



# Canada Life & Health Reinsurance Program

## 2021 Insights Partner Report

January 2022



# Canada Life & Health Segment Review – 2021

## Context & Overview



### Study Overview

- The NMG Global Life & Health Reinsurance Program involves annual interviews with ~1,800 life insurance executives at nearly 1,500 companies across >60 countries, including the US and Canada
- Our 14<sup>th</sup> annual Canada Life & Health Program (2021) was again comprehensive in coverage: 93 interviews at 24 insurers. Interviews were conducted virtually between September and November 2021
- Innovation officers comprise a core segment of the Program, first introduced 4 years ago, with 15 interviews across the market
- Intended exclusively for Program participants, this 2021 Insights Partner Report includes the central findings in the Canadian Life & Health segment



### Objectives of this Report

Sharing back with Insights Partners:

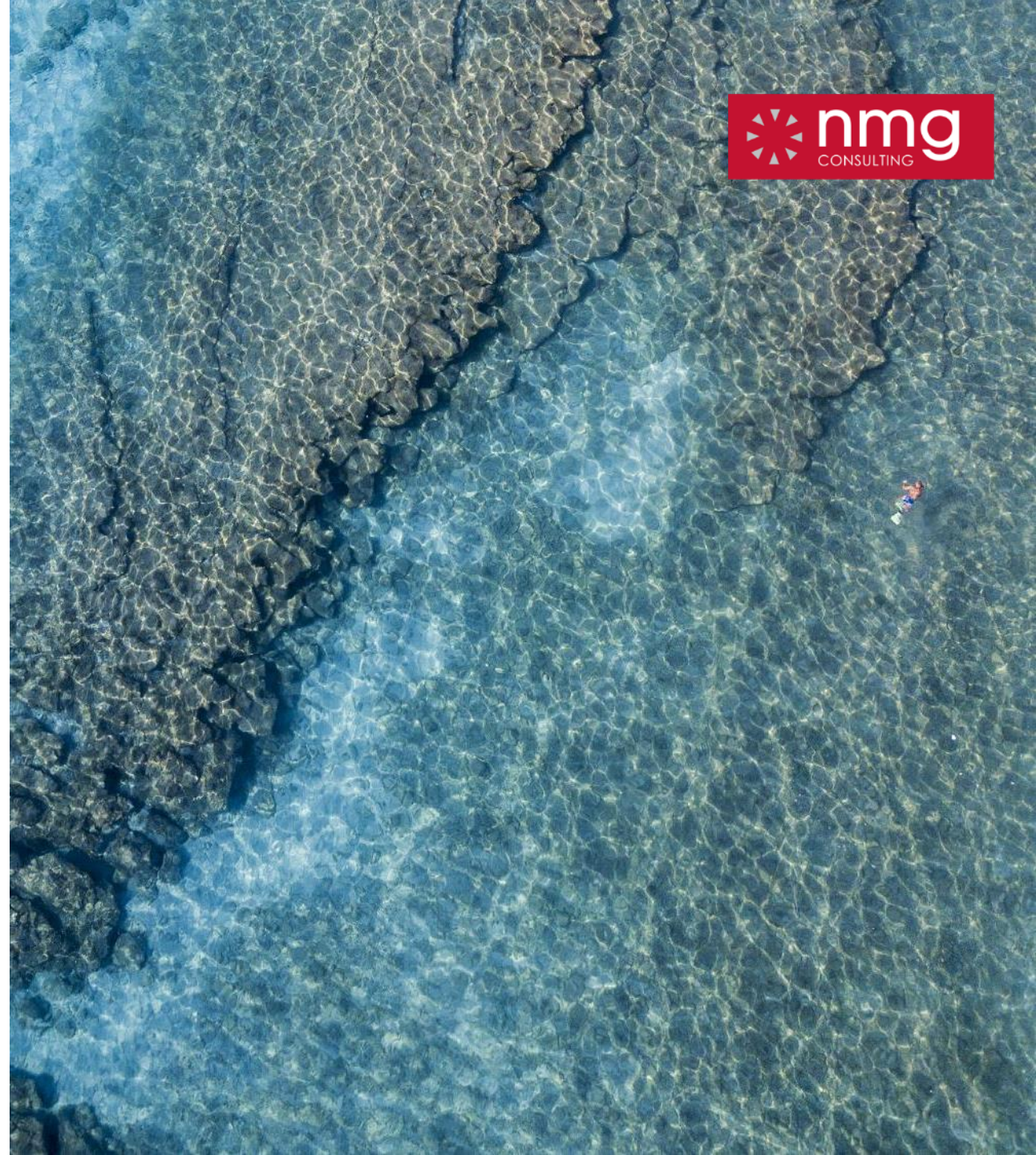
- Trends shaping the industry
- Competitive positioning of reinsurers
- Key success factors for outperformance



### Leading Observations

- The industry sentiment is positive: 85% of decision makers believe the industry is achieving target returns on capital. Large insurers have a positive outlook, while medium/small insurers are more circumspect
- Accompanying the need to upgrade legacy technology, retaining and attracting talent emerges as a major hurdle. Insurers struggle to access resources for both traditional support (retaining, finding employees) and new initiatives (individuals with specialized capabilities and expertise)
- Insurers focus on sustaining and finding business growth, along with developing automated/accelerated underwriting, and providing digital tools for brokers/agents and customers
- Engagement levels for accelerated/automated underwriting platforms remained stable, with no new launches over the last 12 months. Invested insurers make advancements on both their accelerated underwriting programs (through the adoption of new algorithms and datasets) and automated underwriting systems (through upgrades)
- Increased introspection limits visibility on market movements. Insurers cited less awareness regarding leading insurance innovators, and nearly all Insurtech nominations stem from direct engagement
- Insurers lean towards virtual engagement from reinsurers, with ~55% preferring an engagement model more heavily weighted towards virtual and ~30% a hybrid approach

# Market overview



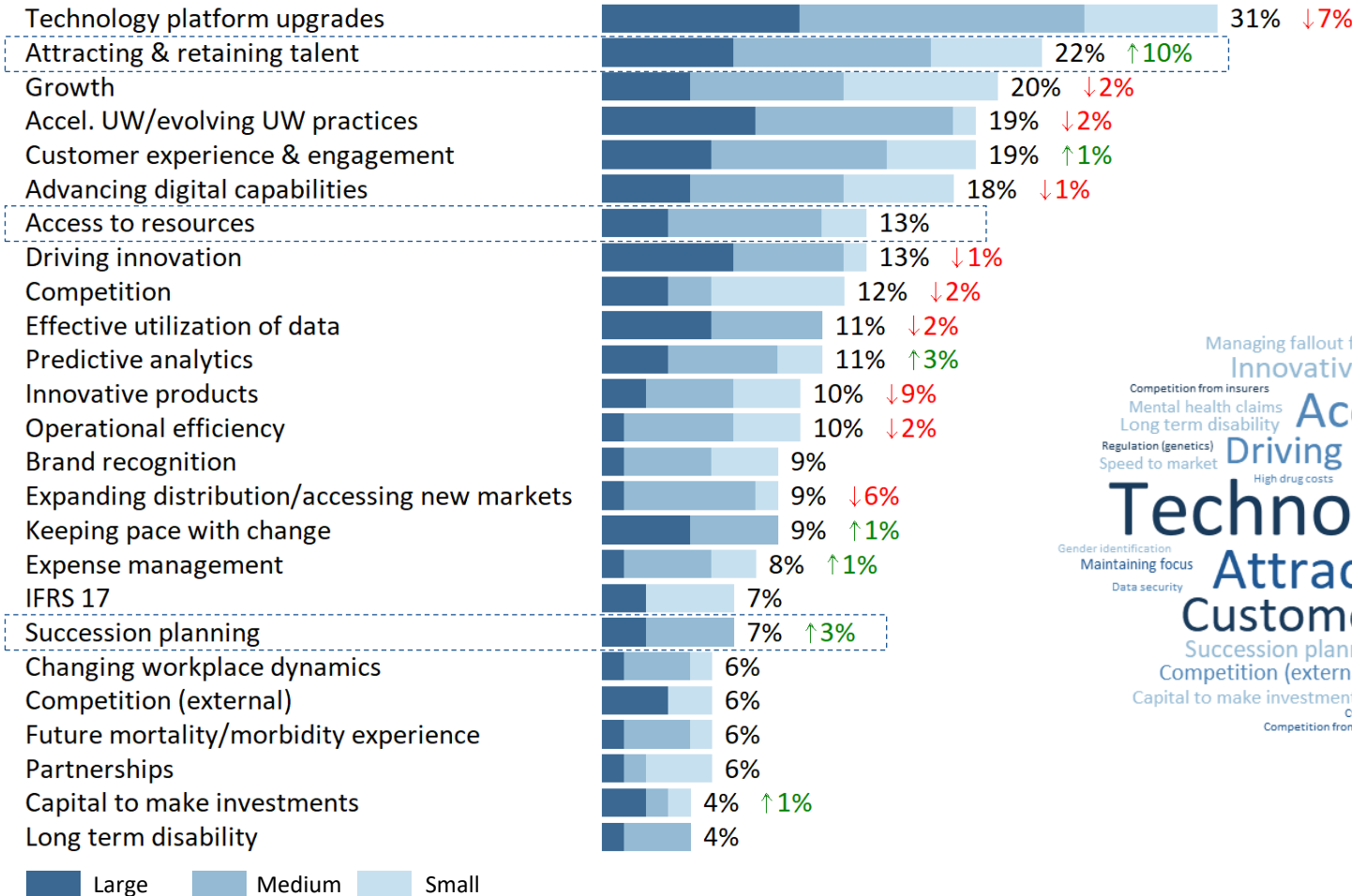


# Retaining and attracting talent emerges as a leading challenge this year, while upgrading legacy technology remains the foundational hurdle in the industry

Managing and accessing talent is the market buzzword this year, as the industry focuses on retaining key employees, hiring qualified talent with traditional and new skillsets (technology, data) along with managing and planning for retirements

## Key challenges to success (3 – 5 years)

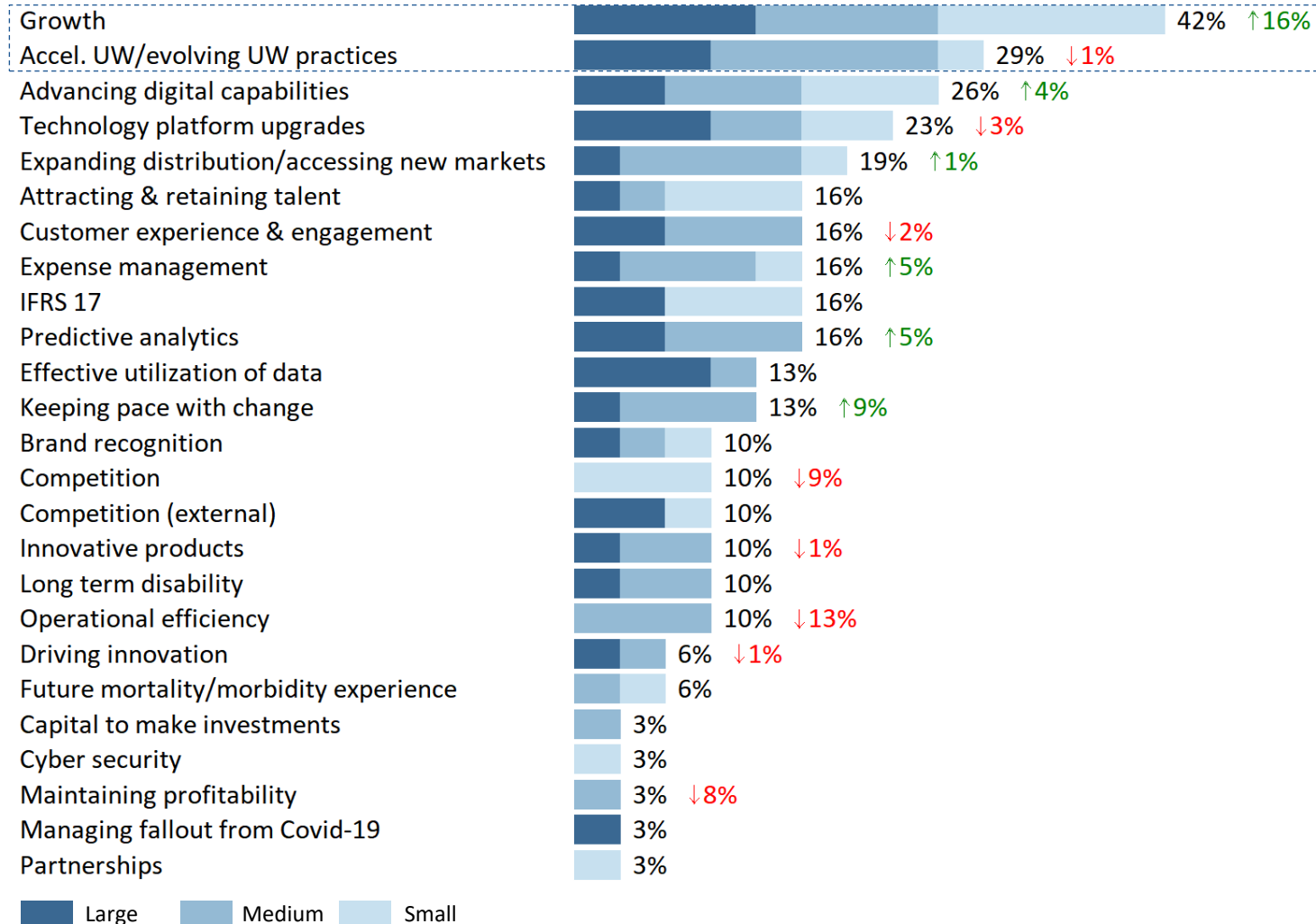
Total market



# Finding growth in the market becomes the top challenge for decision makers, evolving underwriting and technology capabilities remain top of mind

## Key challenges to success (3 - 5 years)

Key decision makers



*"Growth is important because we have little name recognition outside of Quebec, and price competition is strong."*

**Large insurer, KDM**

*"Loosening of underwriting requirements and continuing to evolve underwriting to facilitate the customer journey."*

**Large insurer, KDM**

*"How do we grow our business, while at the same time ensuring the growth is profitable?"*

**Medium insurer, KDM**

*"Continuing to be innovative in terms of advanced analytics and artificial intelligence."*

