



Canadian Group Retirement Study – 2022

2022 Insights Partner Report for
participating Consultants and Brokers

April 2023

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

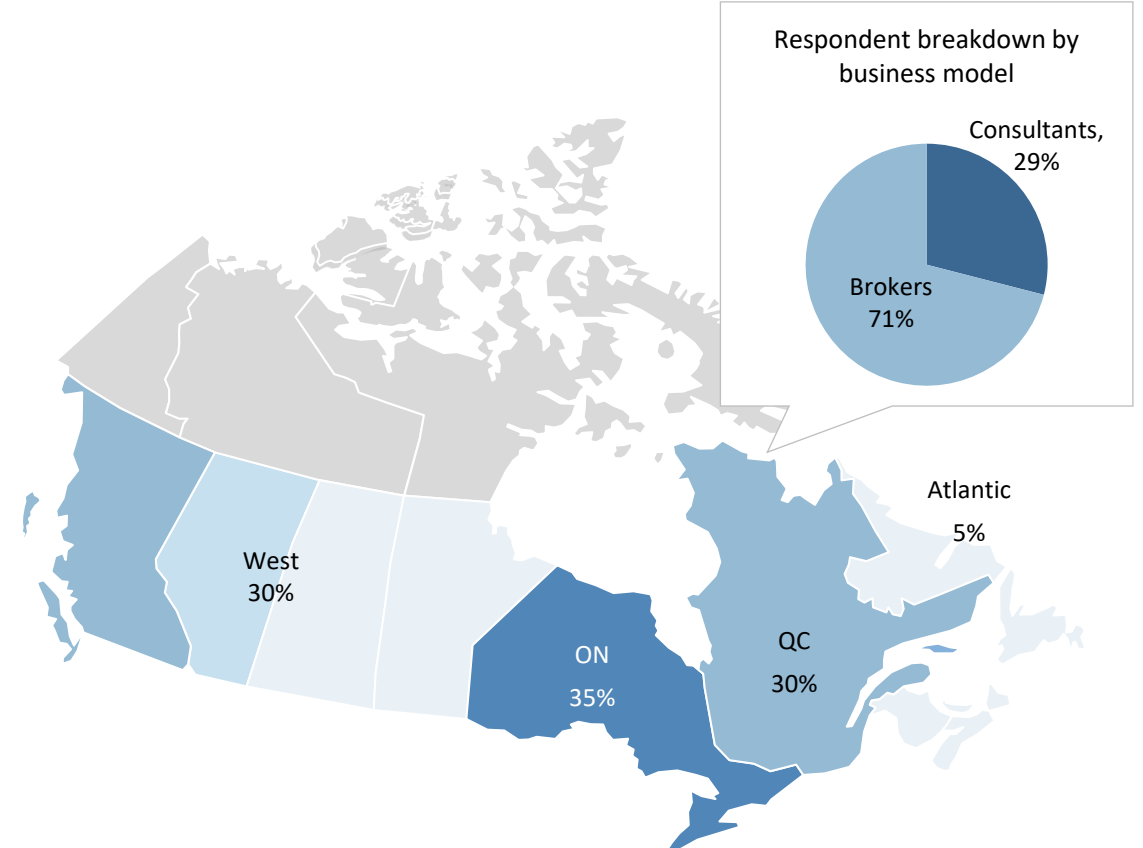


DATA ANALYTICS

