



# Canadian Group Retirement Study – 2021/22

Prepared *exclusively* for Research partners

February 2022



## Overview – Canada Group Retirement Services Study 2021/22 - NMG

- ▶ NMG's launched a national Group Retirement Services ('GRS') Study, following the Quebec only study conducted in 2019
- ▶ The purpose of this report is to share with Insights Partners:
  - [Trends shaping the industry](#)
  - [Competitive positioning of insurers](#)
  - [Key feedback from advisors](#)
- ▶ Feedback received from **64** respondents across Canada, targeting independent consultants and brokers focused on group retirement services



## Leading observations

- ▶ While most group retirement\* assets are held in DC plans, there is growing demand for group RRSP and DPSP products
- ▶ Key challenges for intermediaries in the group retirement industry include employee engagement, remaining competitive amidst rising competition from Fintech companies, and the automation of their internal processes
- ▶ Two-in-three intermediaries would like to see insurers focus their technology investments on the member experience and provide improved mobile apps and financial planning tools to support the participant
- ▶ The demand for decumulation products is expected to grow, and brokers often have a more proactive approach which often includes retail decumulation solutions
- ▶ Over the next 12 months, Covid-19 is expected to lead to a short-term increase in product reviews and an increase in group retirement employee and employer contributions
- ▶ Over 40% of intermediaries expect the use of a single insurer for group retirement and group benefits to increase moving forward, with enhanced overall member experience being the primary advantage
- ▶ Dynamics observed internationally may play out as the Canadian DC market continues to grow, which could attract an influx of non-insurer providers and changes in the role of the advisor



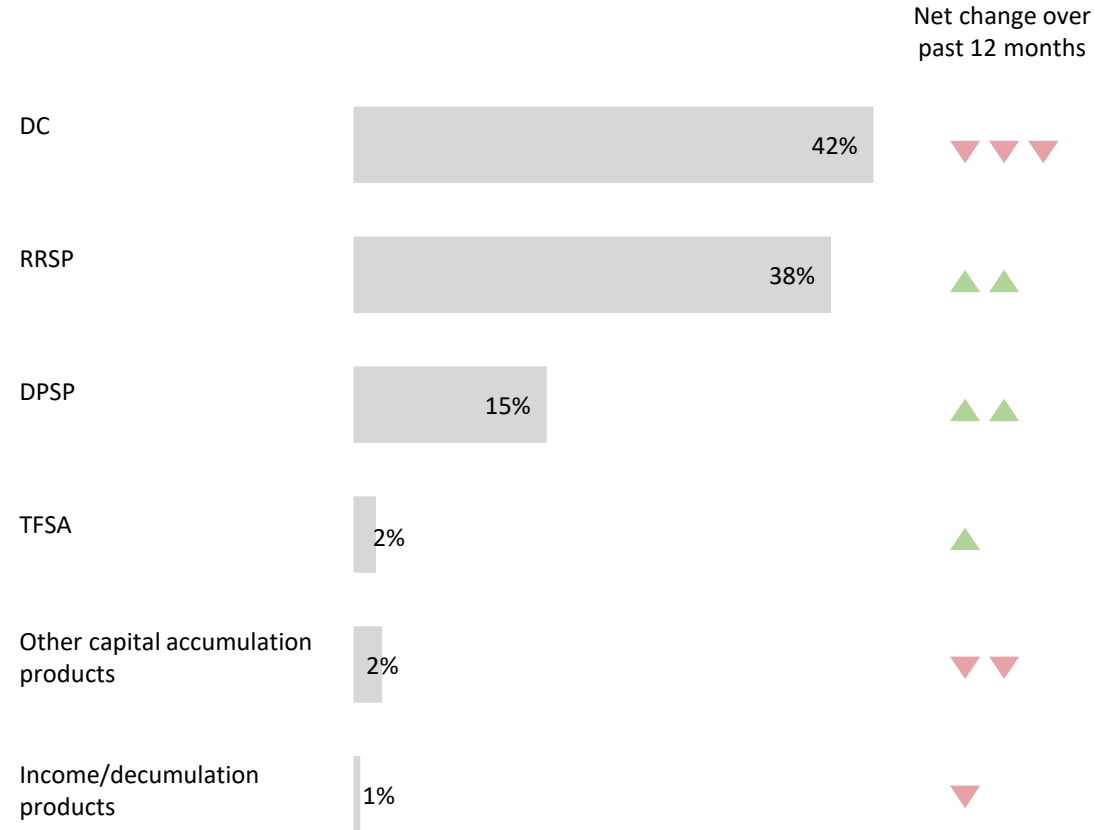
## Notable performers

Business Capability Index market leaders:

