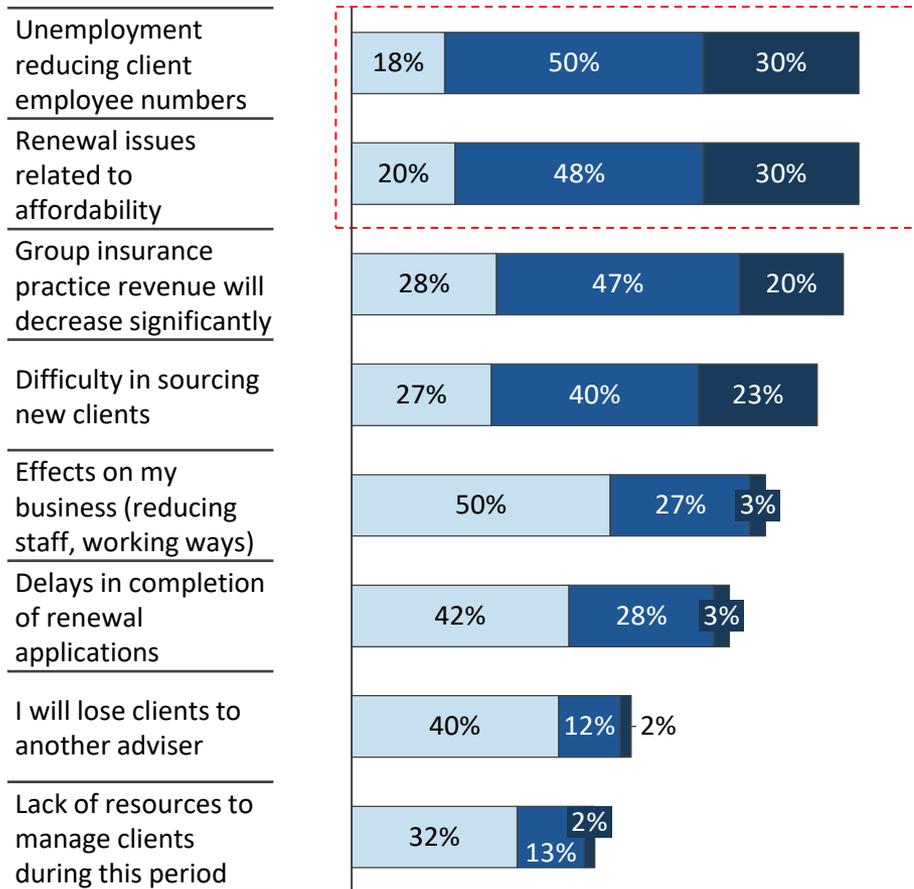
“Premium reduction. Closure of organizations. Increased demand for virtual care. Reduced risk-taking by insurers and increased costs related to disability.” - Quebec

Legend: Not at all concerned Slightly concerned Moderately concerned Extremely concerned

Question: How would you rate your level of concern associated with the coronavirus, market volatility, and its impact on the advice industry?

Concerns around affordability and revenue dips are top-of-mind across intermediaries

Level of concern with the following outcomes



- Intermediaries are most concerned about the impact COVID-19 is having on their clients which will in-turn impact layoffs, affordability, intermediary revenue and growth prospects

“More worried about clients. I expect a significant decrease in revenue. Clients reviewing options.”
- Ontario

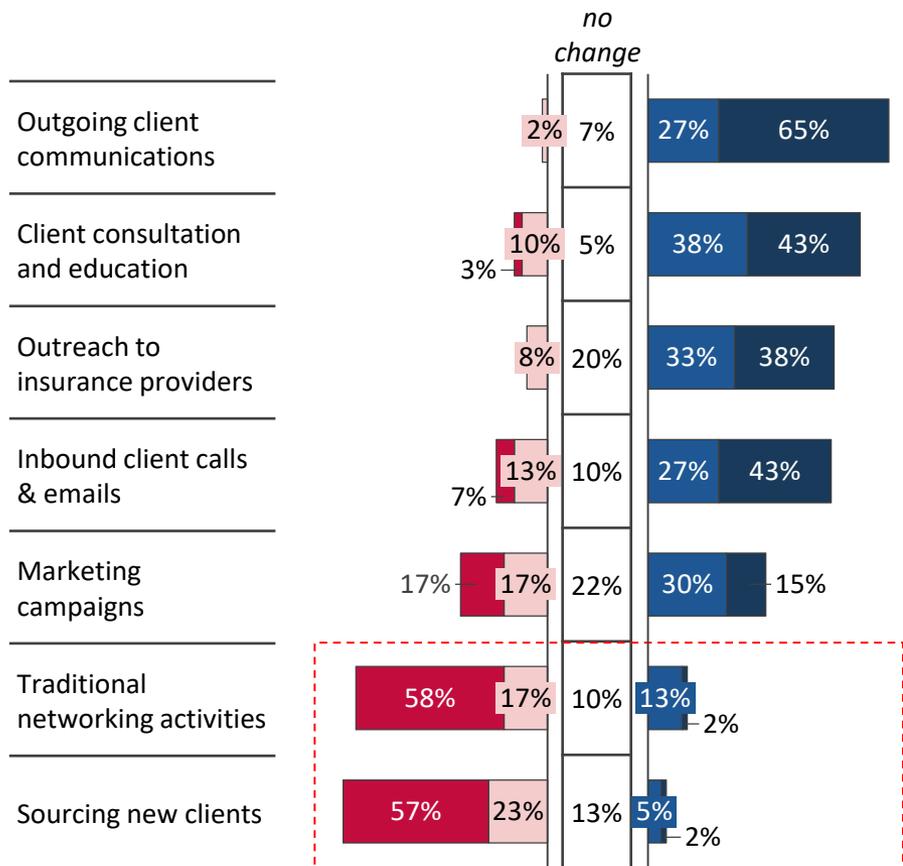
“I think this will be temporary, but lead to changes in how organizations construct and offer benefits going forward.” - Atlantic