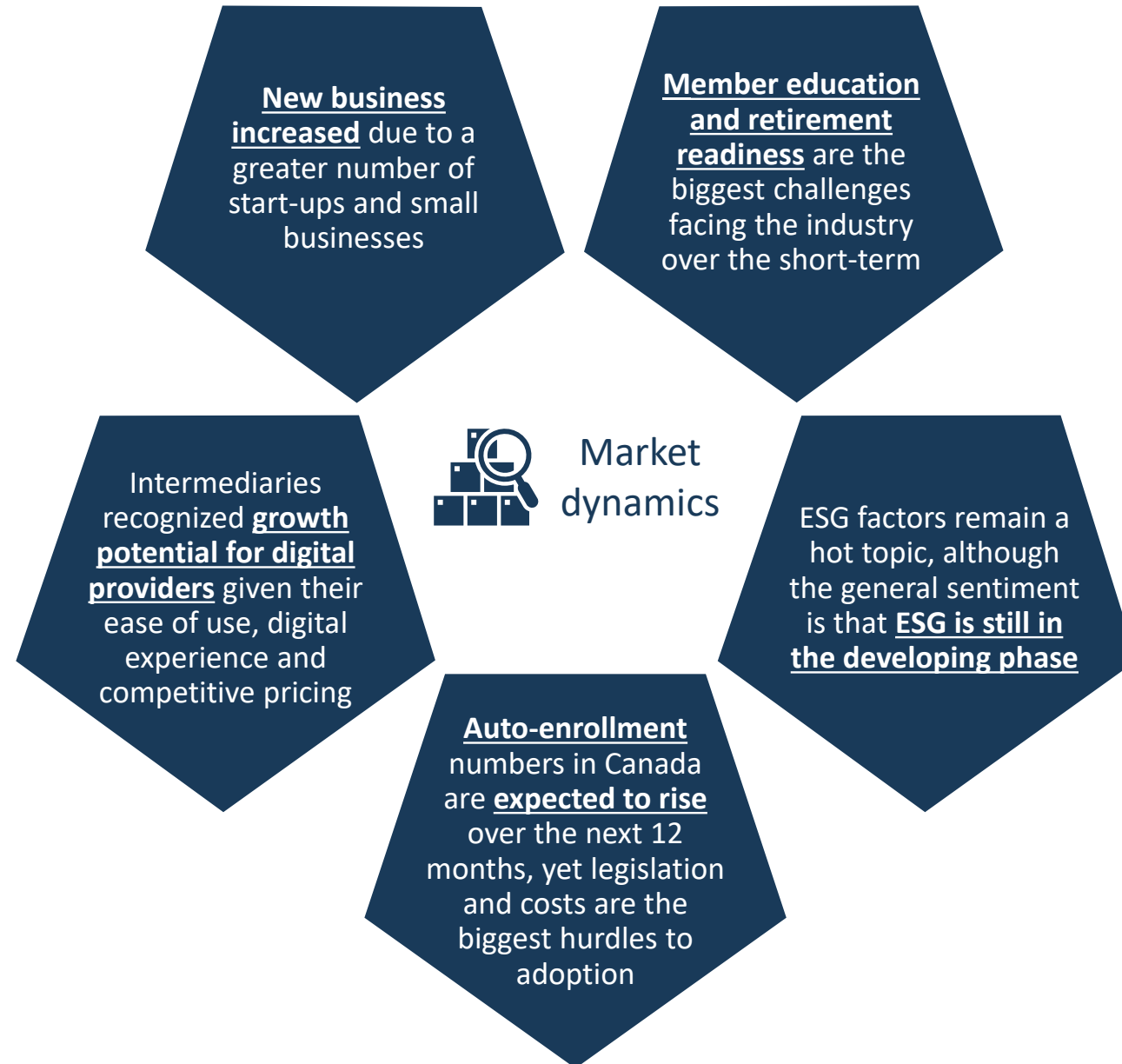
Study Overview

- ▶ NMG completed our 2nd annual Canadian Group Retirement study
- ▶ Feedback received from 63 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
 - ▶ Key feedback from advisors