- ▶ Canada: **Sun Life**
- ▶ Ontario & Atlantic: **Sun Life**
- ▶ Quebec: **Desjardins**
- ▶ West: **Industrial Alliance**

# DC plans attract the most group retirement assets, yet appetite is shifting towards group RRSP and DPSP

**In-force group retirement assets breakdown by product (Canada)**  
 (% of assets, weighted by in-force assets per intermediary)



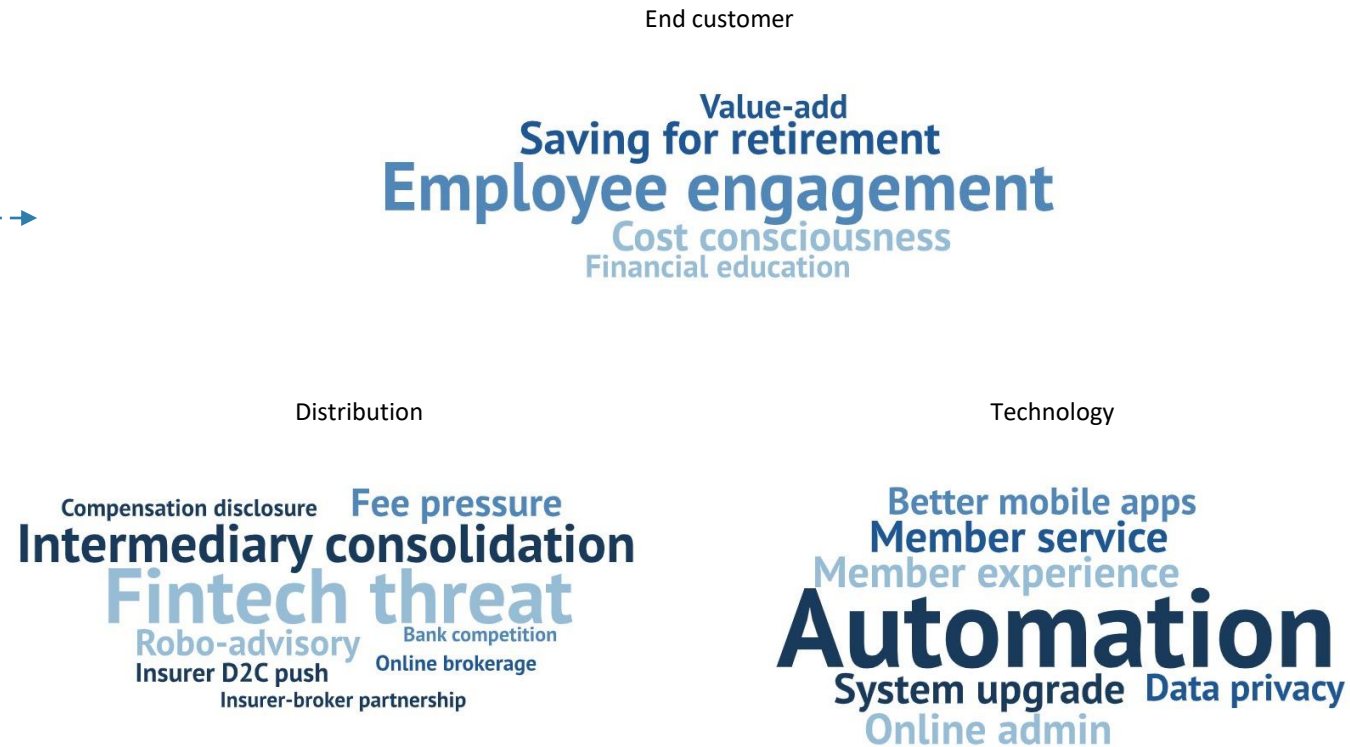
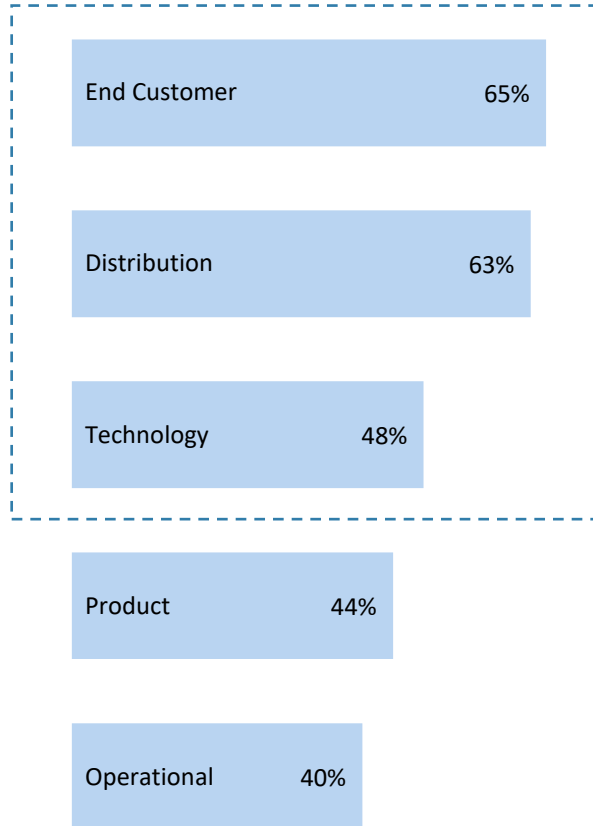
- ▶ Across Canada, 80% of the group retirement in-force assets are allocated to DC and RRSP products
- ▶ The Canadian market has seen a consistent shift from DC plans to group RRSP and DPSP over the past year
- ▶ Usage of group TFSA, other capital accumulation products, and decumulation solutions remain minimal