**Medium insurer, KDM**

*"How do we keep up with artificial intelligence?"*

**Medium insurer, KDM**

*"Catching up with large carriers, especially for non-fluid limits."*

**Medium insurer, KDM**

*"Developing more technology tools for brokers."*

**Small insurer, KDM**

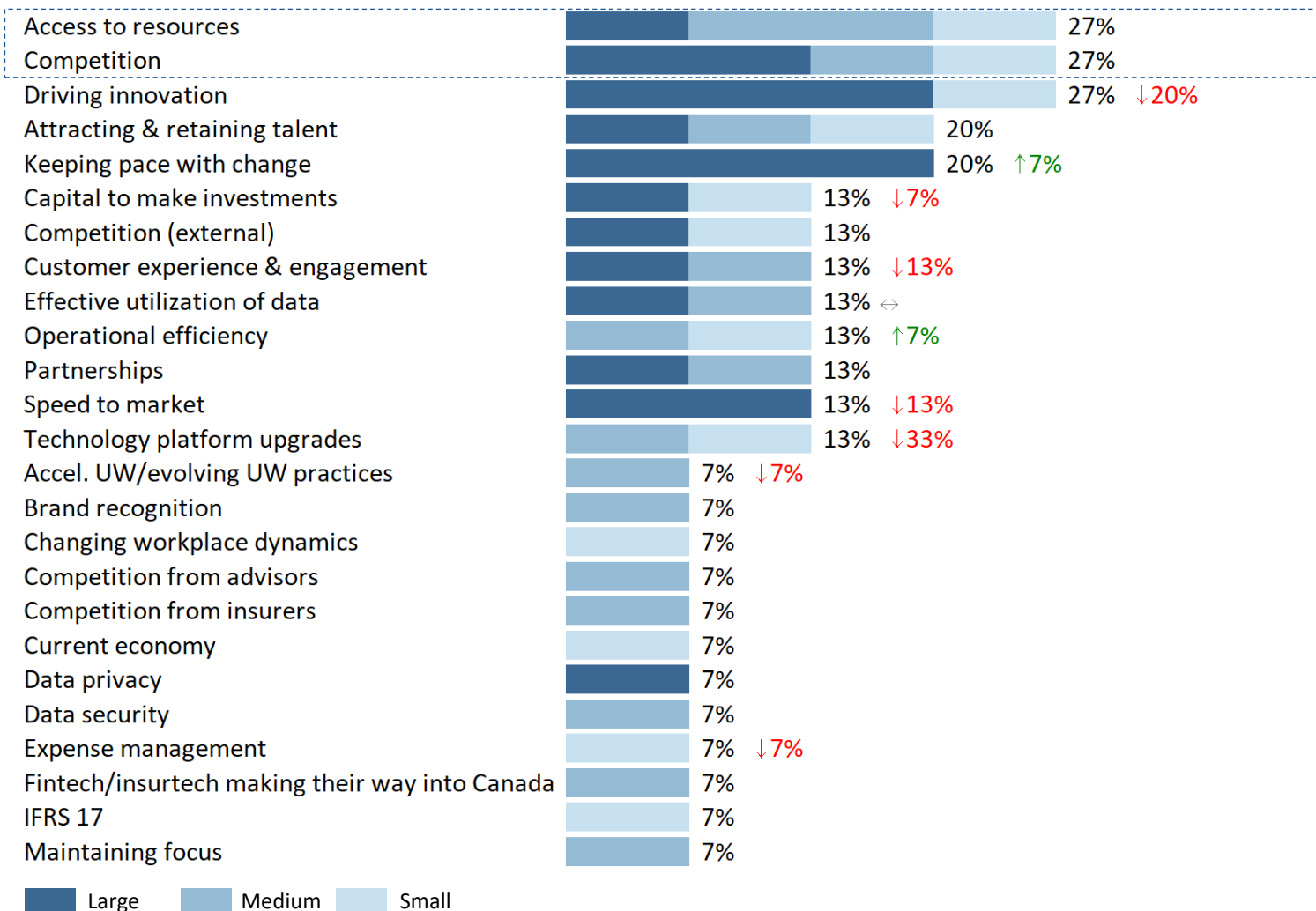
*"Competition is causing larger differences in price than before."*

**Small insurer, KDM**

# Fierce competition in the industry and lack of resources puts pressure on innovation officers, as they try to drive innovation within their organizations

## Key challenges to success (3 - 5 years)

Innovation officers



*"We need to switch to being a data-driven organization. If we don't get the model right, we will lose talent."*

**Large insurer, IO**

*"Educating stakeholders on what 'innovation' means. Some believe innovation is magic. Others don't believe in it, but it is really about always improving what we do."*

**Large insurer, IO**

*"Keeping a close eye on competitors in an aggressive marketplace. Some competitors could be a challenge for us."*

**Medium insurer, IO**

*"The amount of credible data required to support and improve the customer experience."*

**Medium insurer, IO**

*"Industry sales figures are hard to understand, and the external forces at play are hard to identify."*

**Small insurer, IO**

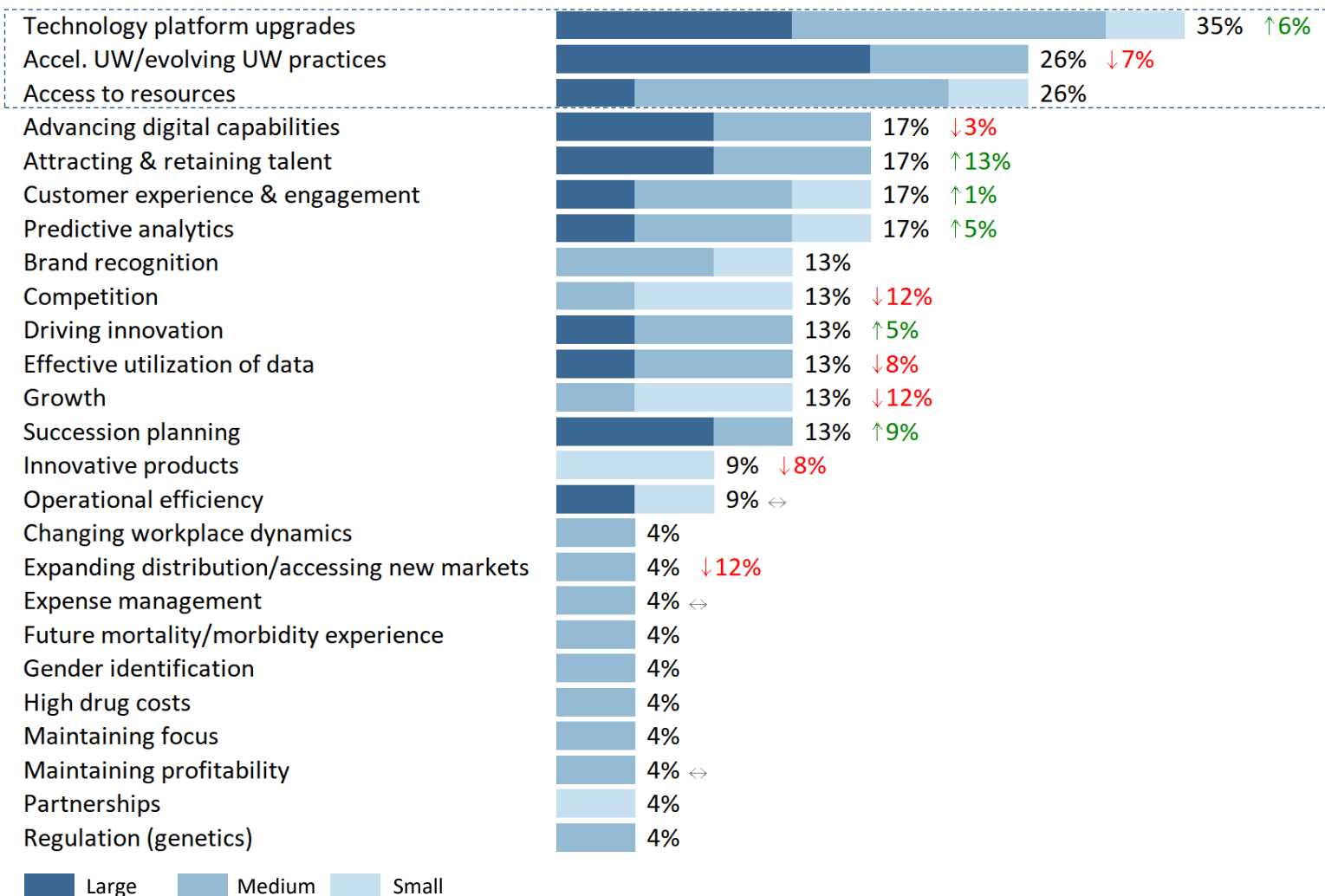
*"Market conditions and the impact on resources."*

**Small insurer, IO**

# Underwriters need the technology infrastructure to drive new underwriting practices, along with resources to support the process

## Key challenges to success (3 - 5 years)

### Underwriters



*“Underwriting is bifurcating. Underwriters for large/complex cases will come from the accelerated underwriting stream. Without much experience or exposure to these risks, how will we get them trained?”*

**Large insurer, CU**

*“Lots of archaic platforms need to be updated, and new technology needs to be fitted into existing frameworks.”*

**Large insurer, CU**

*“We need to improve the speed at which we issue policies.”*

**Large insurer, CU**

*“Need to find new data sources for underwriting.”*

**Large insurer, CU**

*“We need to triple our resources if we are going to keep pace.”*

**Medium insurer, CU**

*“There are changing workplace dynamics and impacts on staff due to work from home.”*

**Medium insurer, CU**

*“Need more underwriting staff.”*

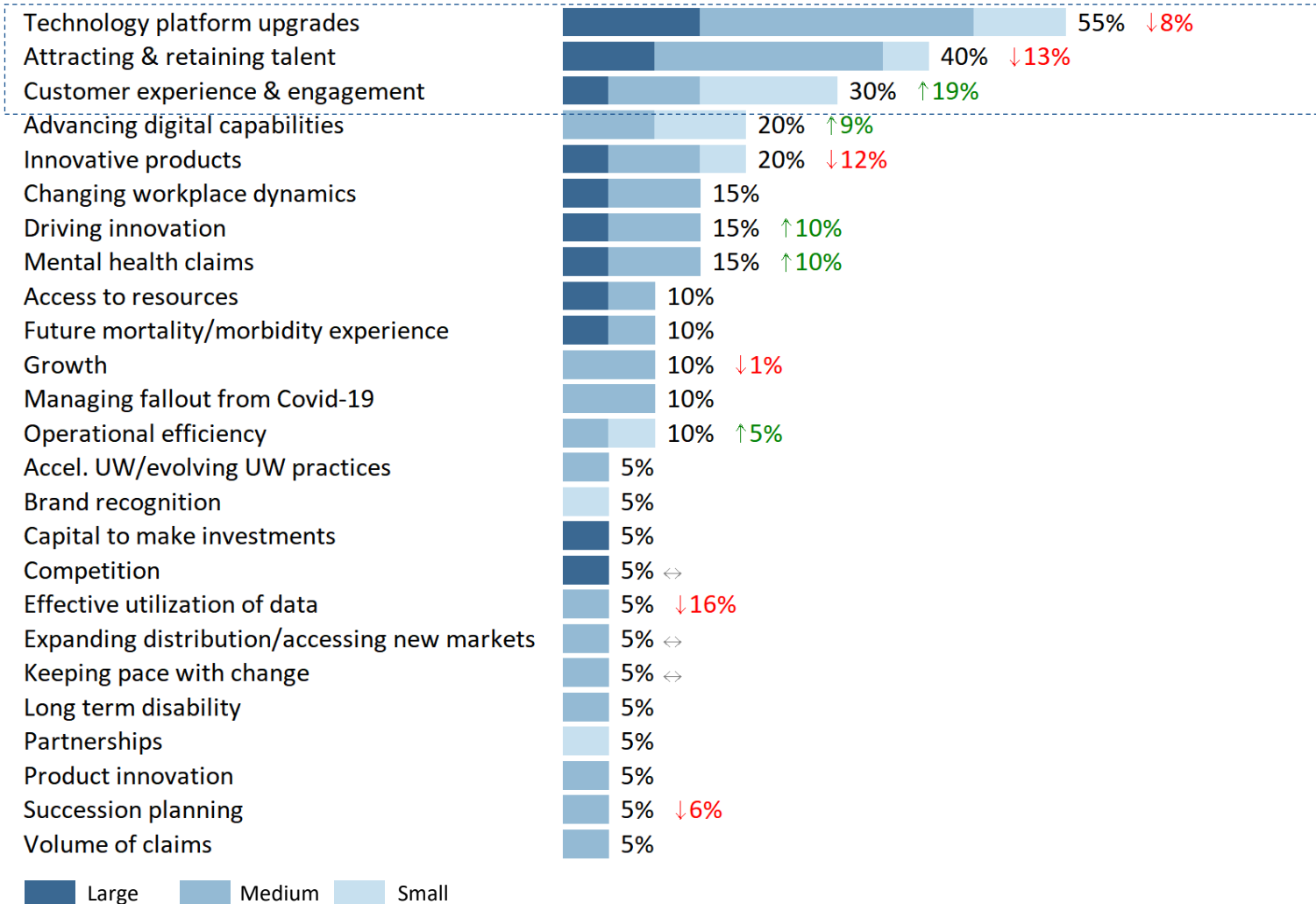
**Small insurer, CU**

# Talent recruitment and advancing technology remains a priority for claims managers; developing a digital experience for the customer rises in importance



## Key challenges to success (3 - 5 years)

Claim managers



*“Generally, it’s service that brings business back in. Positive experiences brings referrals from advisers.”*

**Large insurer, CM**

*“More people work from home, which is why we have to provide a more digital customer experience.”*

**Large insurer, CM**

*“How do we continue to keep our CI products moving in the right direction, given advancements in medicine?”*

**Large insurer, CM**

*“Finding new ways to sell and prospect (while being mindful of new risks).”*

**Medium insurer, CM**

*“Access to health services (increased number of claims for mental health, DI, as well as delayed treatments/surgeries).”*