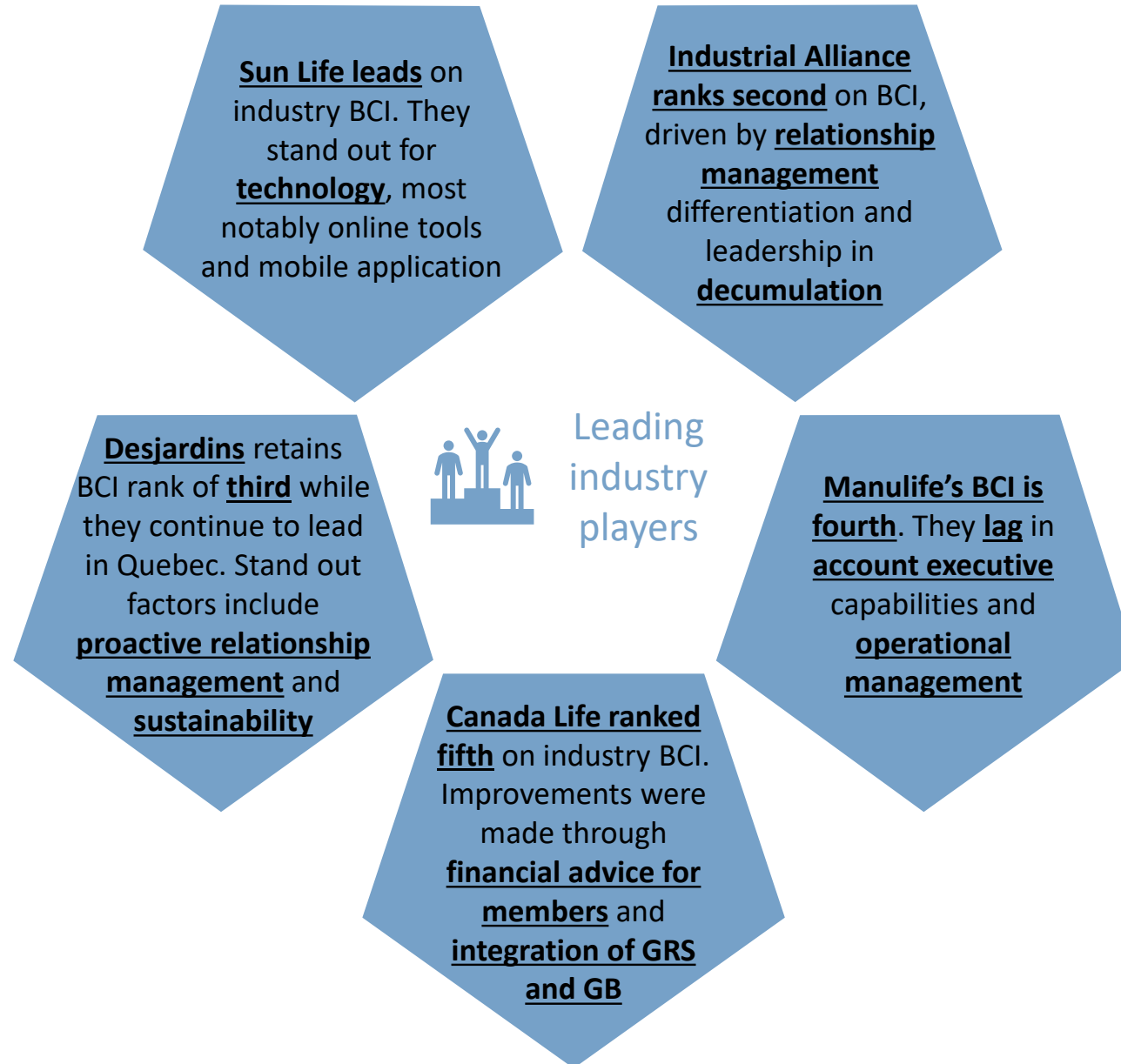
NMG's Canadian Group Retirement study is highly representative of the Canadian market with participants responsible for over half of business placed across the country



NMG identified the core themes that continue to drive discussions in the Canadian group retirement market

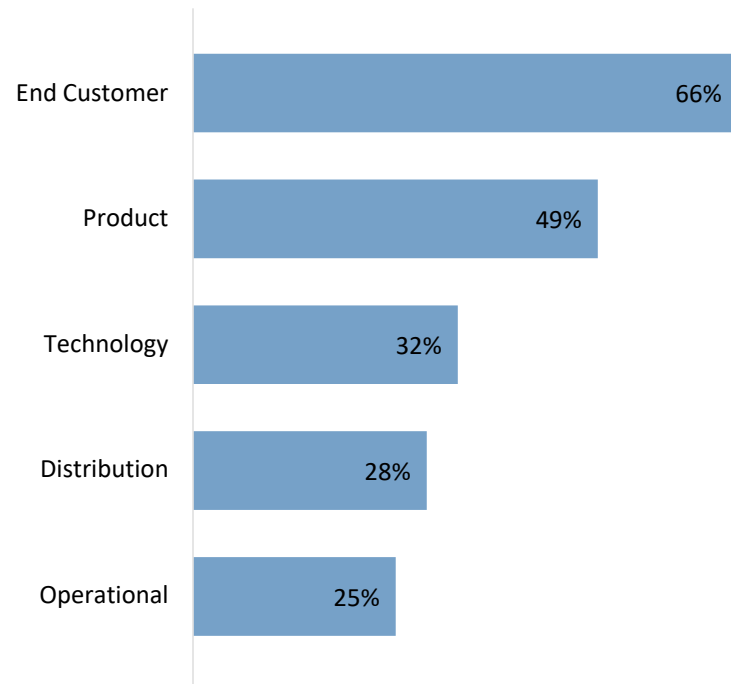


NMG has examined the key capabilities and differentiators for the leading industry players