“In the short term, the impact has been primarily around providing increased support for our clients, and helping them manage the daily changes that arise. Longer term, we expect a negative impact of approximately 20% group benefits revenue as firms will operate with less staff and the economy will likely take years to recover.” - Western Canada

“We have had to think outside of the box to provide our clients with immediate savings as a direct result of COVID-19.” - Ontario

Intermediaries are focusing on client communication and education; new business development opportunities decline

How has COVID-19 impacted the frequency/volume of certain activities within your practice



- Ongoing client communication and education/information is a main priority for intermediaries during this volatile period
- While business development opportunities have taken a hit, intermediaries are investing that time to better service their existing clients
- The current environment has provided intermediaries with a unique opportunity to build stronger relationships with clients, possibly benefitting them in the longer term

“Ensuring clients are up to date and feel supported. Setting the groundwork internally for business development and opportunities as the industry emerges from this.” - Ontario

“Ensuring consistent and increased contact with clients to provide assistance. Seeking opportunities to assist those who are orphaned.” - Western Canada

“Ensure clients are well informed of their options.” - Western Canada

“Serve our customers well, given the current context. Assist clients to avoid layoffs.” - Quebec

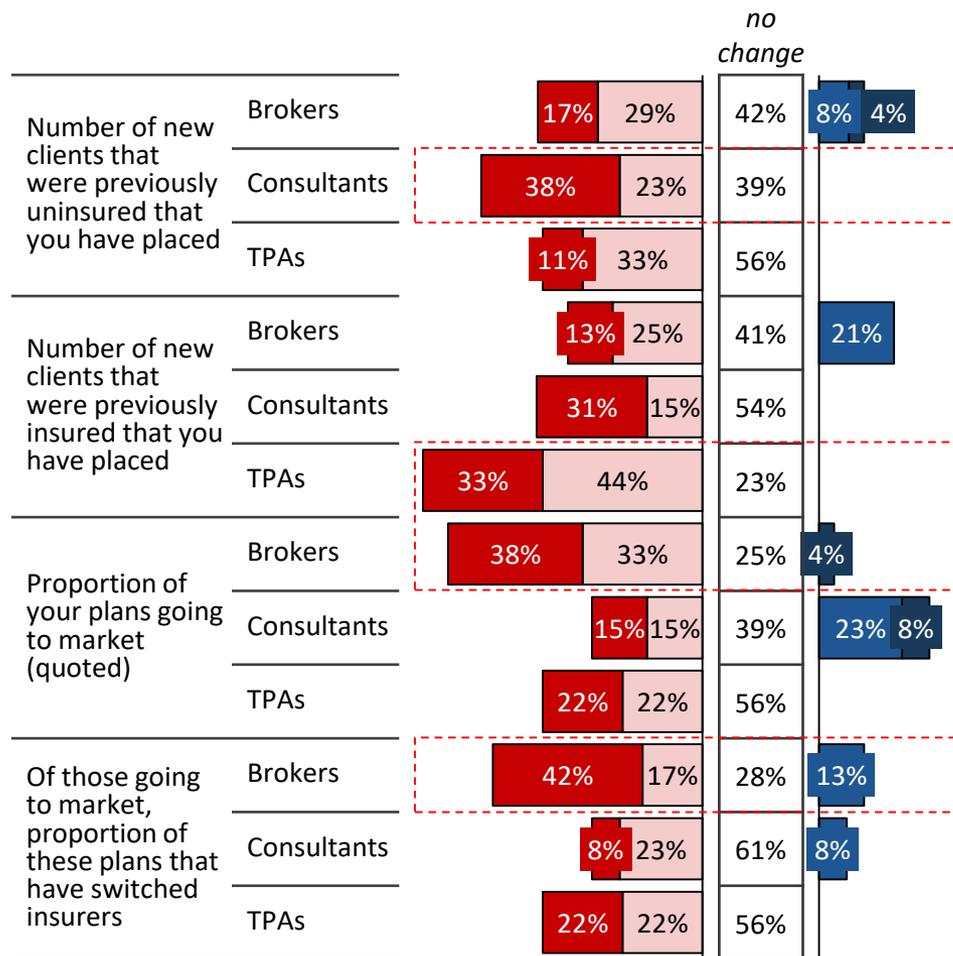
Legend: Significant decrease (red), Some decrease (pink), No change (white), Some increase (blue), Significant increase (dark blue)

1. 'no change' citations are displayed down the middle of the bar chart

Question: How has COVID-19 impacted the frequency/volume of the following activities within your practice in the last three to four weeks?