**Medium insurer, CM**

*“Affiliate with partners to be able to offer different products.”*

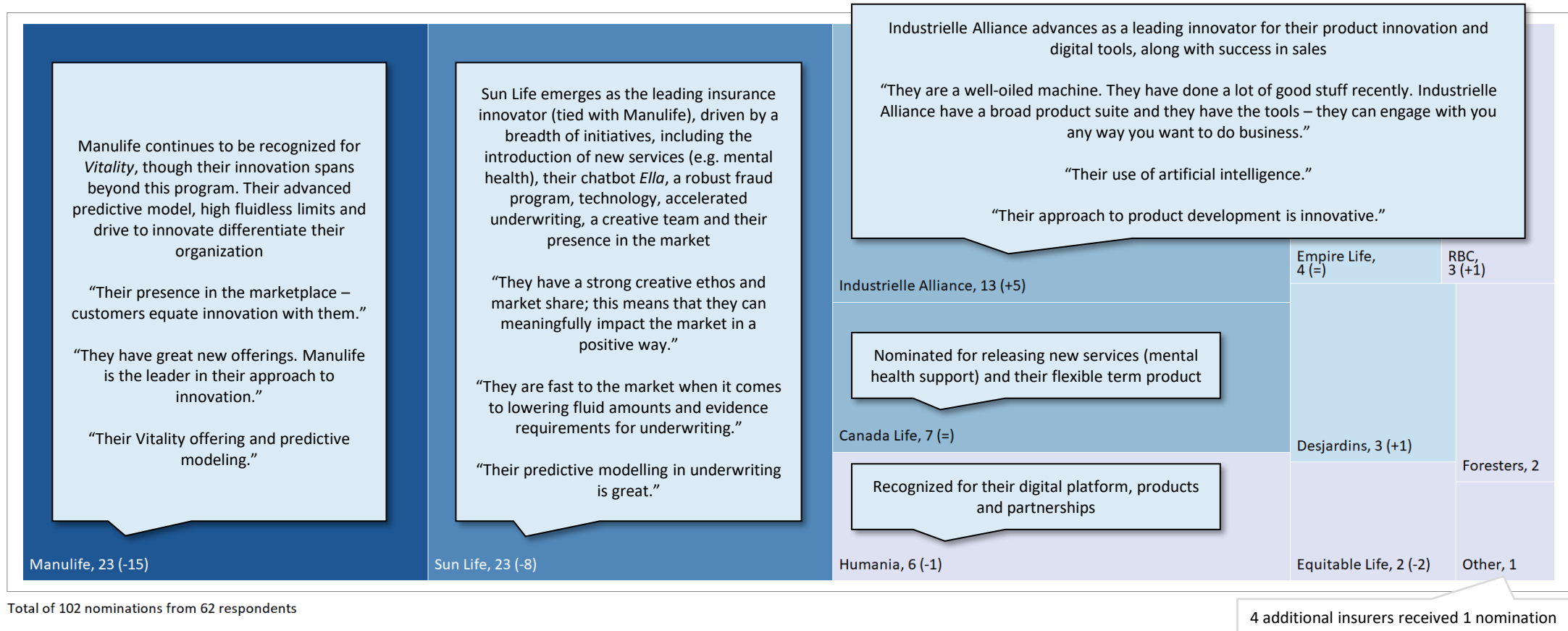
**Small insurer, CM**



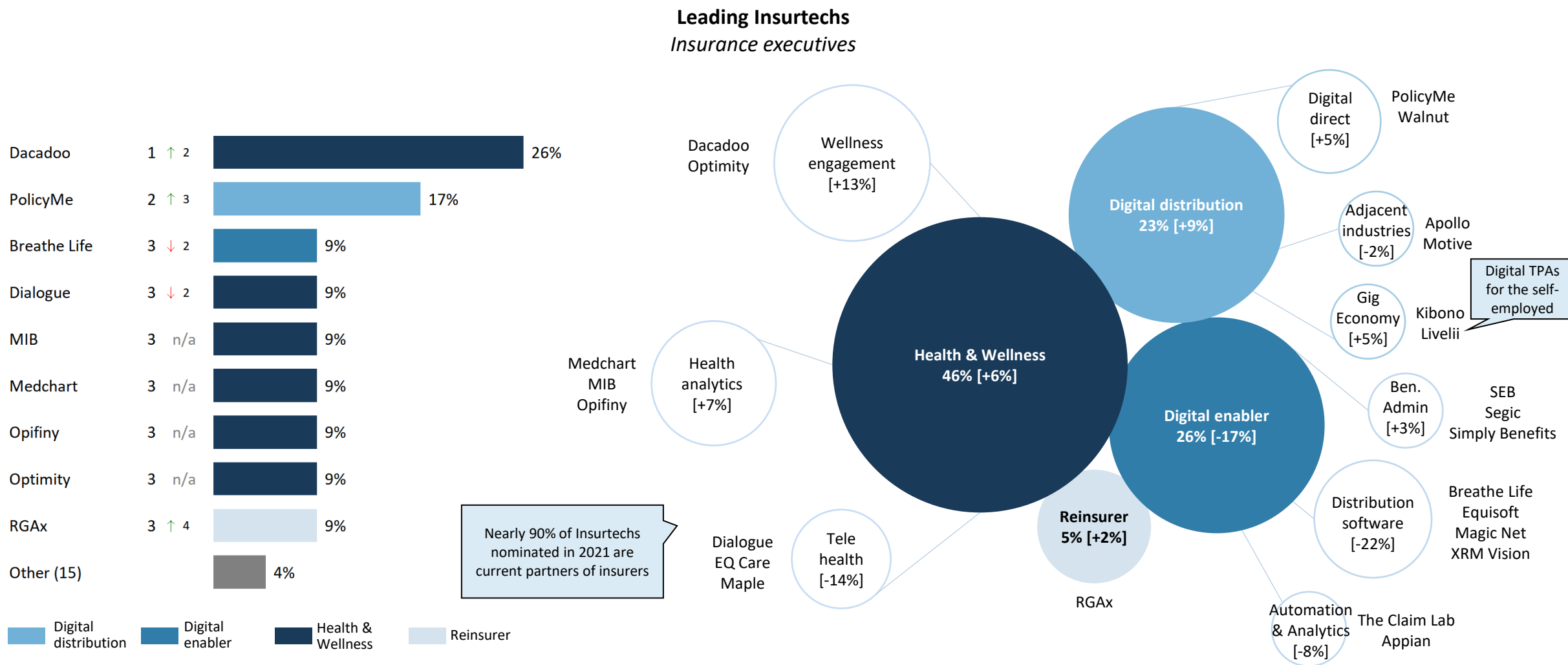
# Sun Life and Manulife differentiate with their pioneering spirit in the market, pressing forward across multiple frontiers

*The view from within:* Sun Life and Manulife are tied as the leading innovators, both recognized for their diverse array of initiatives and presence in the market. Notably, a larger proportion of insurers stated that ‘no insurer stands out as an innovator’ this year

## Canada Life & Health insurance innovators 2021 (Δ year on year)



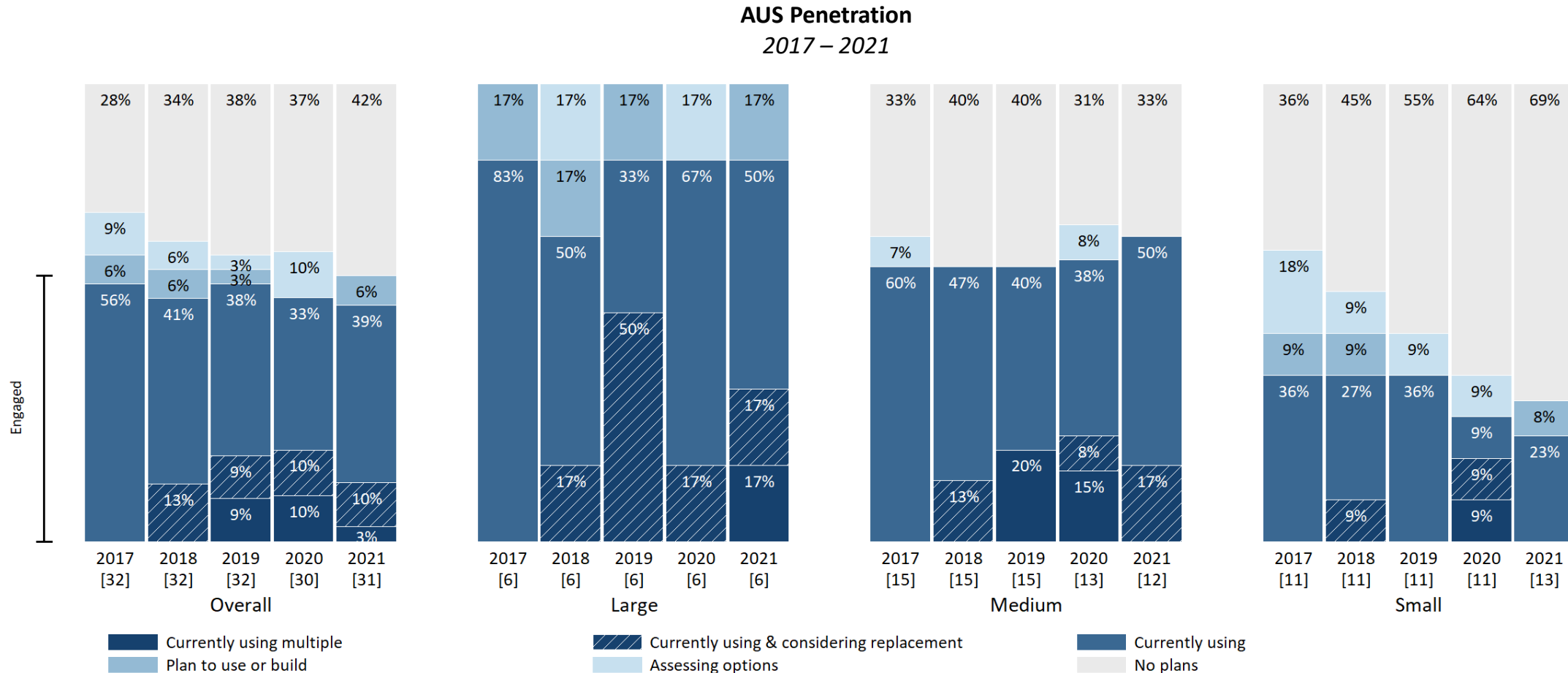
# Insurtech activity remains concentrated in health and wellness – branching out into wellness engagement, tele-medicine and newly, electronic health data





# The adoption rate for automated underwriting systems has remained stable, activity to upgrade systems is concentrated among insurers already engaged

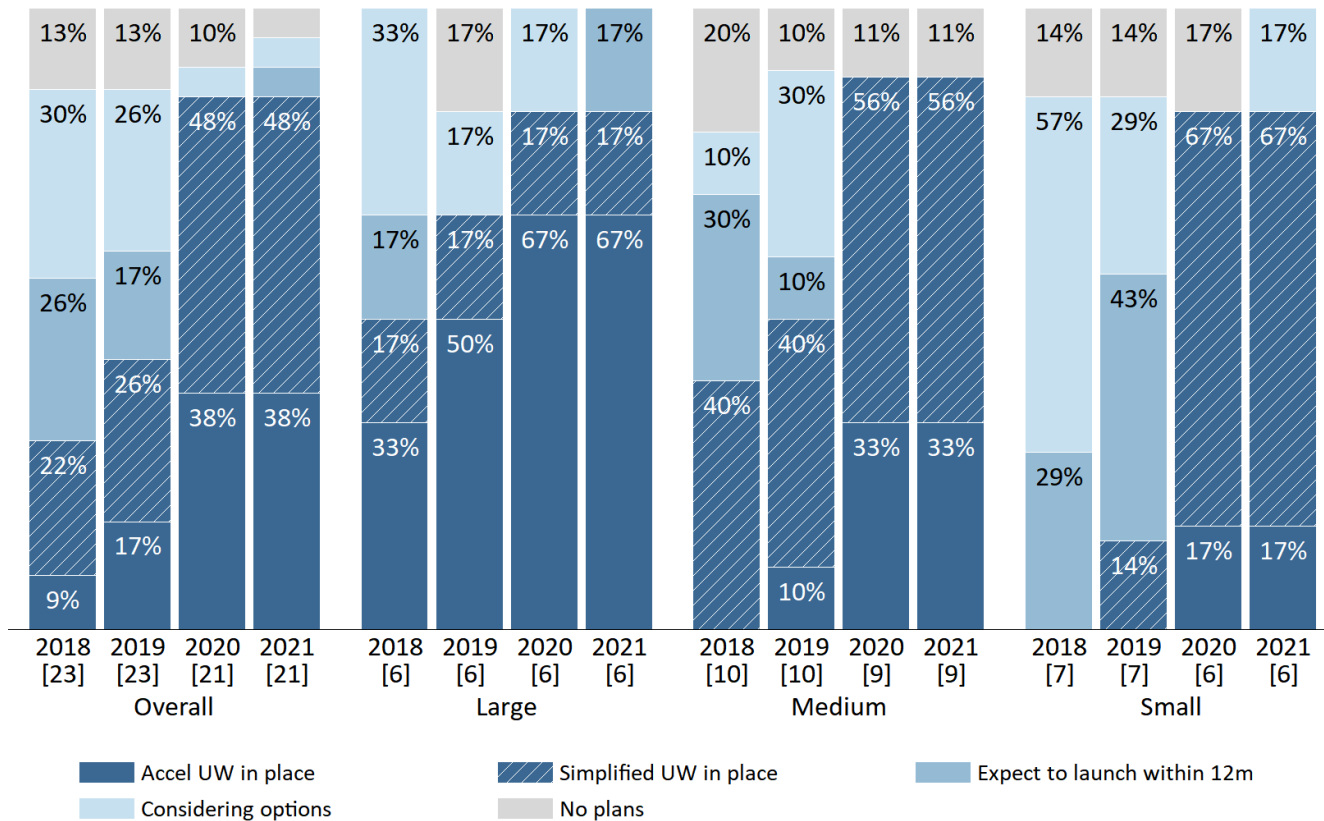
55% of insurers are currently engaged with a system, and this group has been actively engaged in upgrading or replacing their system over the past few years. The remaining group of medium and small insurers have limited appetite to automate their underwriting processes (2-year time frame)



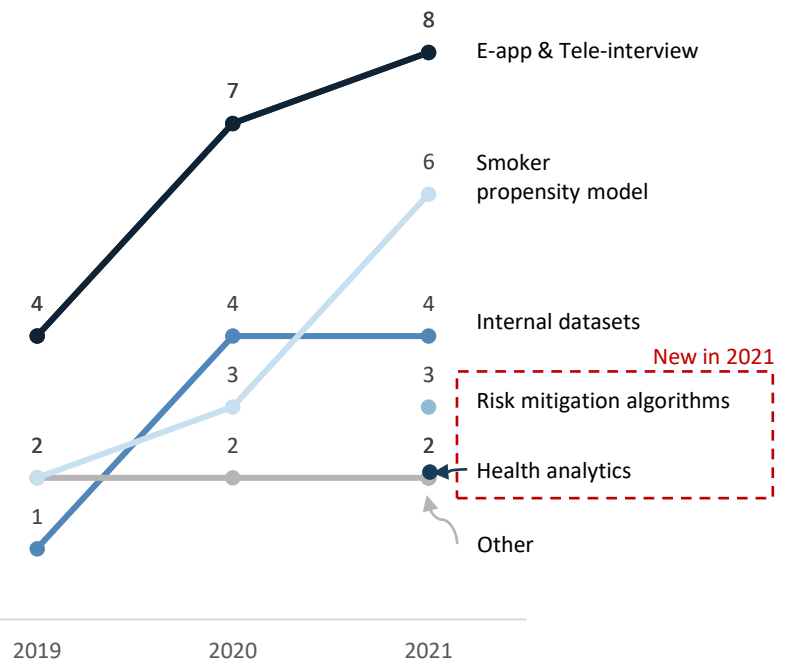
'AUS' stands for Automated Underwriting Systems; Large/Medium/Small is based on insurer size; Figures in [ ] represent number of insurers

# Activity is concentrated among invested insurers, as they continue to integrate new algorithms, data and tools into their accelerated underwriting programs

**Engagement with simplified/accelerated underwriting**  
2018 – 2021



**Accelerated underwriting data & toolbox**  
# of insurers currently using/planning, 2019 – 2021



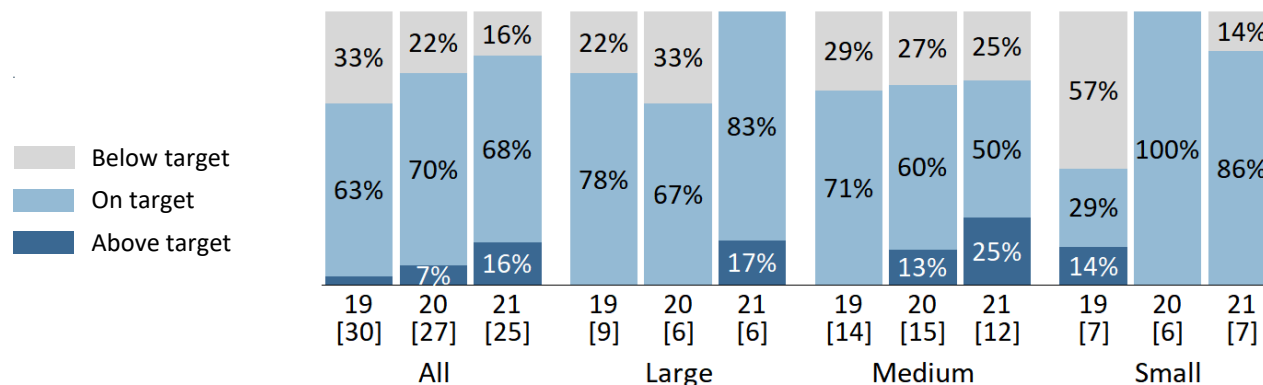
Overall satisfaction score with the accelerated underwriting programs went from 4.4 in 2020 to 3.8 in 2021 (out of 5). Keeping pace with program advancements, low STP rates, risk mitigation processes and minimal impact to sales were cited as drivers

[ ] Figures in bracket represent the number of insurer; Citations above the trend line represent number of insurers Respondents (2021): 21



# Perceptions of industry profitability continue to strengthen, though outlook remains largely uncertain

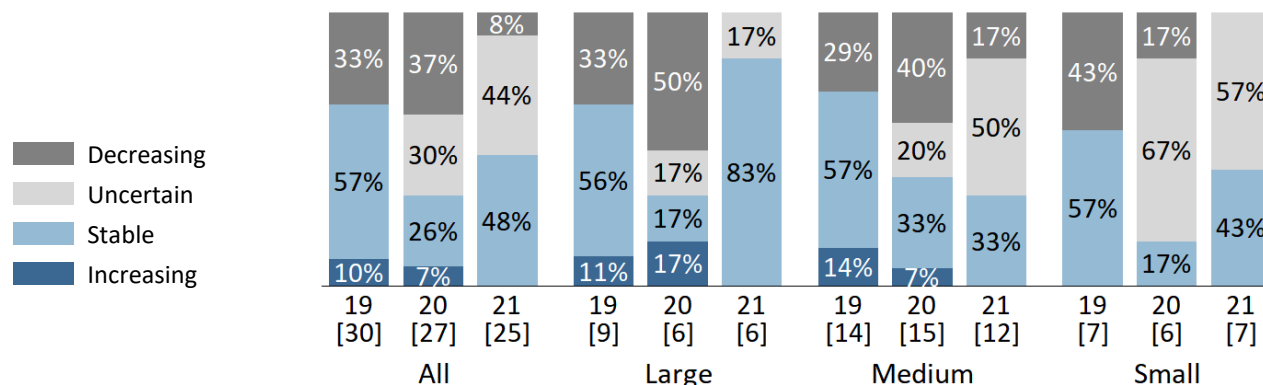
### Is the life industry achieving target ROCs?