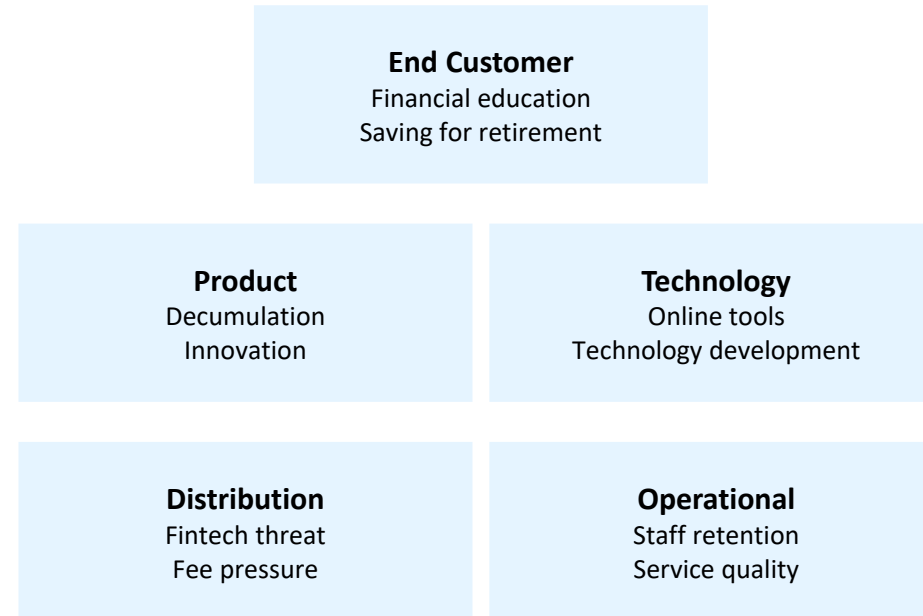


Intermediaries anticipate member education and retirement readiness as the biggest challenges facing the industry over the short-term

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



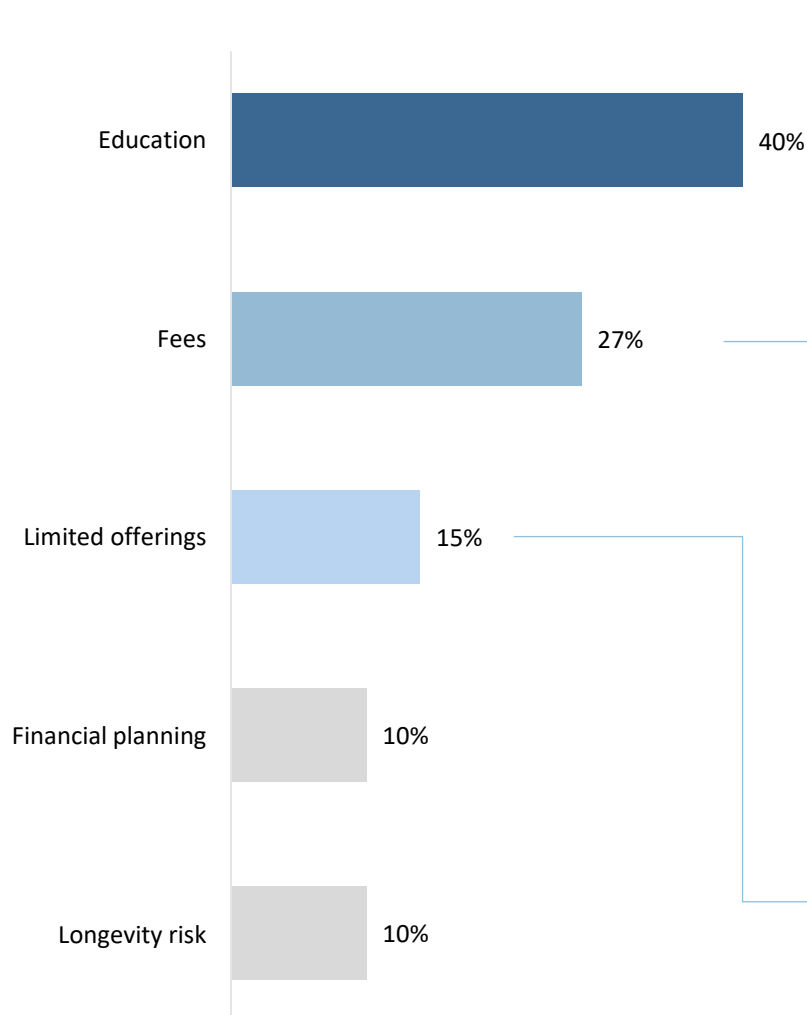
Key challenge themes



- ▶ Helping members better understand retirement goals and market effects while ensuring retirees are adequately funded for retirement are the biggest challenges facing the market
- ▶ As a growing sub-set of the workforce shifts out of the accumulation phase, there is a need to improve decumulation products
- ▶ Younger demographics and competition from robo-advisors continue to place downward pressure on fees
- ▶ Staff turnover and the associated loss of knowledge has created operational challenges in the market

Decumulation challenges are heavily linked to a lack of retiree education, high fees and limited expertise from providers

Top challenges regarding decumulation
(% of citations)