Note: The triangles represent net % of respondents who quoted an expected increase less % of respondents quoting a decrease (over the past 12 month): <=25% 25-50% 50-75%

# Short-term industry outlook and challenges are primarily tied to the end-customer, group retirement distribution and use of technology

Key challenges for the group retirement market (1 – 2 years)  
(% of respondents)

Top 3 challenges breakdown for intermediaries



- ▶ End-customer related challenges are the primary pain points cited by intermediaries, including engagement and helping employees save for retirement
- ▶ Distribution is top of mind, including the challenge related to incoming competition from Fintech companies and consolidation amongst intermediaries
- ▶ Technology as it relates to automating and improving internal processes are a primary challenge for intermediaries to improve efficiency and reduce delays when servicing participants

# The need for enhanced front-end technology resonates the most with intermediaries, urging providers to invest in member tools and mobile apps

Short-term intermediary expectations from insurers regarding technology investments  
(% of citations)



- ▶ Most intermediaries are calling for more technology investment from providers in the front-end, focusing on the member experience
- ▶ Areas most top of mind to improve the front-end experience are centred on mobile apps, financial planning tools, and providing more features and resources online
- ▶ Back-end investments from insurers are most appreciated to further automation, improve online processing, system upgrades and enabling greater access to data

# Anticipated growth of decumulation products is strong. Brokers are more open to advise clients on product consolidation and transfer them to retail solutions