### Reasons for achieving/not achieving target



### Industry outlook for return on capital



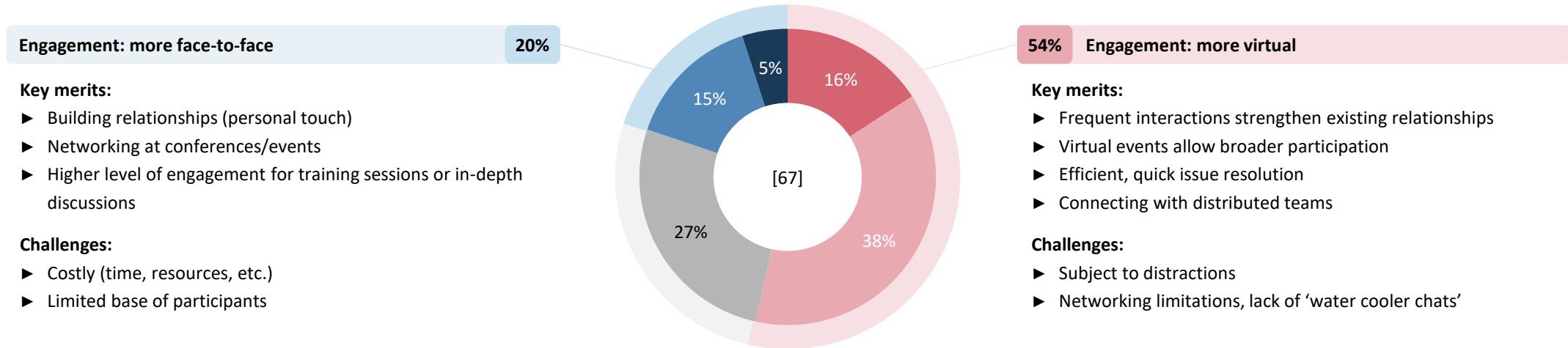
Over 80% of decision makers believe the industry is collectively achieving adequate returns on capital (with a growing proportion noting returns above targets). Contrary to the negative outlook in 2020, the pandemic has not dampened industry sentiment, though a high degree of uncertainty remains

Fierce competition (excessive price focus) and low interest rates continue to weigh down the industry, though the lift in sentiment is supported by stronger investment returns

# The majority of insurers prefer some element of virtual engagement with their reinsurers in a post-pandemic world

## Reinsurer engagement preferences *Life insurance executives, 2021*

Reinsurer engagement preferences in a post-pandemic world, insurer perspective



### The future of client engagement

- While preferences for (exclusively) in-person engagement are limited, they traditionally are big impact: conferences/client events
  - ▶ In-person networking and relationship building remains irreplicable given current technologies
- Compared to the US market, Canadian insurers lean towards virtual (54% prefer more virtual engagement v. 28% in the US)
  - ▶ Virtual engagement allows for more frequent meetings, with more people involved in the discussion
  - ▶ Video communication remains the most efficient query resolution approach, becoming more personal than phone calls

100% face-to-face More face-to-face Hybrid More virtual 100% virtual

Number in [ ] is the count of respondents



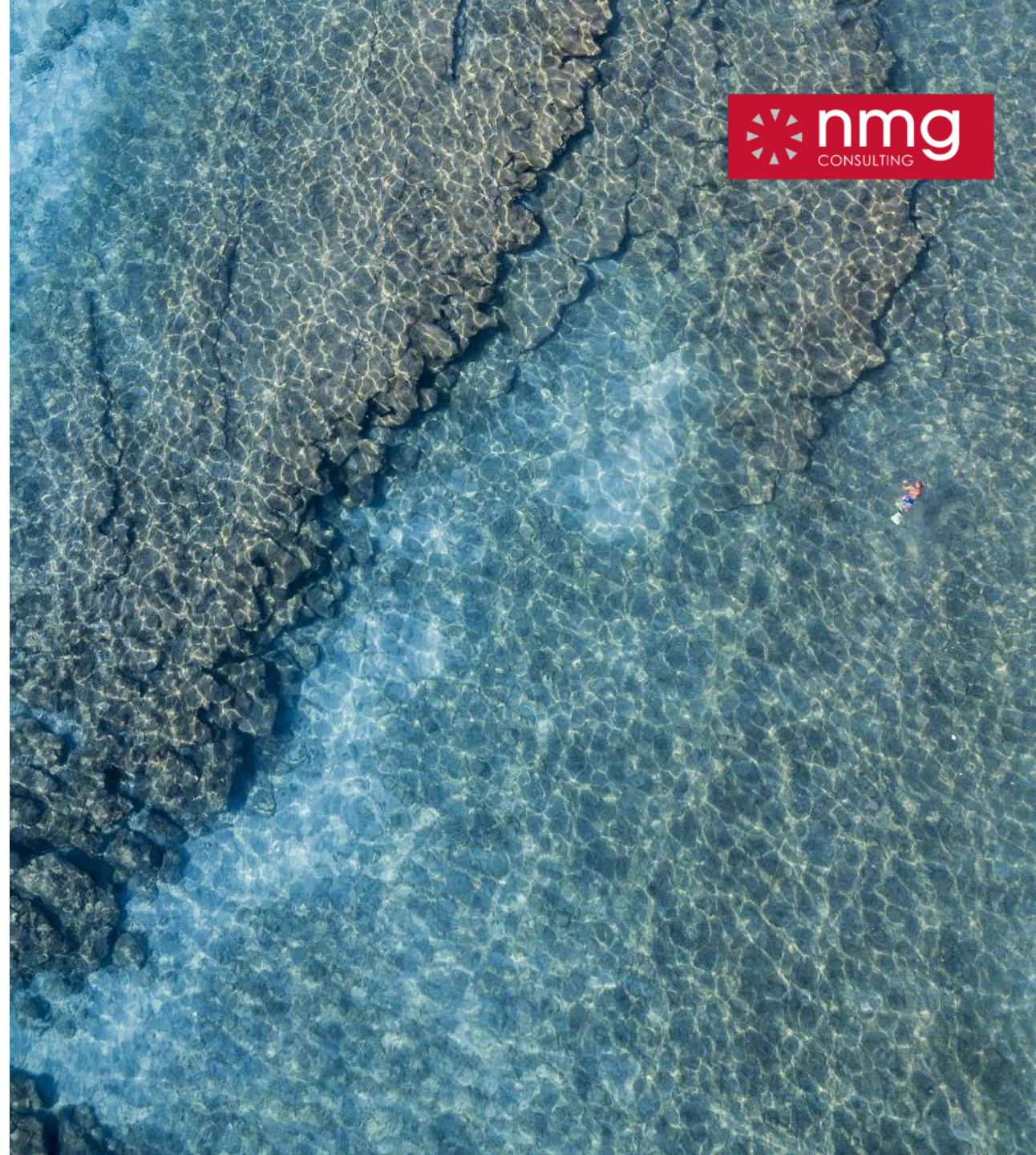
# Digitalization and health & wellness (engagement platforms and data) are core components of industry transformation

## Transformative innovations shaping the industry Life insurance executives, 2021





# Competitive positioning



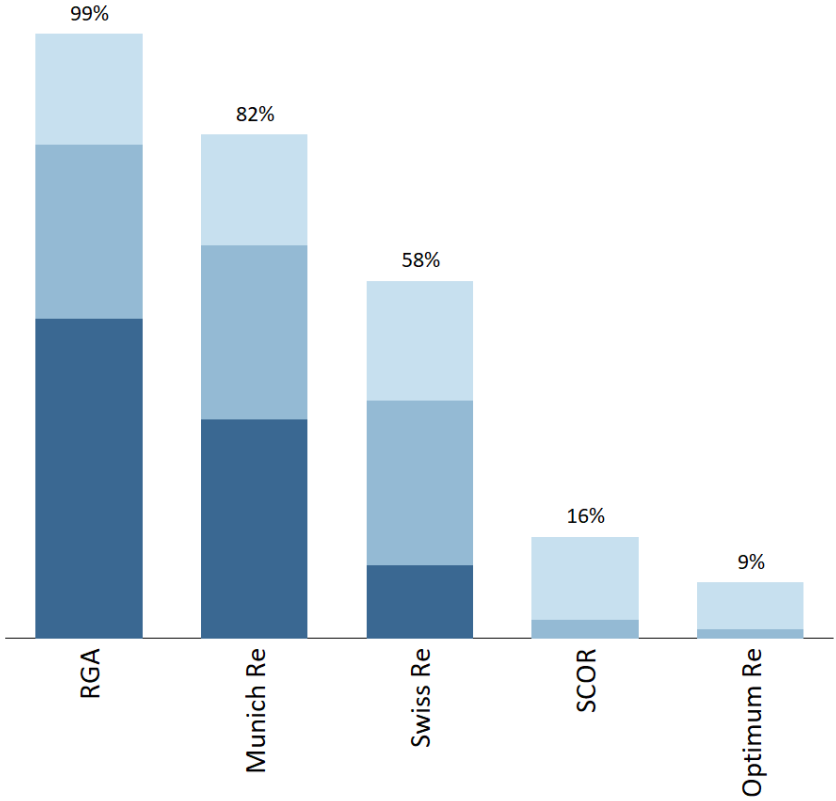


# Leading local (Canada) reinsurance brands & associated perceptions



**Local brand positioning**  
(‘Leading local’)

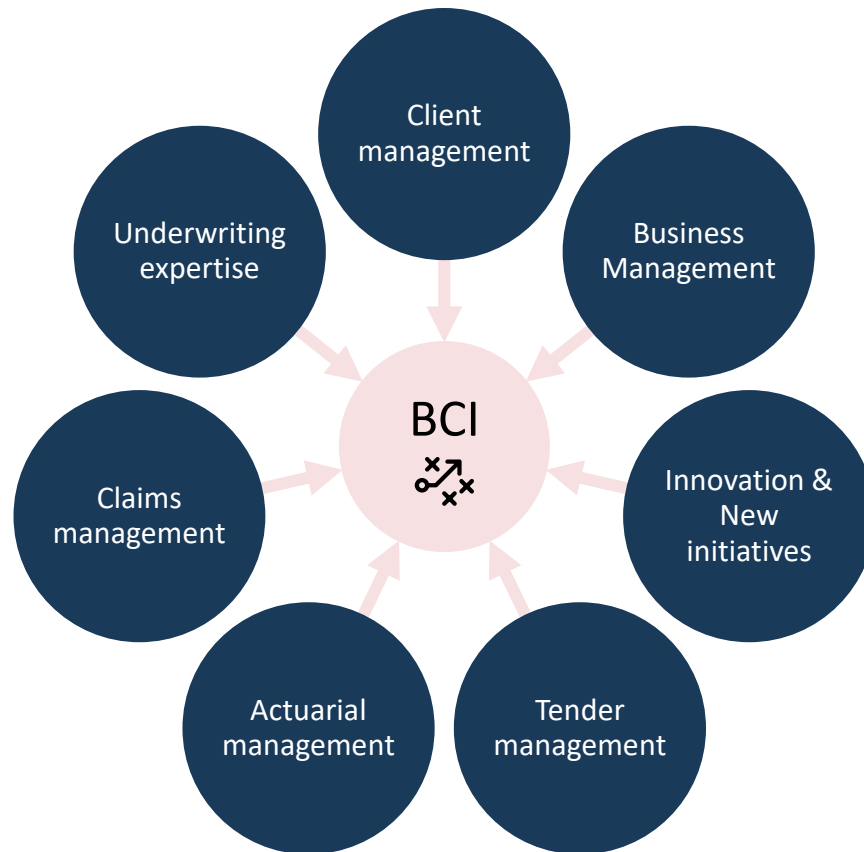
**Brand perceptions**  
All reinsurers [68]



■ 1st ranked ■ 2nd ranked ■ 3rd ranked

% represents the proportion of respondents citing the reinsurer as being among a leading (top 3) L&H reinsurance brand in Canada; Figures in [ ] represent the number of respondents

# NMG Business Capability Index (BCI) definition

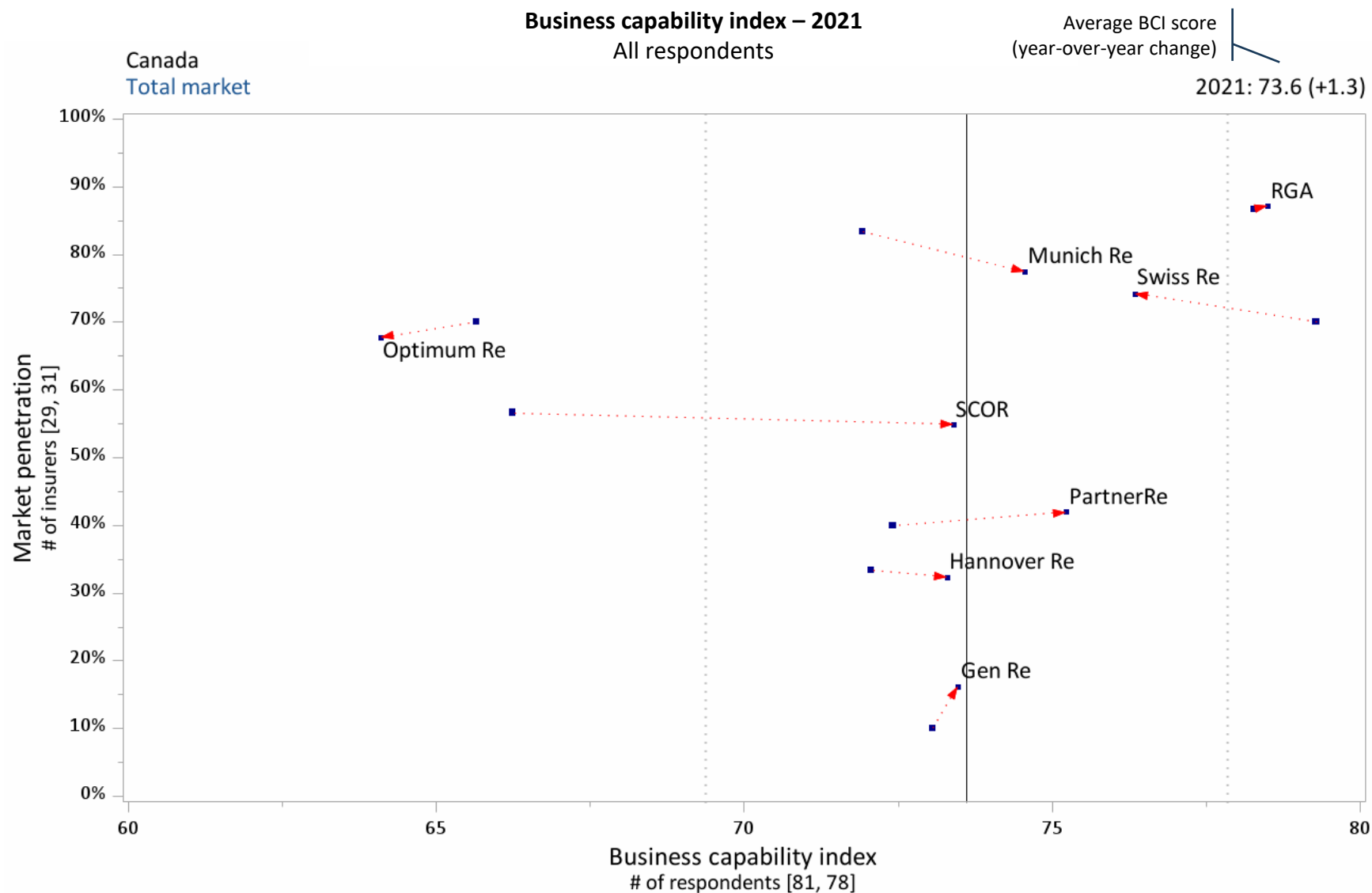


The NMG BCI is a single composite score (0-100) that quantifies reinsurer effectiveness by aggregating insurer feedback across key capability areas

The BCI therefore provides an assessment of which reinsurers are delivering the best overall value propositions to insurers and consequently which reinsurers are likely to strengthen their market position over the next 12 months