Action needed from providers

“Have more coaching and education around the next stage - what retirement means for your future. There is a lack of questions to help people understand if they are ready to retire. Too much focus is on the financial side and not enough focus on the emotional side.”
Broker, West

“Normalize additions of decumulation offerings in their product and educating clients properly.”
Broker, Ontario

“Need to be more hands-on to keep clients in-touch with service and provide more education. There is a lack of expertise at the provider, we provide them with experience.”
Broker, Ontario

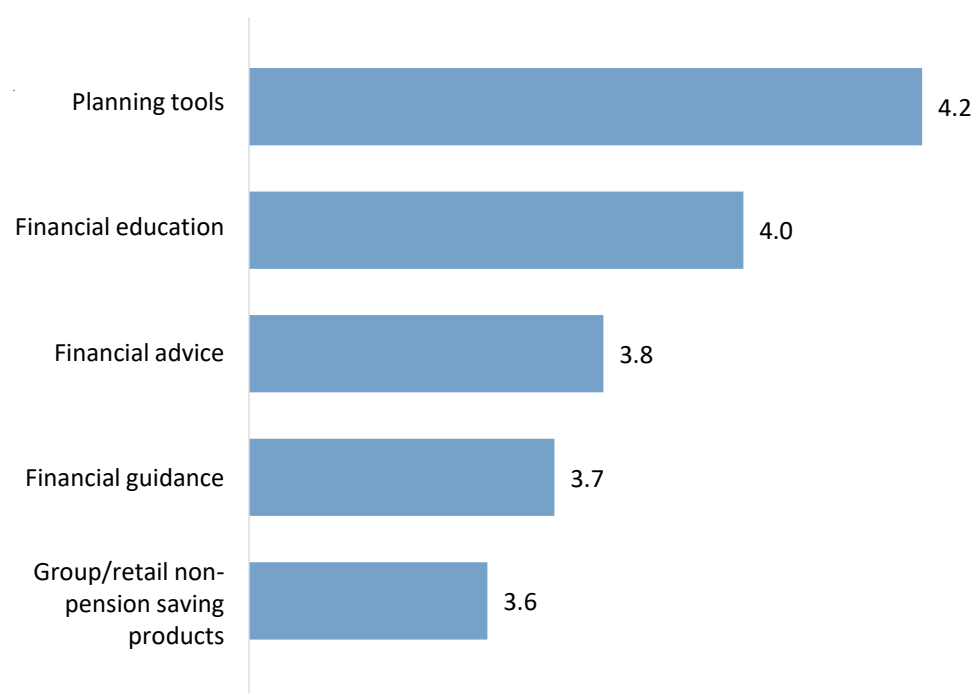
“With higher rates there is an opportunity to buy annuities. Need to tie the benefits with the market and integrate it with planning to communicate it.”
Consultant, Quebec

“Between LIF/RRIF/annuity products, it is a tough and daunting decision for people to make on the spot as to where to put their money. Carriers should be creative in their ways to allow withdrawal and converting it simpler. Having the ability to associate the RRIF product with their group carriers, especially big companies who might want to have a RRIF under their group plan.”
Broker, Ontario

- ▶ Respondents indicate that they value proactive and personalized educational materials for retirees to address the education challenge tied to decumulation
- ▶ In Canada, the decumulation market is nascent, creating an environment that lacks innovative products and dedicated service teams
- ▶ There is a gap in financial planning where offerings lack customization. Retiree needs are largely unmet, opening an opportunity for intermediaries to differentiate themselves through tailor-made solutions

Over 60% of clients look for a financial wellbeing offering in addition to their pension. Planning tools and financial education are most valued

Client interest in financial wellbeing
(Average score on a scale of 1-5)



Client specific requirements

"Need to have more user-friendly planning tools as they are underutilized. The offering also needs to be more interactive."

Broker, Ontario

"Clients are interested in a financial wellbeing offering but they haven't been able to articulate what they are looking for. More and more of them want broader holistic financial planning to understand how to budget and manage debt. If carriers can show results/impact of the financial wellbeing offering, our clients might be open to pay for it."

Consultant, Atlantic

"People don't need to be told what to do, but they need advice."