## Intermediary current decumulation practice & future product outlook

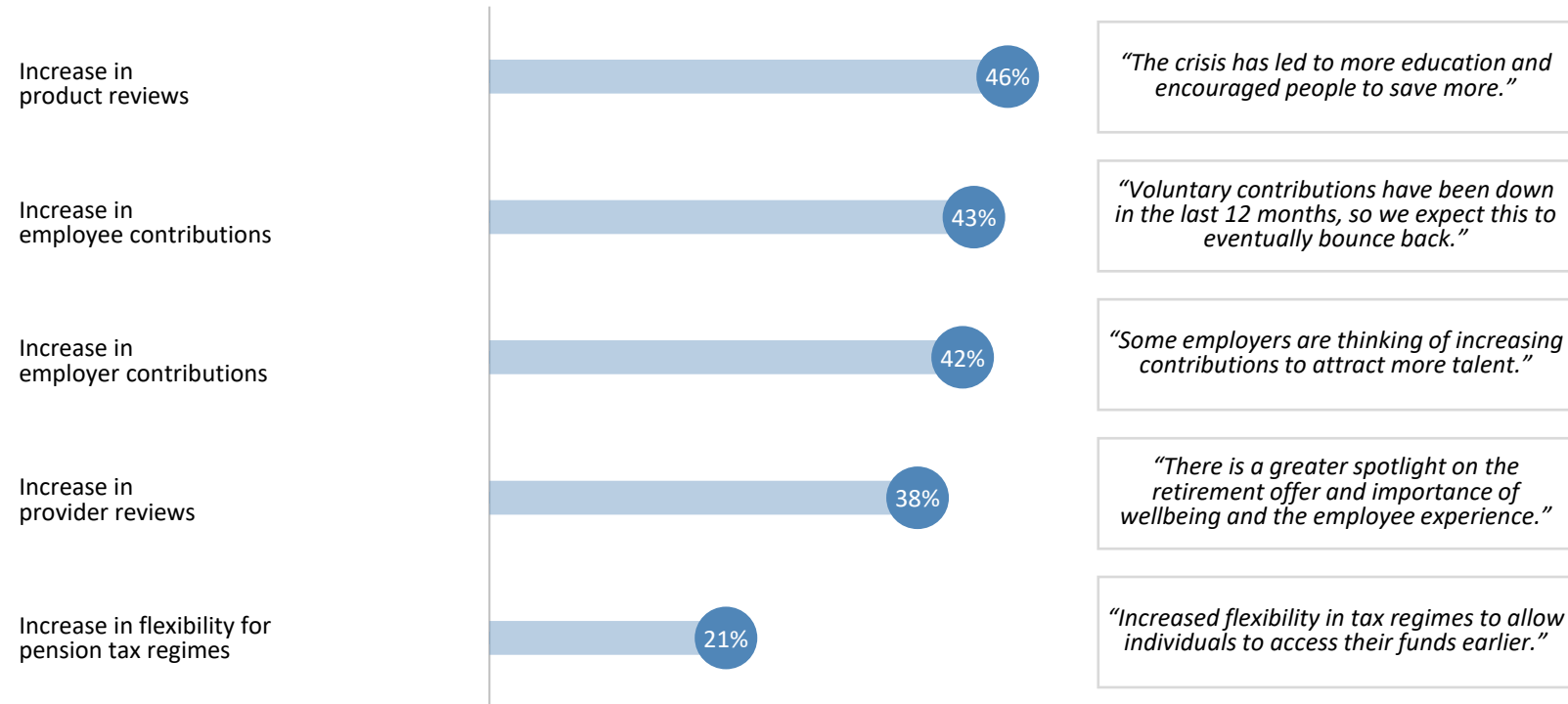


- ▶ 80% of brokers help retirees consolidate group retirement products, while one-in-three consultants cite this as a focus for them. The majority of intermediaries do this on an advised basis
- ▶ Intermediaries are optimistic about the growth of decumulation solutions, where brokers hold a stronger outlook for retail offerings

Note: The shading of the pie chart represents % of respondents

# Positive short-term outlook with more product/provider reviews and increase in group retirement contributions

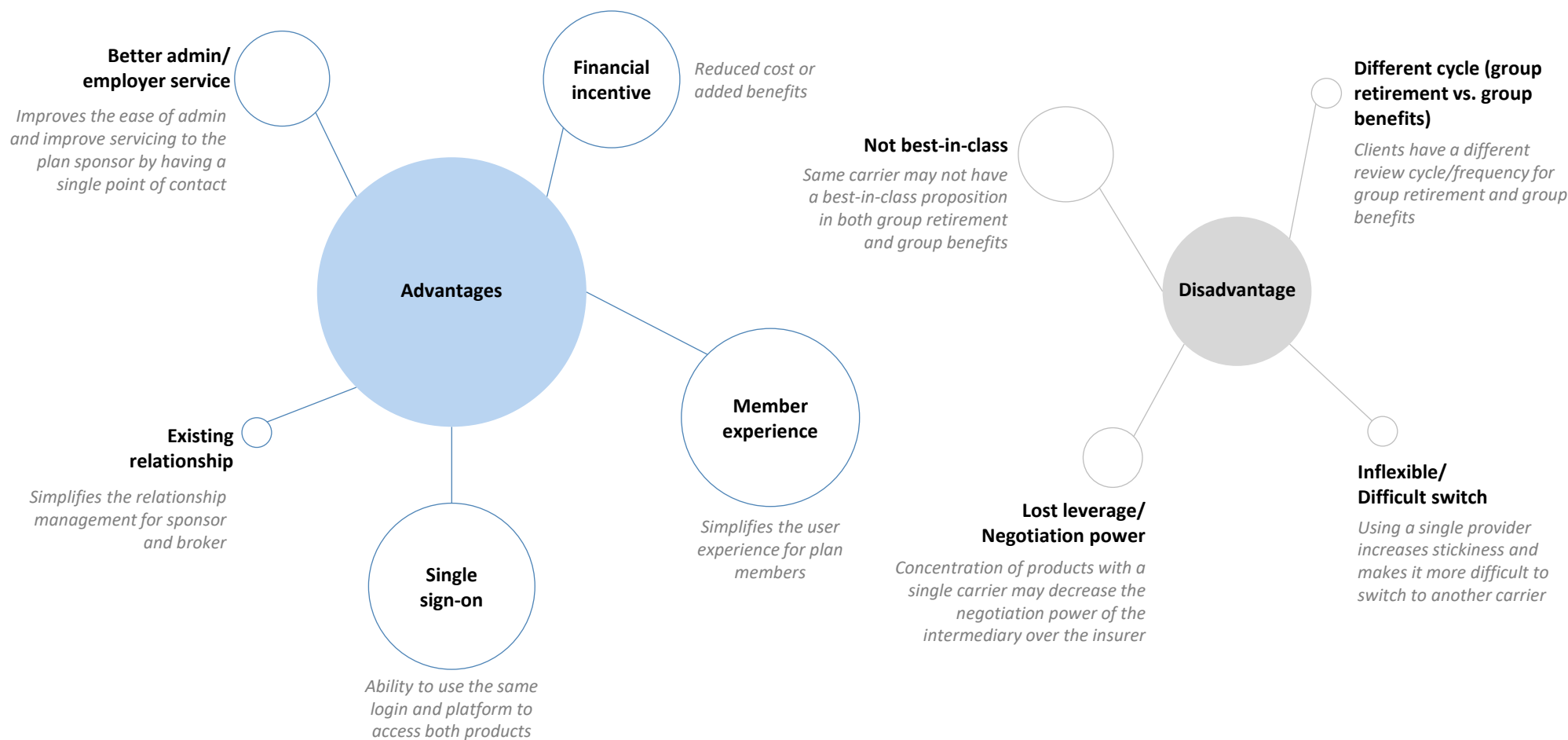
## Anticipated Covid-19 impact in the next 12 months