The elements that comprise the BCI are tailored to L&H reinsurance. The BCI is purposefully constructed to be independent of Price Competitiveness

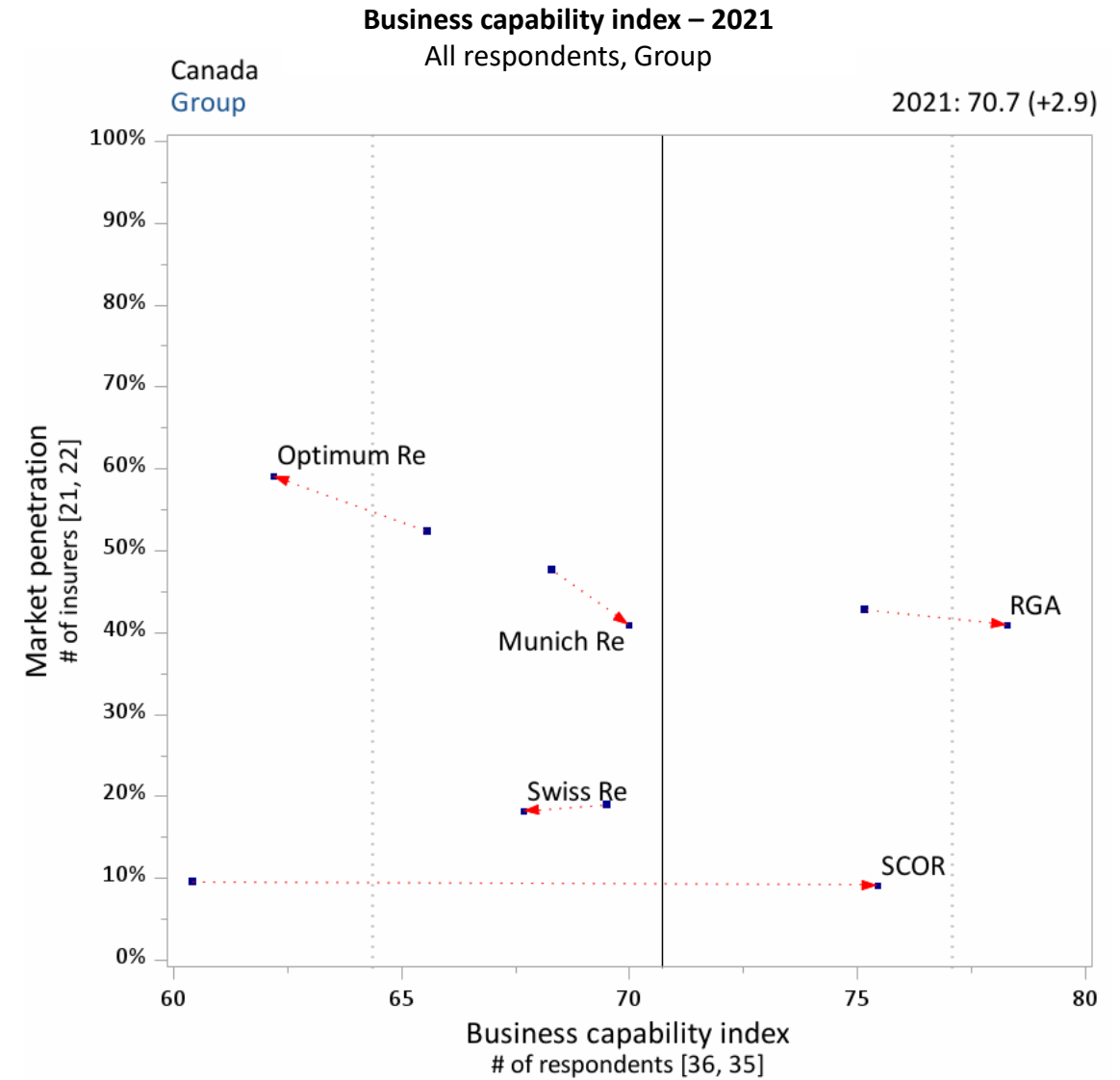
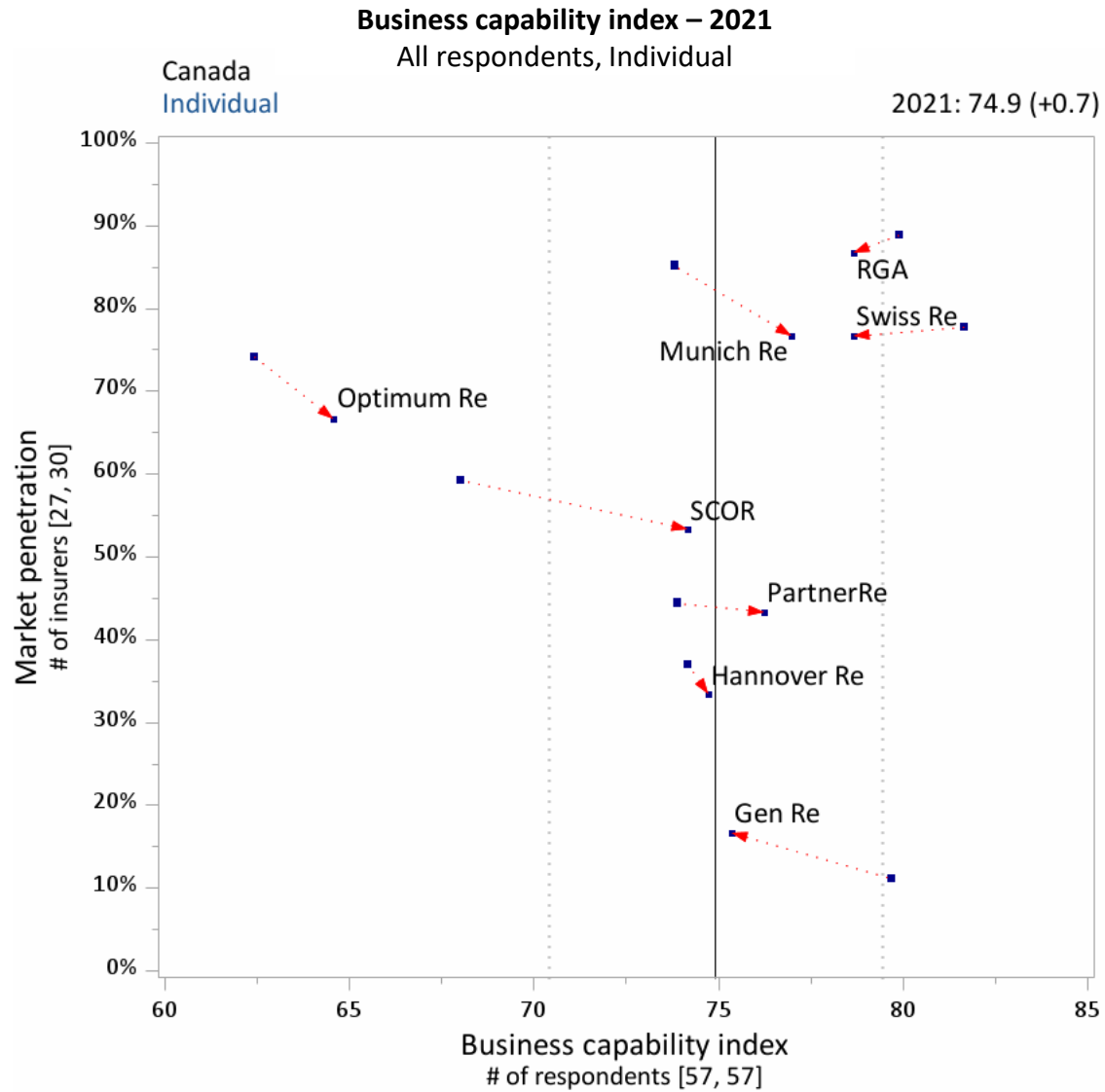
# While the majority of players converge toward the average, consistent performance creates the foundation for RGA re-gaining BCI leadership



- ▶ Overall, reinsurers have invested in relationships, traditional capabilities and innovation, driving broad lifts in the market
- ▶ Amid a generalized lift in sentiment regarding reinsurance performance and shifts in market positioning, RGA reclaims top-ranked status on BCI with high market penetration (a measure of the reinsurers' client footprint based on the number of their relationships)
- ▶ While Swiss Re assumes 2<sup>nd</sup> place, PartnerRe moves to 3<sup>rd</sup> rank for the first time in 4 years
- ▶ SCOR makes significant headway in client satisfaction, lifting their average rating by ~7 points (the largest gain in the market)
- ▶ Likewise, Munich Re and Hannover Re secure positive gains this year
- ▶ Each reinsurer is carving out their unique position as a valued partner, forming a high performing cluster

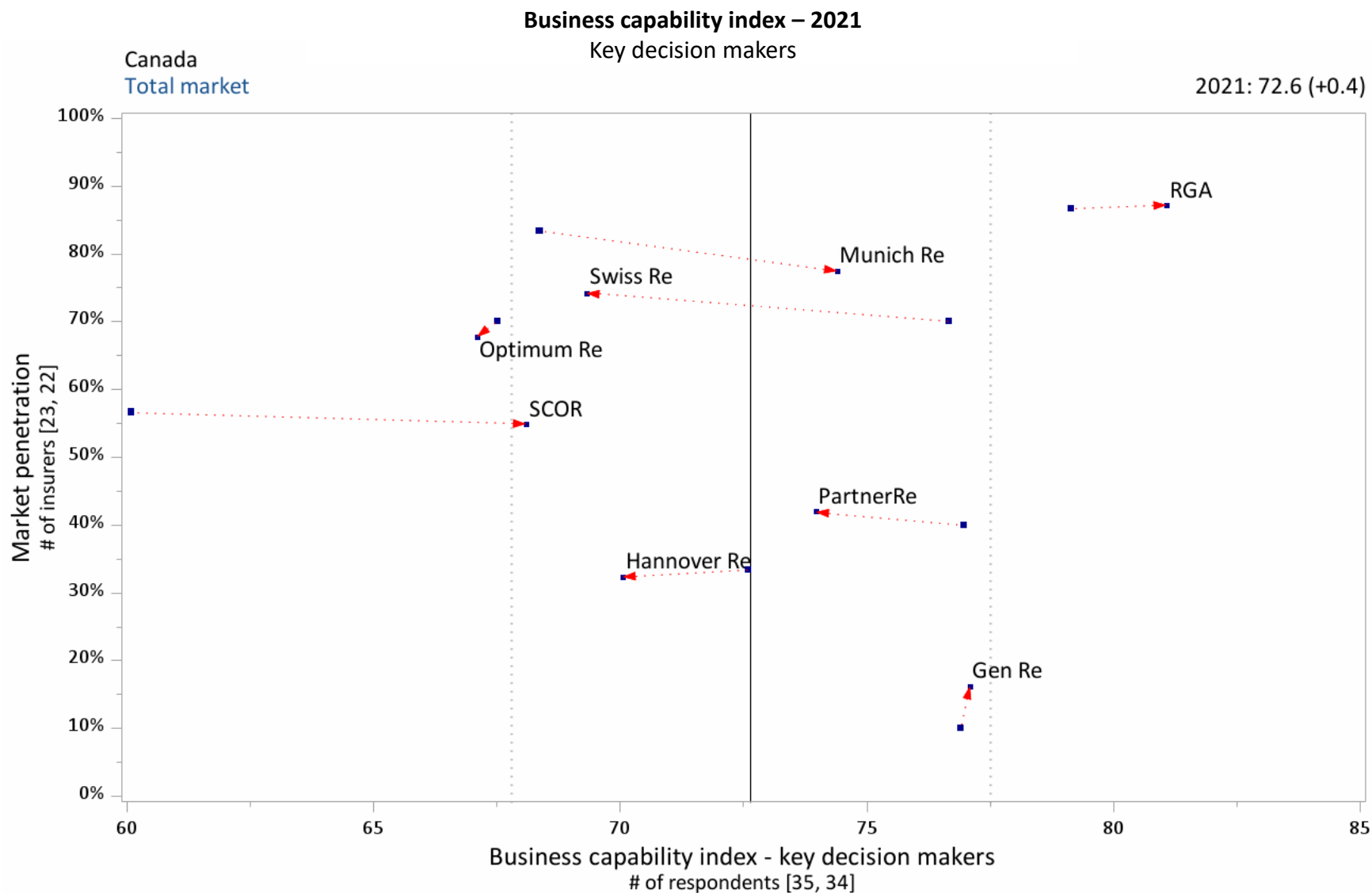


# There is fierce competition in the Individual space with reinsurers clustered around a high market standard; Group shows swings in rank with broad movements in BCI