Broker, West

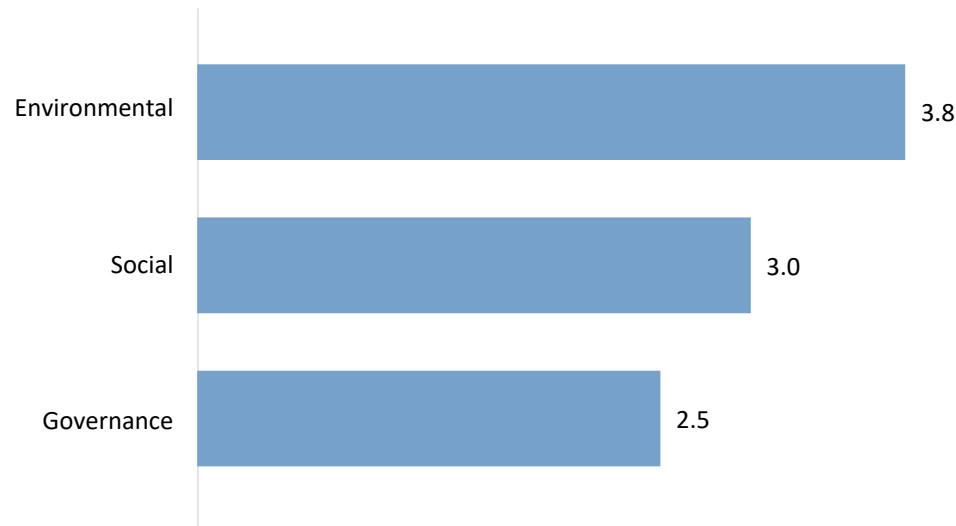
"We would like access to tools to help with financial literacy."

Broker, Atlantic

- ▶ 'Planning tools', 'financial education', and 'financial advice' are the most valuable financial wellbeing elements. Intermediaries feel there is a lack of adequate planning and education provided
- ▶ Accessibility to interactive planning tools can assist intermediaries in showcasing the value of a financial wellbeing offering. Promotion of financial education via tools creates a holistic offering for clients
- ▶ Clients require guidance and advice to better understand the impact a financial wellbeing offering has, especially regarding budget

ESG remains a hot topic, though in early stage of adoption. Clients place the largest focus on the 'Environmental' and 'Social' aspects of ESG

Level of focus for each element of ESG
(Average ranking on a scale of 1-5)