- ▶ Robust demand for product & provider reviews are expected as group retirement offerings continues to be enhanced while the pent-up searches during pandemic resume
- ▶ Over 40% of Intermediaries are optimistic on group retirement contributions, anticipating an increase driven by competition for talent among employers and growing disposable income and focus on saving among employees
- ▶ One-in-five intermediaries expects the flexibility of pension tax regime will be further increased

# Enhanced client experience is the key driver for the shift to using a single insurer for group retirement and benefits

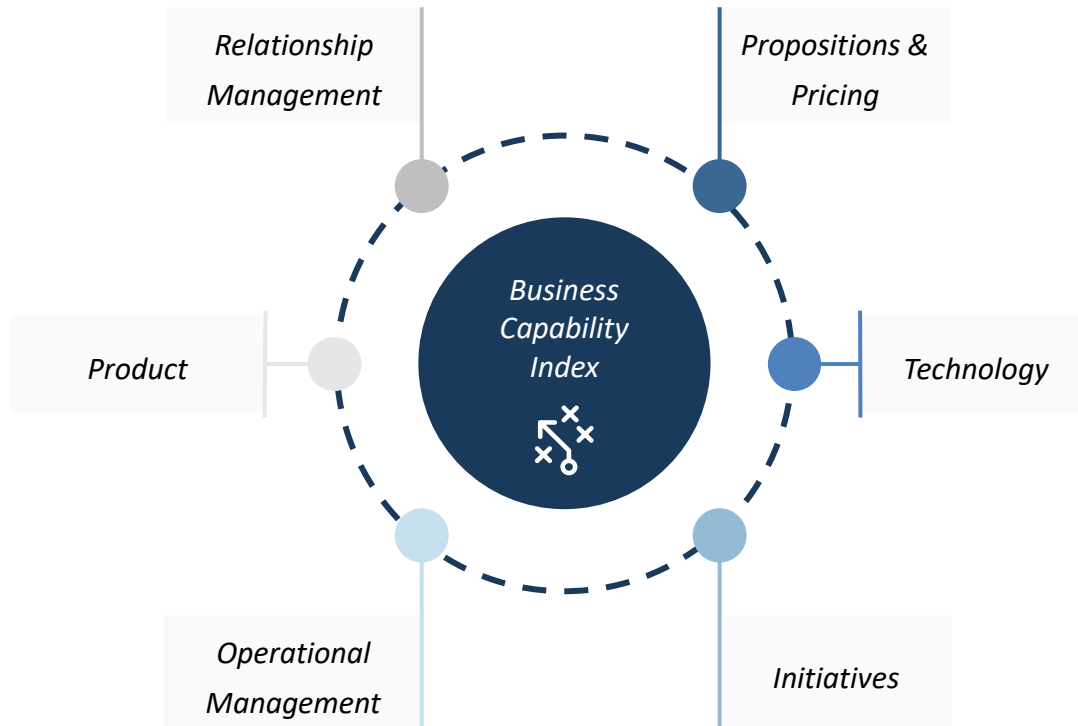
## Advantage vs. disadvantage of using the same insurer for group retirement services & group benefits



- ▶ The outlook for group retirement & group benefits insurer integration is optimistic with over 40% of intermediaries expecting this trend to grow especially among consultants
- ▶ Perceptions around advantages outweigh disadvantages, particularly around better member experience, single sign-on, and financial incentives
- ▶ Primary disadvantages include not being able to use the best-in-class products for group retirement and group benefits and lost negotiating power with insurers by using a single carrier



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



The BCI is a single composite score (0-100) that quantifies insurer effectiveness by aggregating and scaling independent intermediary feedback across key capability areas