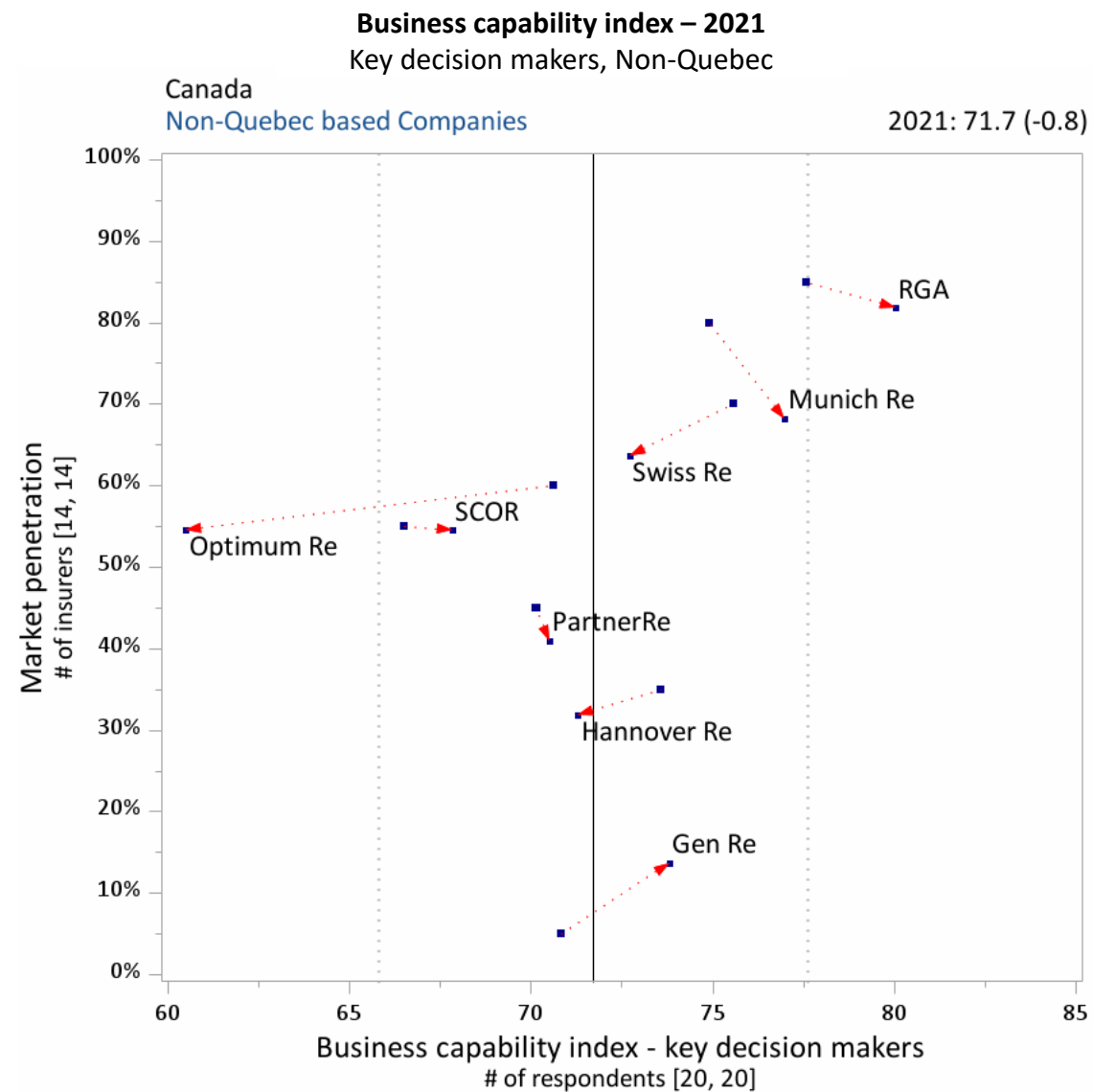
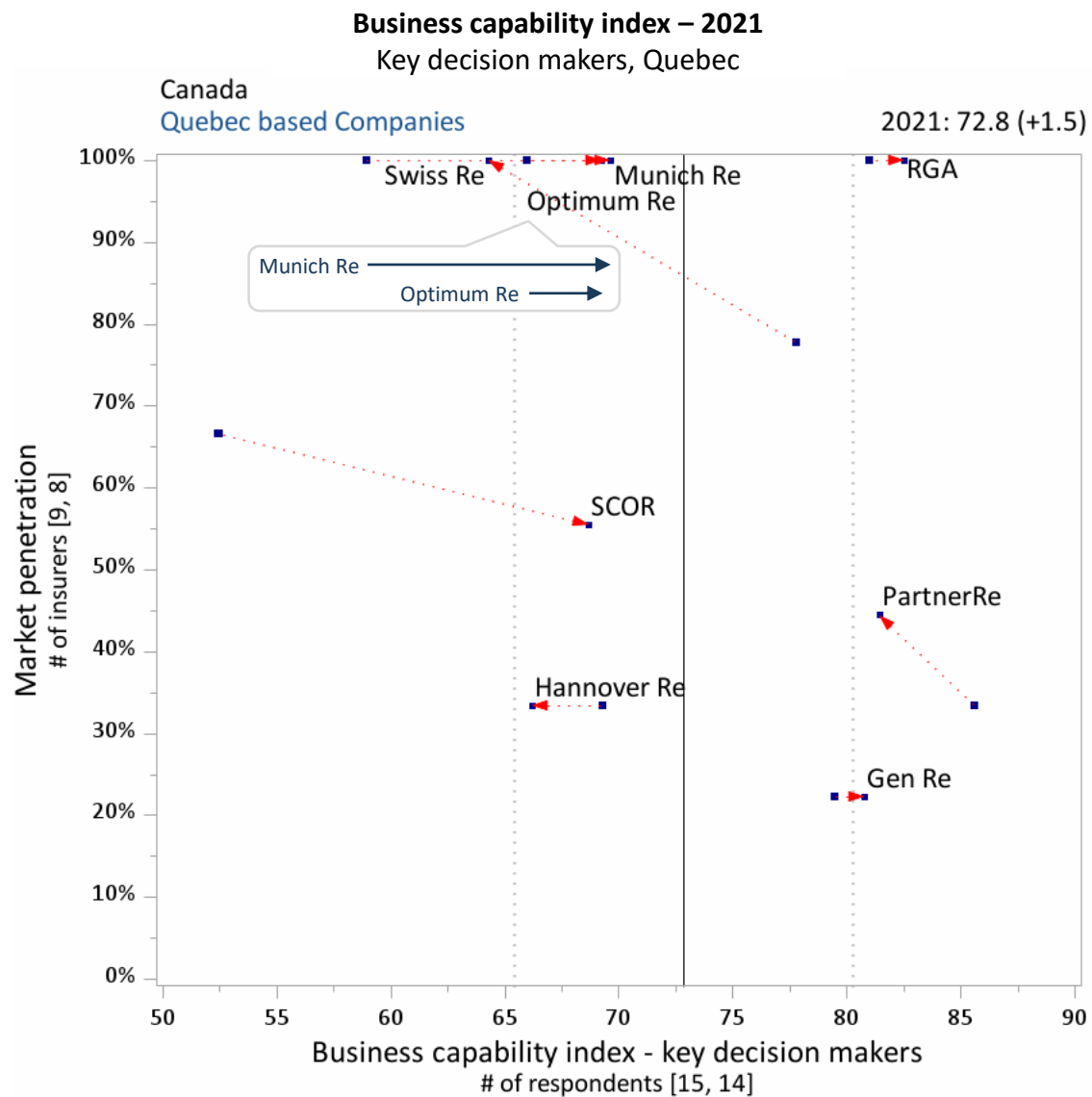
Figures in brackets [ ] on both axes refer to the number of insurers/respondents in 2020 and 2021, respectively

# Significant variation is seen in ratings from key decision makers this year, with RGA gaining further traction



- ▶ While the average remains stable, there were broad shifts in BCI ratings and rankings
- ▶ RGA builds distinct leadership among decision makers, widening their lead relative to competitors
- ▶ Munich Re made a significant leap forward, and are now ranked among the top three competitors
- ▶ Recognized for their broad improvements, SCOR lifted their profile significantly with key decision makers

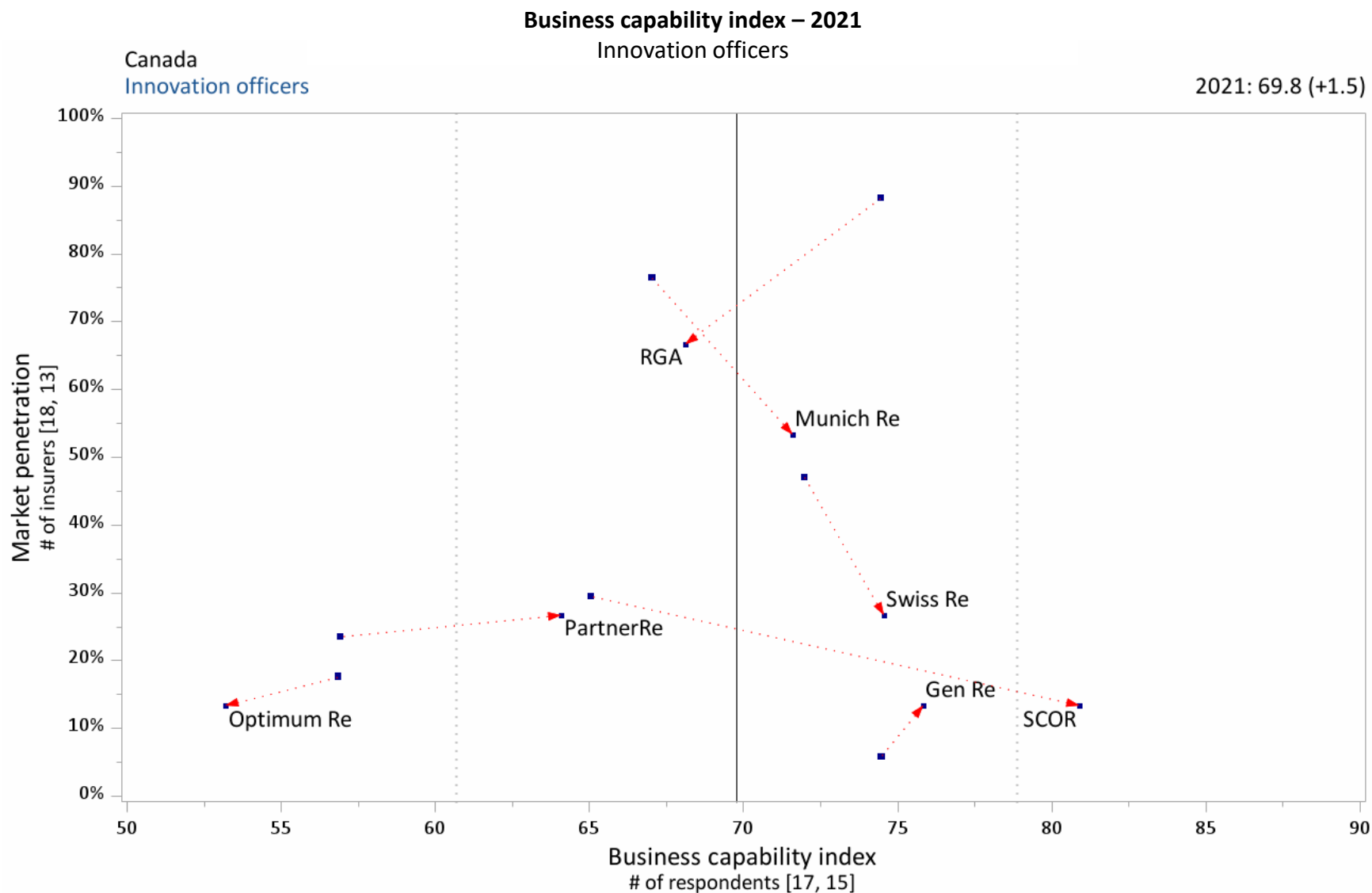
# Given the cultural differences across regions, reinsurer positioning varies in Quebec v. other provinces



Figures in brackets [ ] on both axes refer to the number of insurers/respondents in 2020 and 2021, respectively