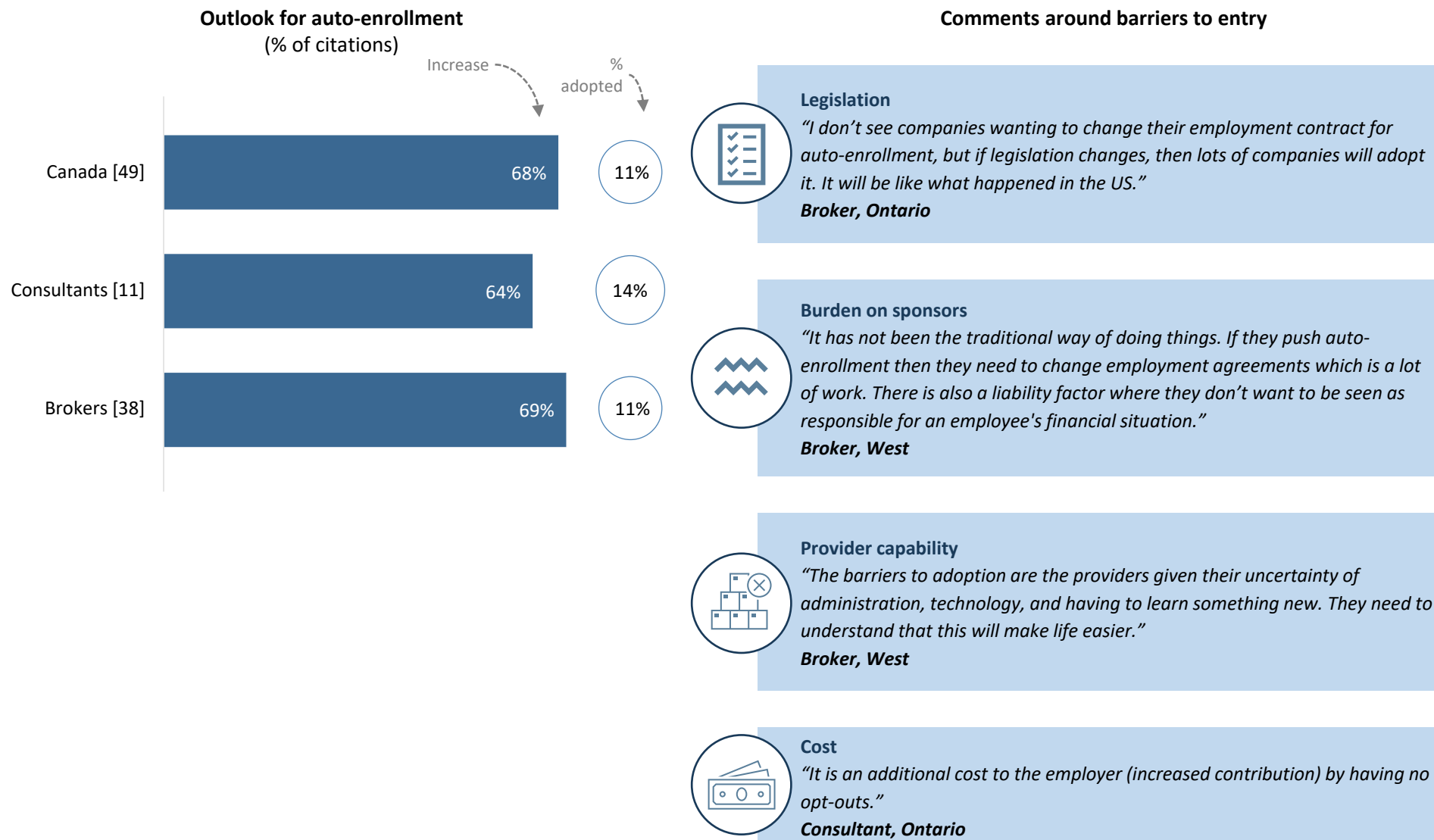


Level of client thinking surrounding ESG

- "Depends on clients. A few are very forward looking while the majority are not. Carbon and fossil-free is most often mentioned."*
Broker, West
- "Large firms look at environmental and social more, while small companies rely on brokers for this information. People tend to struggle to understand the social element. Environmental is more focused on now but down the road all elements will be important."*
Broker, Ontario
- "Clients are curious about the topic. Not sure if clients are willing to act. Few have a policy on ESG with actions. Clients don't understand various approaches to building an ESG fund."*
Consultant, Quebec
- "High level discussion - clients feel that they need to talk about it but need education. Very few are inclined to take action."*
Consultant, Quebec
- "Clients consider it important. Employees have interest but the current offer is still not sophisticated enough."*
Broker, Quebec

- ▶ ESG remains a hot topic amongst clients, however discussions are mainly high level as client understanding of ESG options is fairly unadvanced
- ▶ Factors such as pricing and service outweigh ESG when it comes to making a selection. This may change as younger members continue to enter the workforce
- ▶ Respondents indicate that the focus on ESG will continue to increase as clients gain greater knowledge and providers develop more sophisticated and easier to understand options

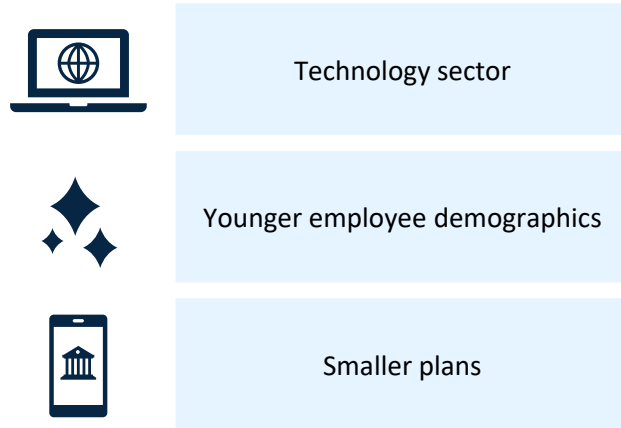
Auto-enrollment numbers are low across Canada; however, majority of intermediaries believe this will increase over the next 12 months



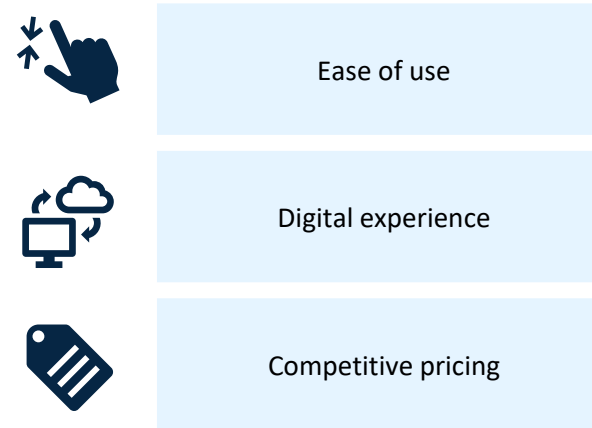
- ▶ Auto-enrollment figures are highest in Western Canada due to legislative advances in Alberta, British Columbia, and Manitoba
- ▶ Respondents highlight that a shift to auto-enrollment will require significant investment from employers and providers
- ▶ Although respondents believe auto-enrollment figures will increase, it will require a legislative push for Canada to catch-up to the US and UK