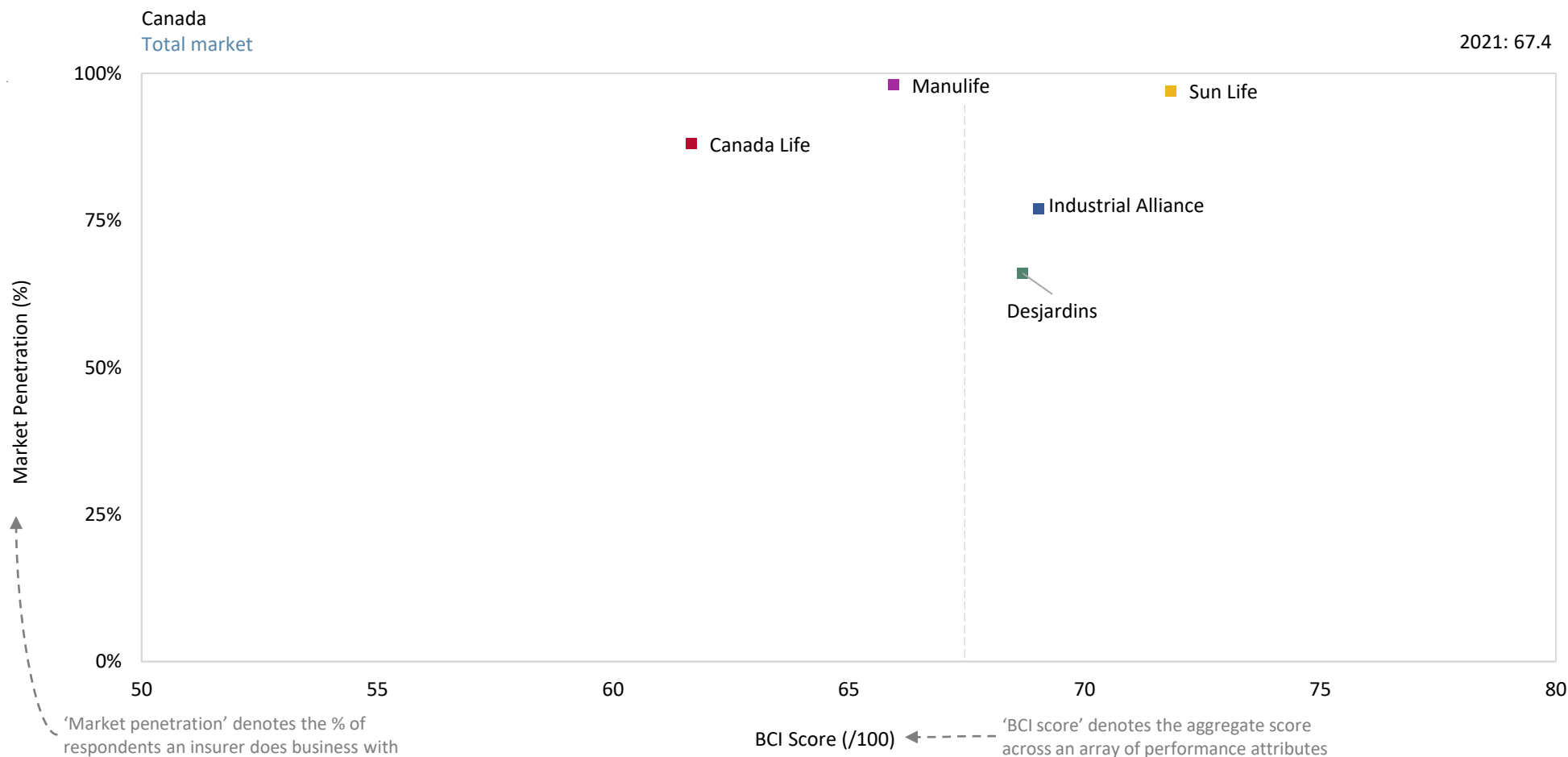
The BCI, therefore, provides an assessment of which insurers are delivering the best overall value propositions to independent intermediaries and consequently which insurers are likely to strengthen their market position over the next 12 months

The elements that comprise the BCI are tailored to the group retirement industry

# Sun Life leads on NMG's Business Capability Index in the Canadian group retirement market, followed by Industrial Alliance and Desjardins



Business Capability Index



- ▶ **Sun Life** leads the Canadian group retirement market standing apart for product, brand strength, and data analytics & insight
- ▶ **Industrial Alliance** is ranks 2<sup>nd</sup> in Canada, ahead of Desjardins by a small margin and leads in Western Canada. Performance is strongly positioned with brokers, especially for relationship management and operational capabilities
- ▶ **Desjardins** is positioned within top-3 across Canada, particularly with consultants, leading in Quebec with a clear differentiation in relationship management and value proposition