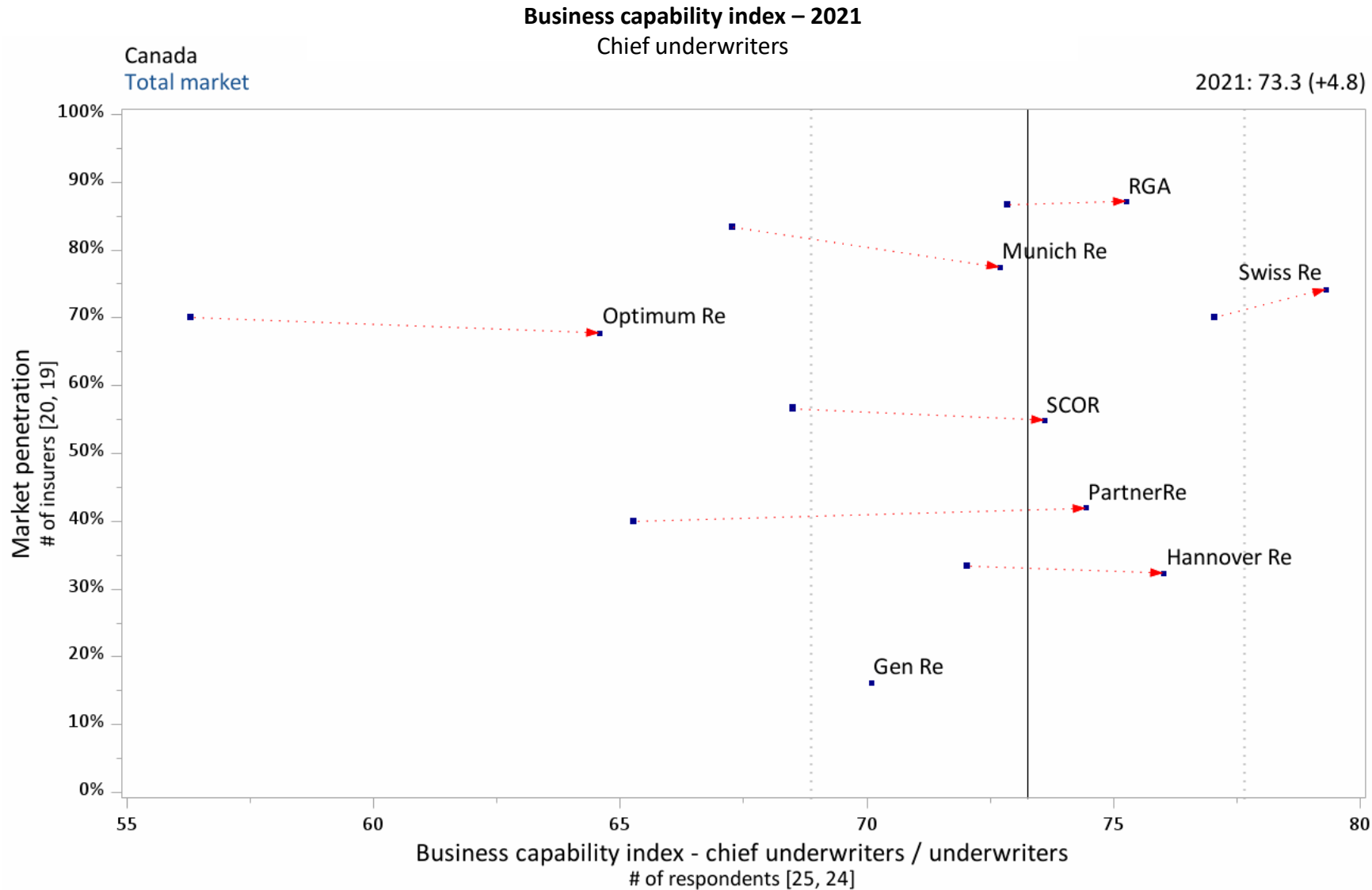


# Reinsurer engagement with innovation officers have a narrower reach in comparison to traditionally-leaning segments



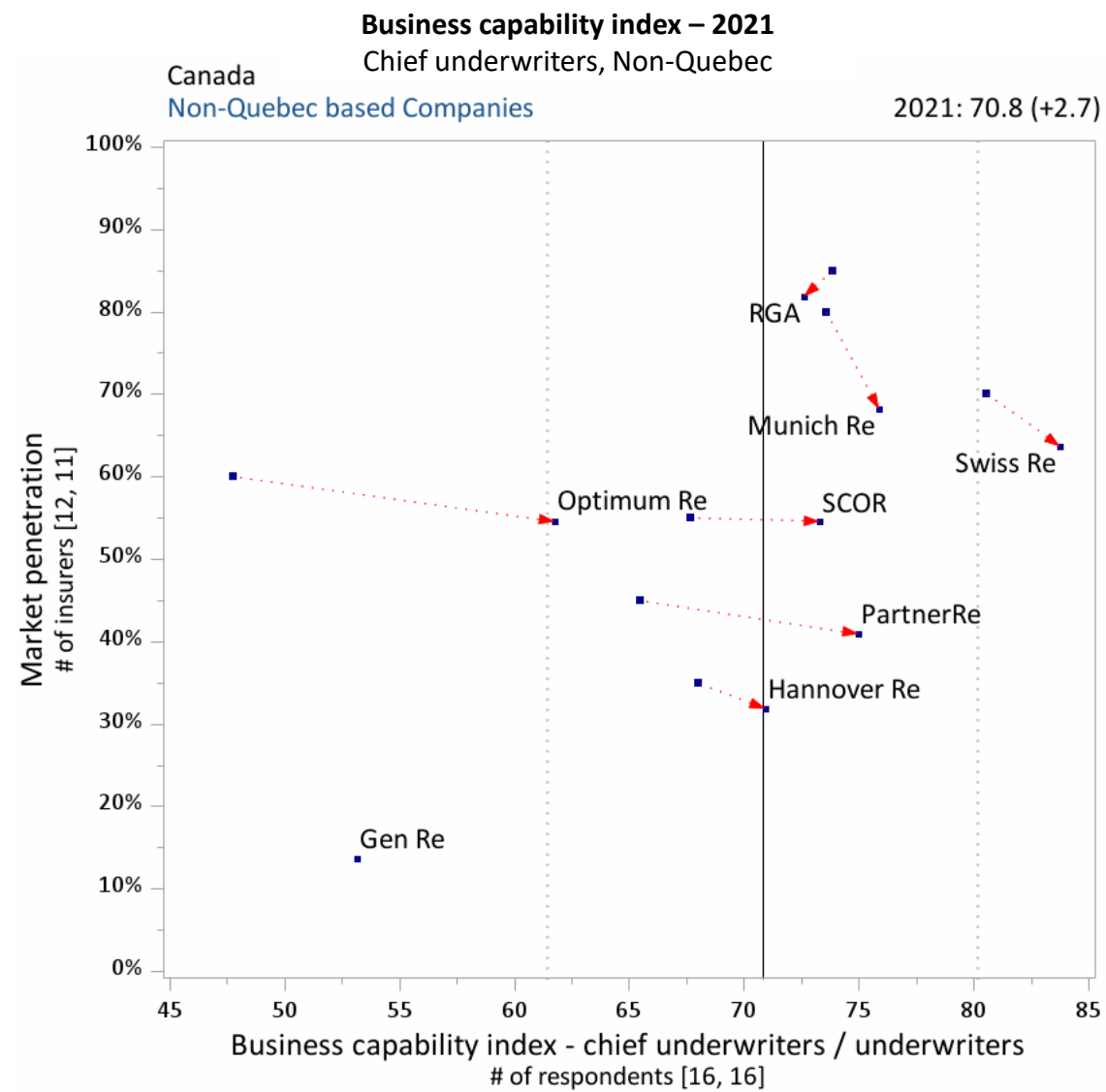
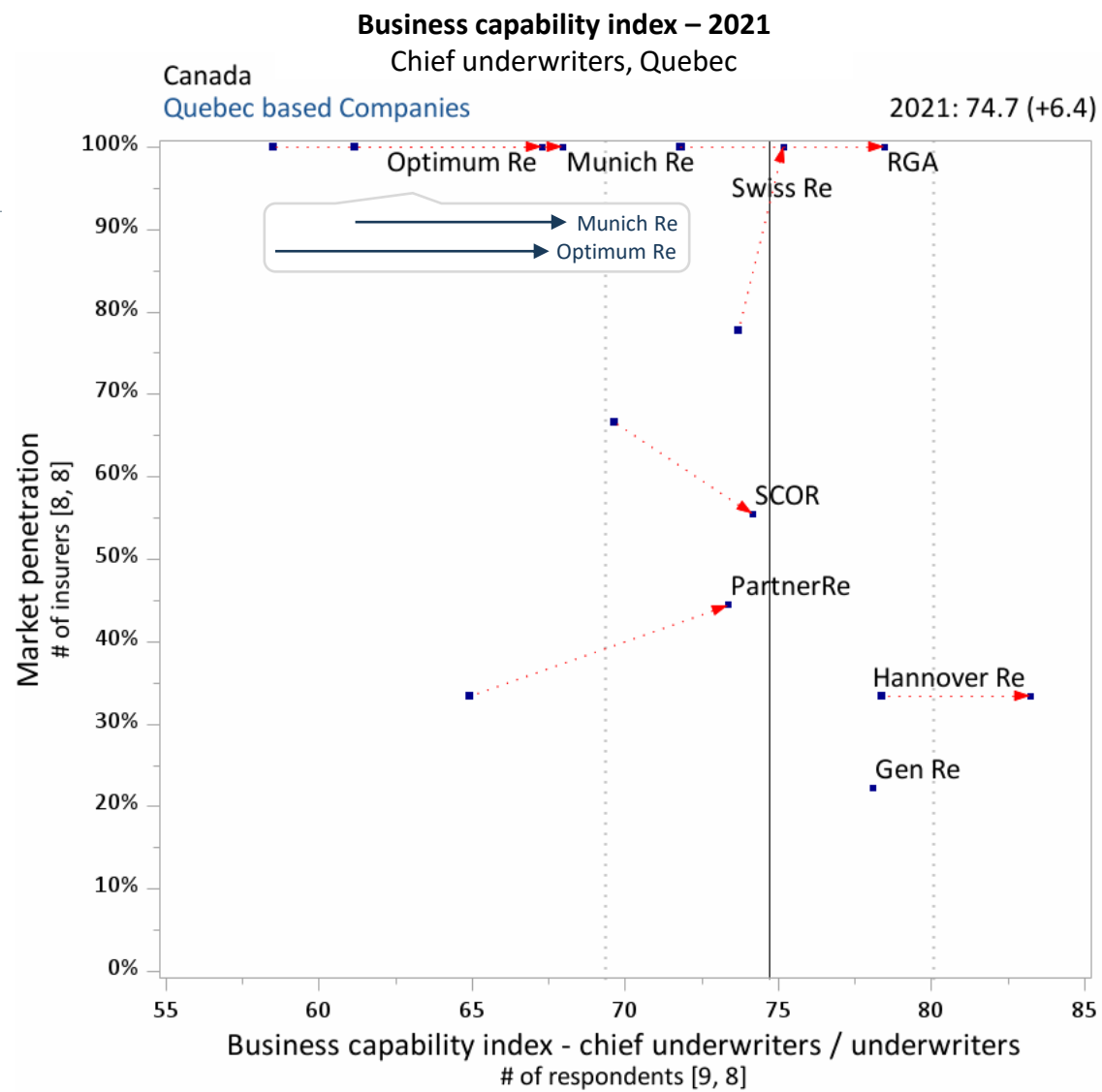
- ▶ As reinsurers seek to develop relationships and advance propositions with innovation officers, the landscape remains fluid with big swings in rankings
- ▶ RGA and Munich Re have the highest penetration among innovation officers, though BCI ranks shift
- ▶ There was notable advancement from SCOR, with an indicative lead in the market (minimal citations)

# 2021 brought positive shifts for nearly all reinsurers, signaling that reinsurers are delivering significant value to underwriters across the board



- ▶ Market sentiment was positive, with a ~5-point increase in the average BCI v. 2020. Remarkably, lifts were seen from nearly all reinsurers
- ▶ Swiss Re continues to edge ahead of competitors, maintaining their leadership with underwriters
- ▶ Growing reinsurers continue to advance their capabilities, with important lifts from PartnerRe and Hannover Re

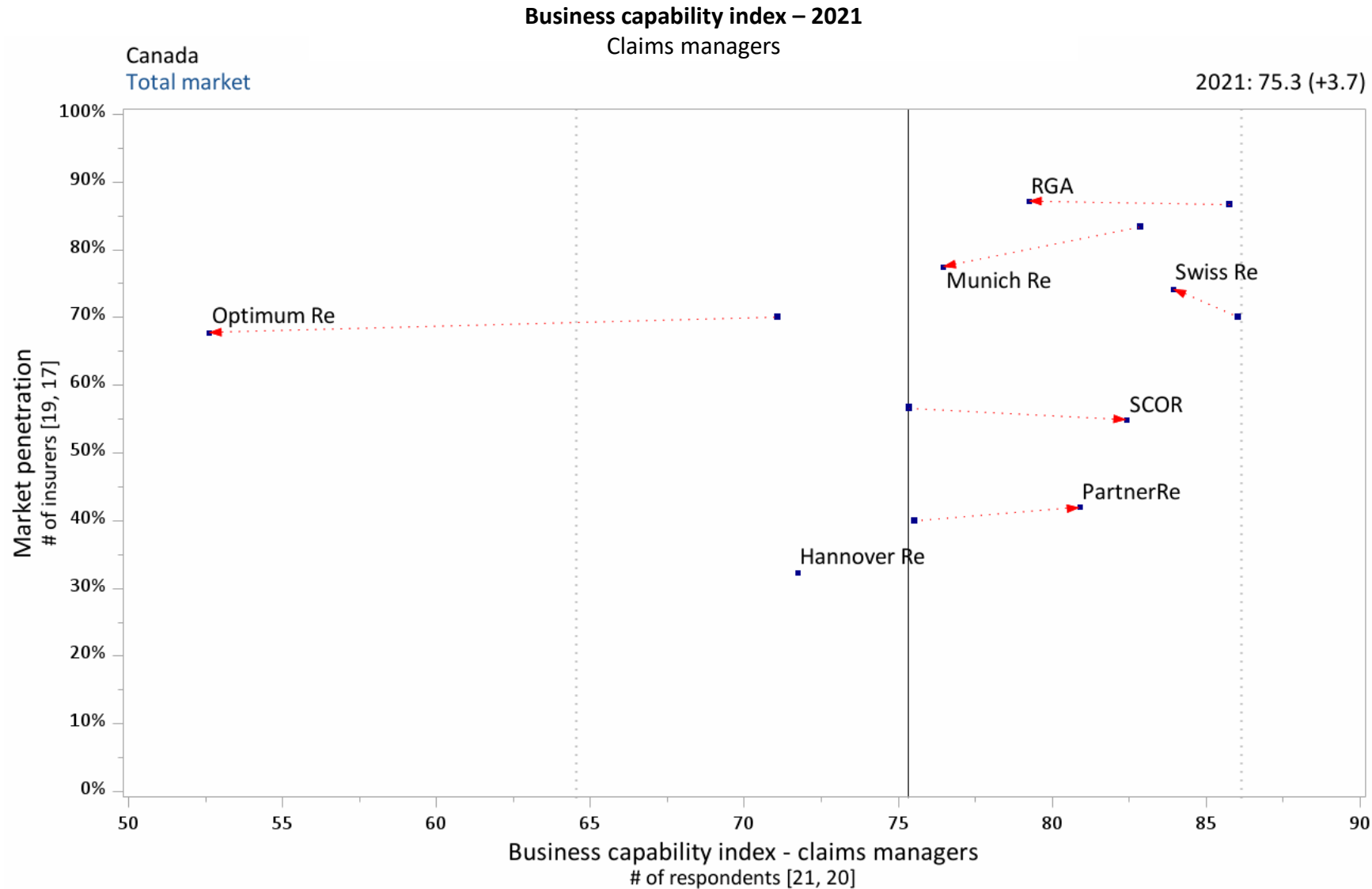
# Underwriters' positive sentiment towards reinsurers spans across Quebec and regions outside of Quebec



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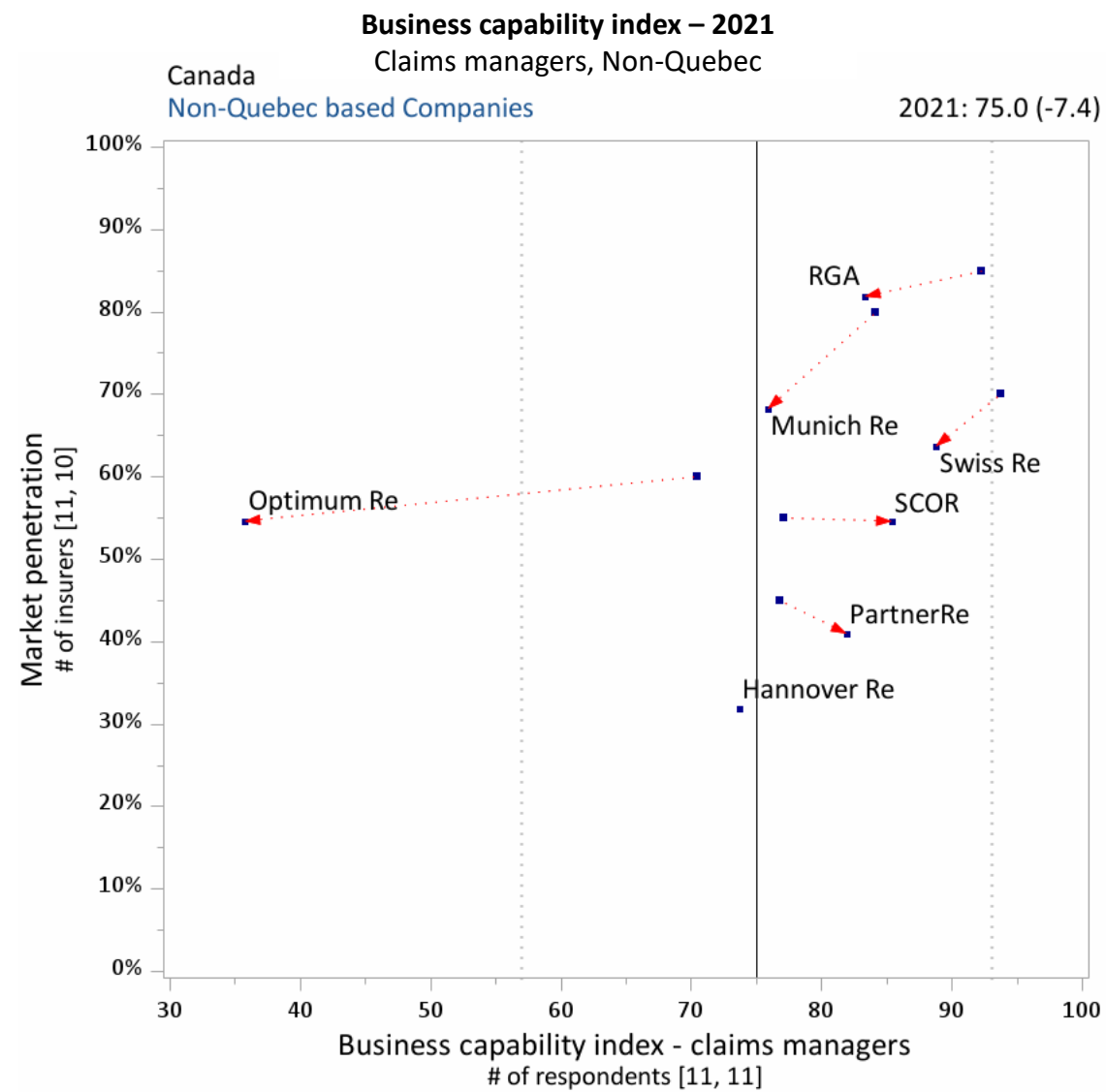
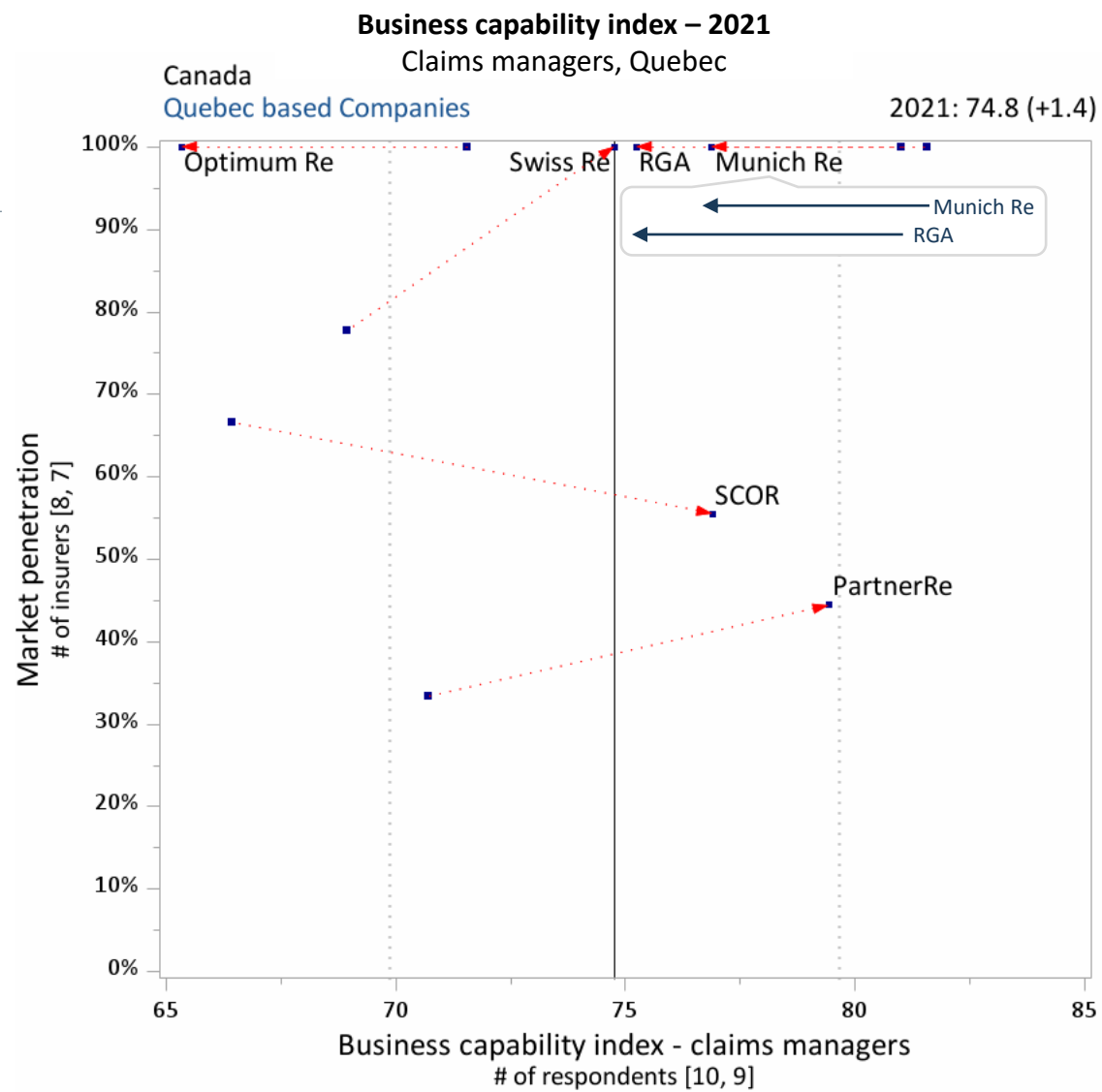