Significant decline in new business activity makes in-force management a strategic priority

Impact on the following activities as a result of COVID-19



- Regarding business development, the number of new clients placed has reduced significantly across intermediaries
- Brokers are seeing the largest decrease in the proportion of plans going to market (quoted) and fewer plans switching insurers as a result
- With the reduction of new business opportunities, it is very important for intermediaries to focus on in-force management as a strategic priority

“The main priority is to maintain what we have with our current clients, even though the revenue per client is decreasing. We are also looking at setting up marketing strategies for new client acquisition going forward.” - Western Canada

“Working harder to reassure and retain clients as many businesses adjust and determine how they can operate differently, do more with less.” - Ontario

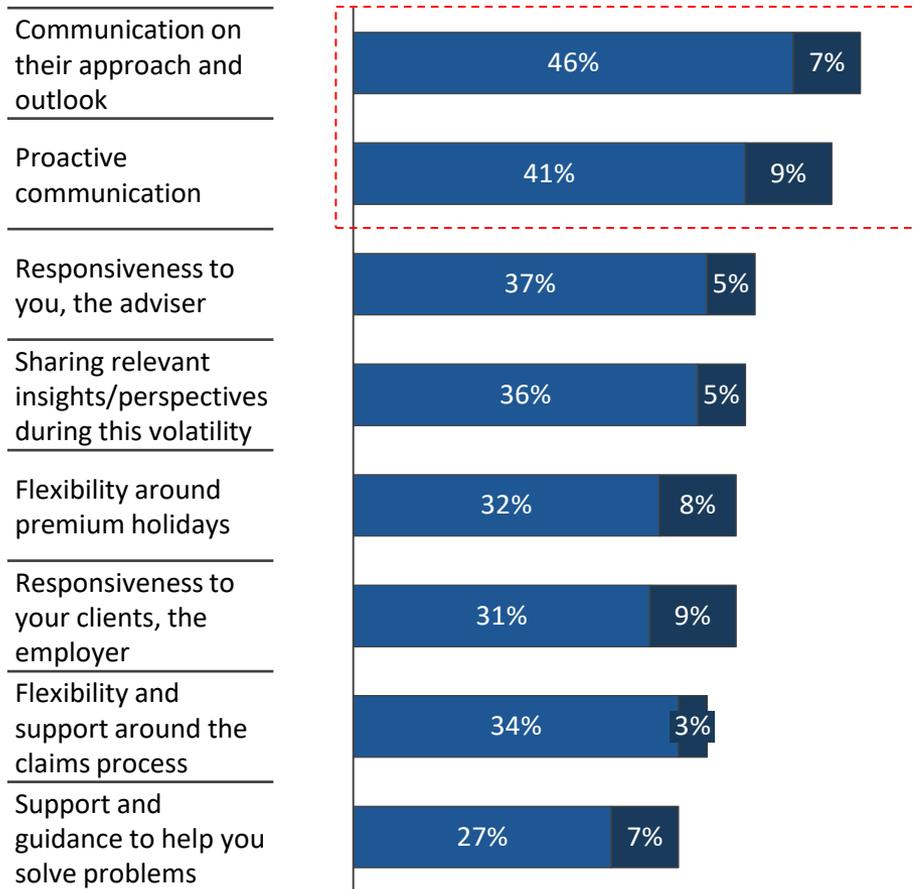
Legend: ■ Significant decrease ■ Some decrease ■ Some increase ■ Significant increase

1. 'no change' citations are displayed down the middle of the bar chart

Question: How have the following activities been impacted as a result of COVID-19?

Insurers have responded well with proactive and open lines of communication along with flexibility around premium holidays

How have insurers worked with you across these support areas



- Insurers have mostly performed above expectations in supporting intermediaries through this crisis
- Insurers that are recognized for their strong support have focused on various strategies including proactive and transparent communication, responsiveness, flexibility in approach and premium relief
- Sun Life and Canada Life have excelled in supporting their intermediaries, while Manulife is perceived to underperform
- Insurers which have struggled to differentiate themselves during this crisis have been very reactive in their communication and slow to respond to client needs

“Some have been extremely flexible around both disability benefits and the continuation of benefits.”

- Western Canada

“Being proactive and responsive in delaying renewals.”

- Atlantic

“Strong and timely communication really stands out. Good communication on the outlook post COVID-19.”

- Ontario

Legend: ■ Above expectations ■ Excellent

Question: Thinking about the insurers that you work with, how well have they responded to the situation in each of these areas of support?

NMG Consulting

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Our insights are refreshed annually.



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