# Sun Life leads as the top brand in group retirement, and is well differentiated across many areas



Select BCI factors

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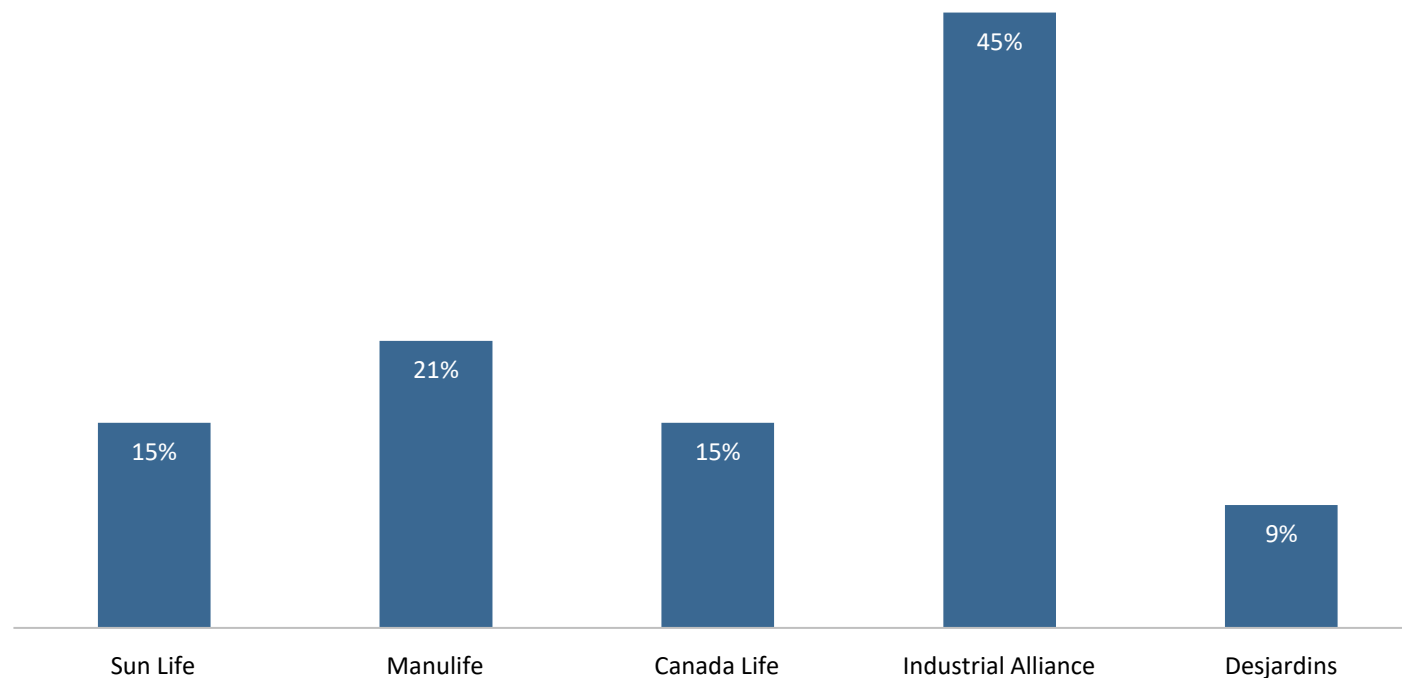
**Top-3 ranked providers across key BCI attributes**

	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>
Proposition & Pricing	Sun Life	Manulife	Canada Life
Price competitiveness	Industrial Alliance	Desjardins	Manulife
Relationship mgmt.			
Listen & value intermediary feedback	Desjardins	Industrial Alliance	Sun Life
Ease of doing business	Industrial Alliance	Desjardins	Sun Life
Account Executive capability	Sun Life	Industrial Alliance	Desjardins
Account Executive responsiveness	Desjardins	Sun Life	Industrial Alliance
Technology & back-end service			
Member experience	Industrial Alliance	Desjardins	Sun Life
Quality of mobile app	Sun Life	Desjardins	Industrial Alliance
Operational management	Sun Life	Industrial Alliance	Desjardins
Initiatives			
Thought leadership	Sun Life	Desjardins	Manulife
Data analytics & insight	Sun Life	Manulife	Industrial Alliance

- ▶ This table highlights carriers who are investing in select capability factors. The top ranked provider, by intermediaries, had the highest BCI score for that factor
- ▶ Industrial Alliance is seen as easiest to work with and differentiated in their front-facing technology
- ▶ Desjardins is strong for relationship management particularly in Quebec with highly responsive account executives and well positioned in technology
- ▶ Sun Life leads across many areas, including their data analytics and insights sharing