# Reinsurers are highly rated by claims managers. Despite year-on-year fluctuations, BCI scores often land above 75 points



- ▶ While there were big swings in ratings, the segment's average lifted (+3.7 points year-on-year)
- ▶ Swiss Re is top ranked among claims managers. Both SCOR and PartnerRe achieved lifts in their BCI score to sit at 2<sup>nd</sup> and 3<sup>rd</sup>, respectively
- ▶ Hannover Re newly received feedback in this segment, with positive preliminary indicators

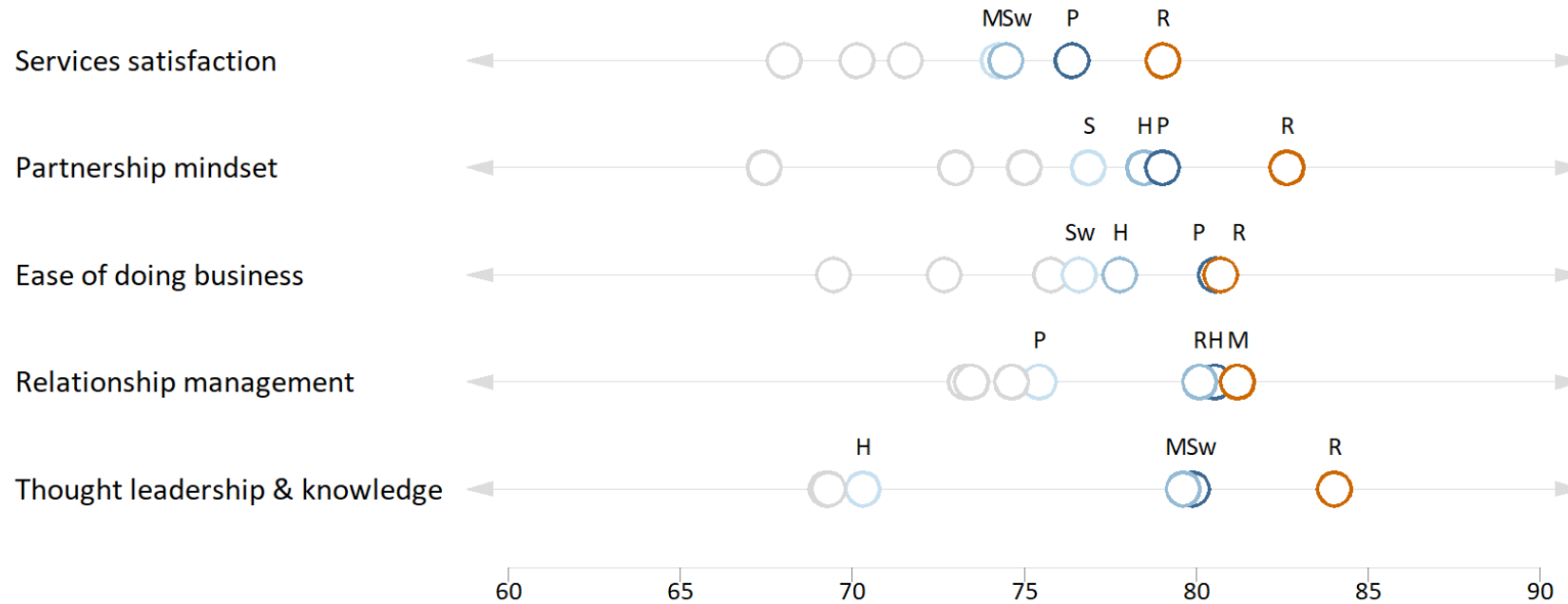
# Reinsurer satisfaction among claims managers trend towards the average in Quebec and regions outside Quebec; overall sentiment remains very strong



Figures in brackets [ ] on both axes refer to the number of insurers/respondents in 2020 and 2021, respectively

# Top performers differentiate on business management metrics, with unique leadership or within a cluster

**Business management performance drivers – select factors – 2021**  
Total market



- ▶ RGA continues to hold onto their differentiated stance, with distinct leadership in overall service satisfaction, partnership mindset and thought leadership
- ▶ Swiss Re and Munich Re are also recognized for the strength of their knowledge resources
- ▶ PartnerRe makes strides to contest RGA's leadership as an easy to work with partner
- ▶ Munich Re leads in relationship management, with Hannover Re and RGA following closely behind

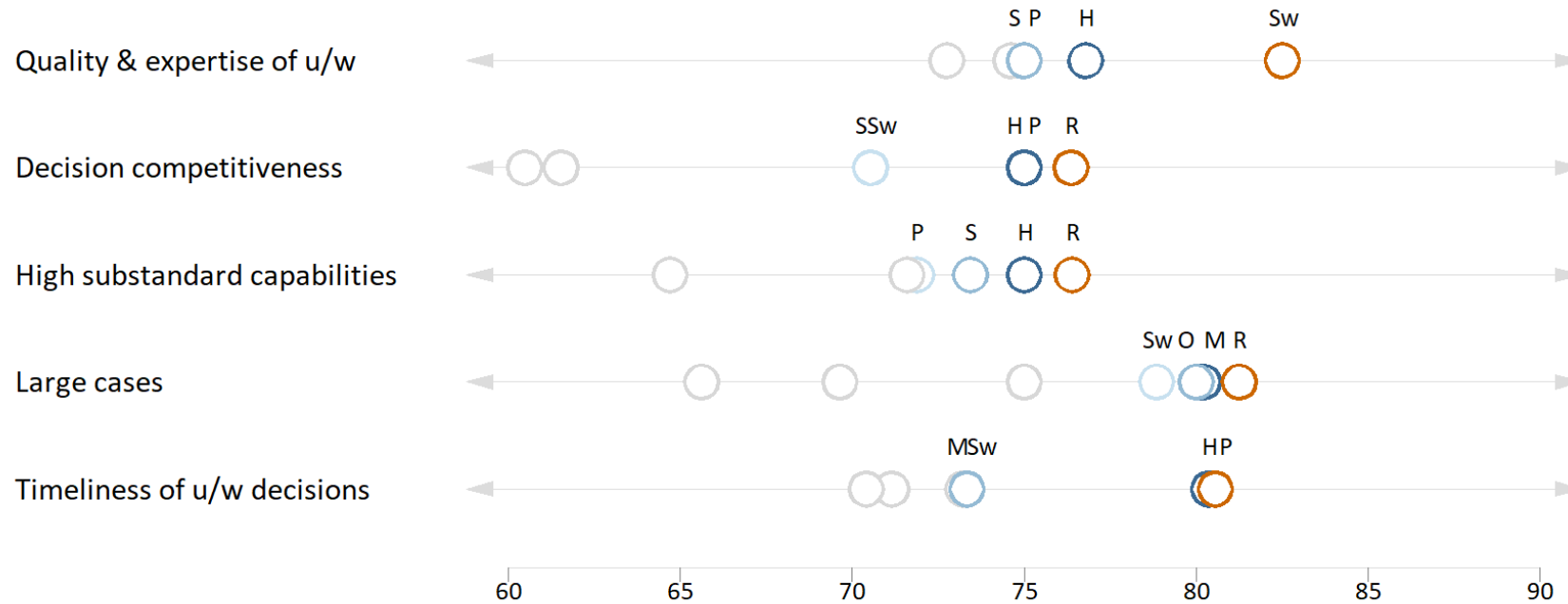
**Reinsurers:**

H = Hannover Re   M = Munich Re   P = PartnerRe   R = RGA   S = SCOR   Sw = Swiss Re



# Reinsurers' continued investment in underwriting capabilities is evident with strong ratings for both established and growing players

**Underwriting performance drivers – select factors – 2021**  
Total market



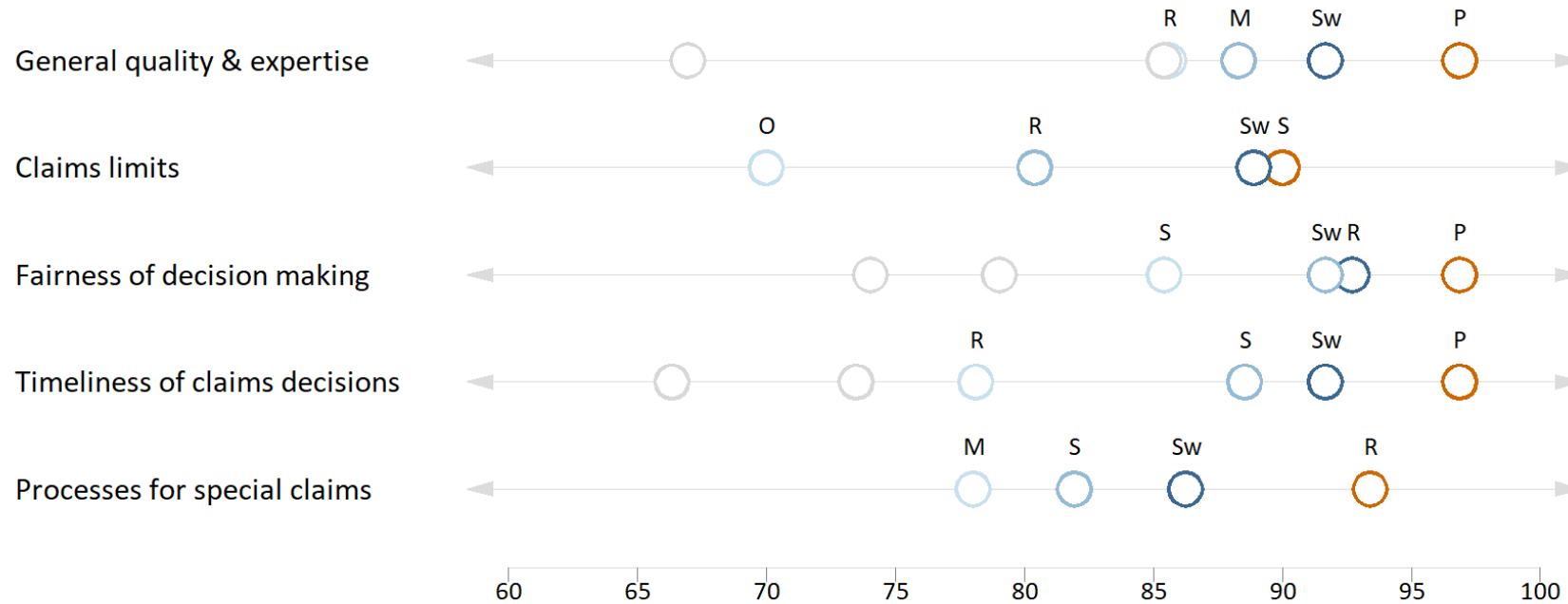
- ▶ Although efforts to advance the underwriting paradigm continue, traditional facultative services remain integral to overall business success
- ▶ Swiss Re lead for overall quality and expertise of their underwriting team by a significant margin
- ▶ In the midst of strong competition, RGA leads across decision competitiveness, high substandard capabilities and high net worth capabilities (large cases)
- ▶ PartnerRe and Hannover Re set the industry standard for the timeliness of underwriting decisions

**Reinsurers:**

H = Hannover Re   M = Munich Re   O = Optimum Re   P = PartnerRe   R = RGA   S = SCOR   Sw = Swiss Re

# Overall satisfaction is high for reinsurers' claims management capabilities, with top reinsurers reaching a perfect score

Claims management performance drivers – select factors – 2021  
Total market



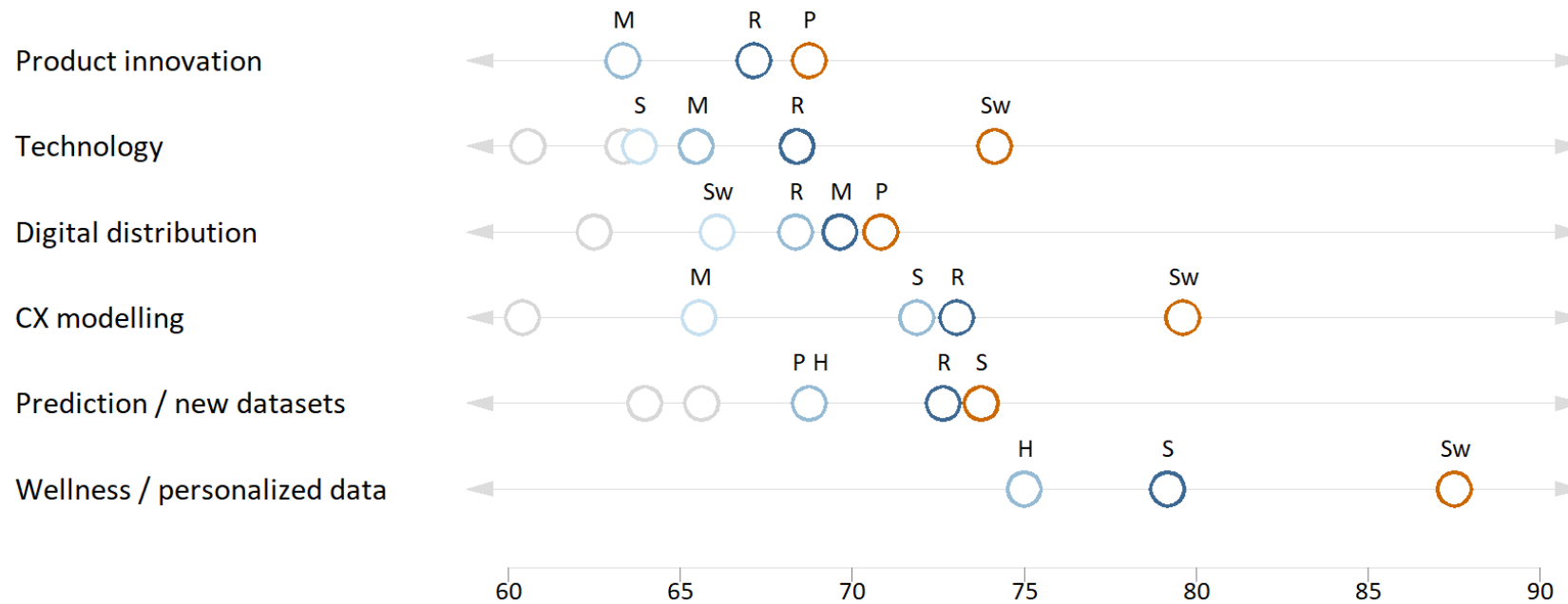
- ▶ Ratings for claims management trend above 80 points, with PartnerRe building leadership
- ▶ PartnerRe made significant strides to lead across general quality/expertise of their claims team. In addition, they retain their top position across fairness and timeliness of claims decisions
- ▶ Satisfaction with claims limits extended by reinsurers generally trails other elements of claims management

**Reinsurers:**

M = Munich Re   O = Optimum Re   P = PartnerRe   R = RGA   S = SCOR   Sw = Swiss Re

# Though the innovation landscape remains dynamic, early indications in the market show reinsurers' investment builds differentiation

**Innovation metrics – select factors – 2021**  
Total market



**Reinsurers:**

H = Hannover Re   M = Munich Re   P = PartnerRe   R = RGA   S = SCOR   Sw = Swiss Re

- ▶ Innovation presents a different challenge compared to traditional business, and reinsurers strive to build differentiated solutions
- ▶ Swiss Re commands a strong lead across technology, customer experience (CX) modelling and wellness/personalized data
- ▶ PartnerRe stands strong as the market leader for product innovation
- ▶ Reinsurer innovation in digital distribution channels remains a developing area

# 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 wealth and insurance markets. Our insights are rebuilt on an annual basis.

Across the North American Life & Health reinsurance segments, NMG undertakes studies for Individual Mortality (US), Group Life & LTD (US), Structured Financial Solutions (US), Longevity (Canada) and Life & Health (Canada).



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# Thank you

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