# Industrial Alliance leads in their decumulation proposition for members, given strong recognition for their co-pilot program with attractive pricing

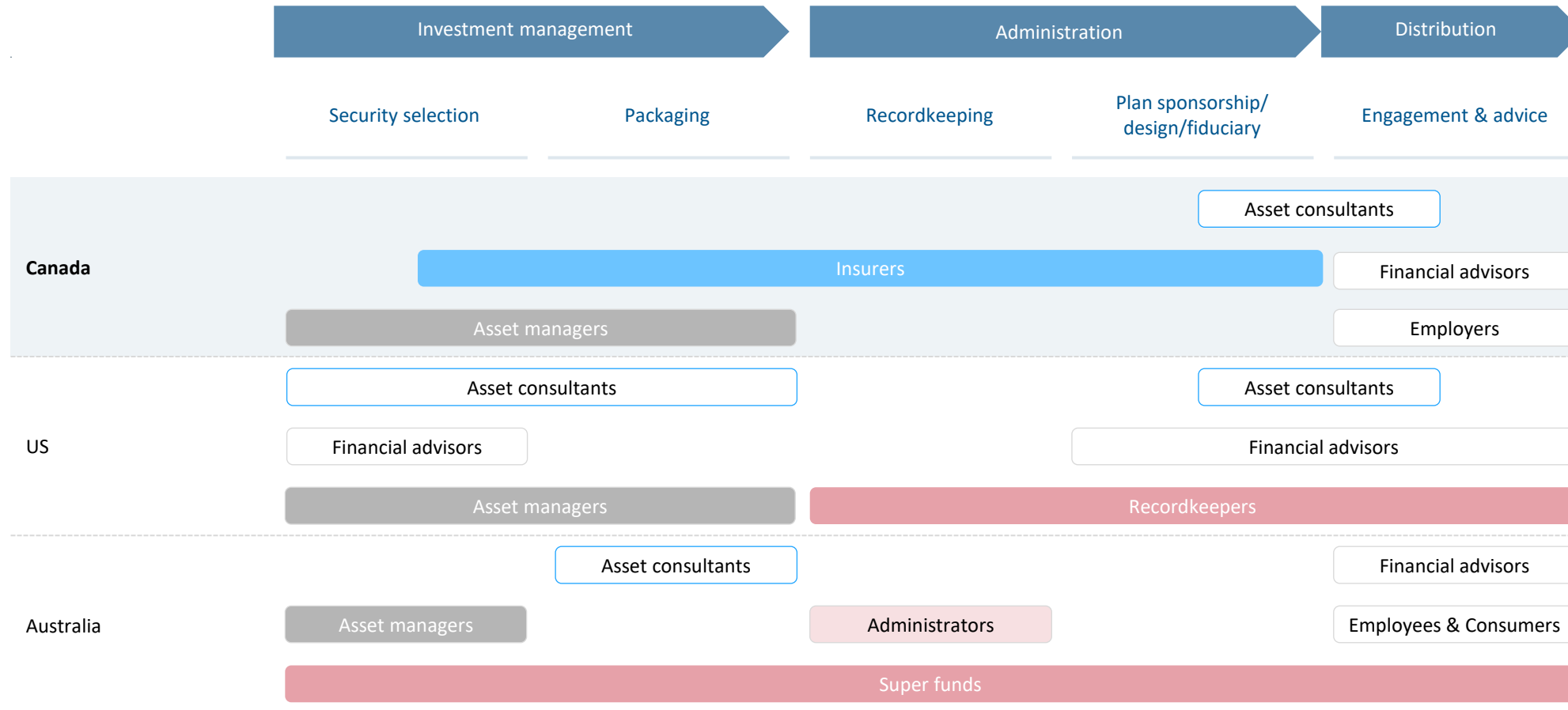
**Provider competitive positioning**  
(% best-in-class decumulation proposition)



- ▶ Decumulation remains an up-and-coming area in Canada, where most carriers have yet to build out this proposition
- ▶ Industrial Alliance stands apart for both their decumulation solutions and proposition for members due to their competitive fees and strong support

# In contrast to the Canadian DC market where insurers dominate the market, non-insurer providers lead the market in the US and Australia

Global DC Pension Structure



- ▶ In the US, asset managers, insurers and pure play recordkeepers are the primary players in the market, providing recordkeeping as well as the investment platform, a channel through which to distribute their own investment solutions
- ▶ Specialist superannuation administrators dominate the Australian market and have a comprehensive offering, including sourcing group life insurance for members
- ▶ In both markets, this change in structure and increased competition has led to lower fees and solutions that are better tailored to the needs of employers and members

# 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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