Intermediaries recognized growth potential for digital providers within certain market niches given its ease of use, digital experience and competitive pricing

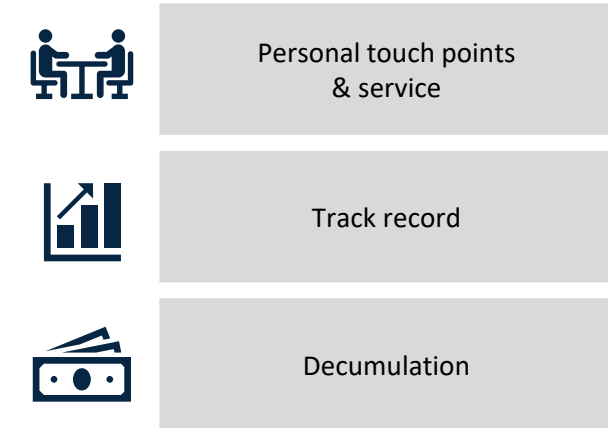
Top-3 most suitable plan sponsor types for digital providers



Top-3 client demands from digital providers



Top 3 digital provider capability gaps



"Small plans that don't have a big HR team to do hand holding with members (under 20-30 lives). Employees are internet savvy and have access to computers (even retail salespeople don't have accessible computers all the time)."

Broker, West

"Anyone in the IT sector. Even industrial sector head office is fine. Manual labour is the challenge. They shy away from that and prefer paper. Younger generations are a good fit even if they are lower skilled labourers."

Broker, Ontario

"Make sure it's easy to understand, people get confused if there is too much going on. People want it to be simple and get the job done."

Broker, Ontario

"Easy platforms for contribution, enrollment, and termination. Being adaptable."

Broker, West

"Right now, the gap is the people component, not having a large enough volume of advisors or planners, so they have to push back to other resources (such as blogs online and other digital content). As we come out of the pandemic, people want more personable interactions. Digital providers don't have the national team to handle those."

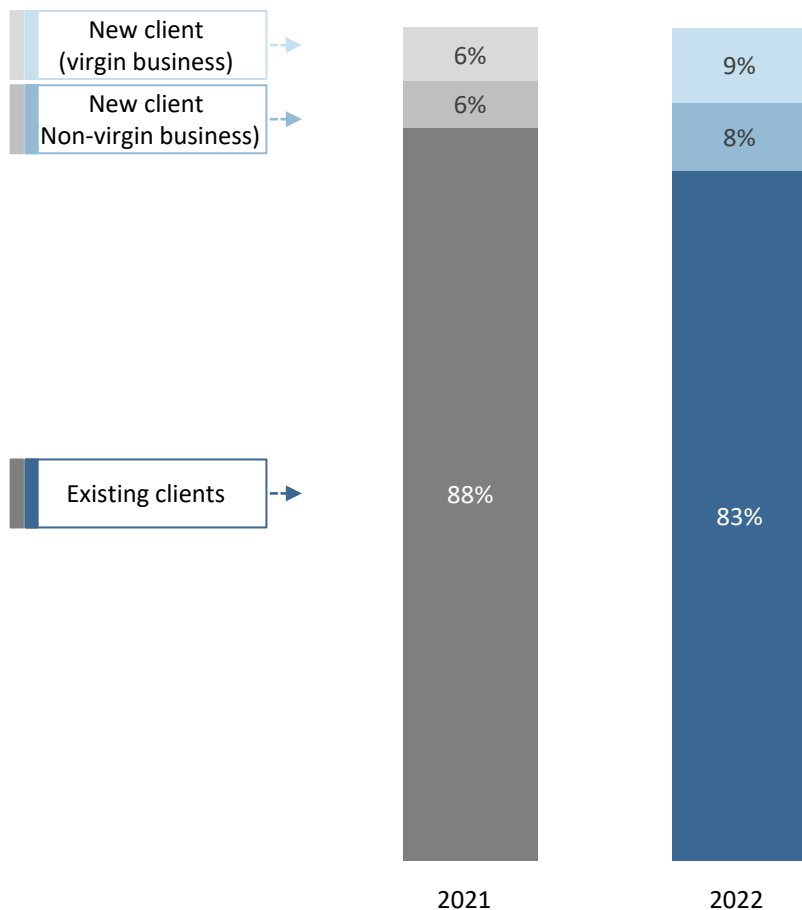
Consultant, Ontario

"Still working on decumulation, and we would want to see more on that. I'd like to see more information on what they are doing around decumulation."

Broker, West

New business from virgin and non-virgin groups increased for brokers and consultants due to a greater number of start-ups and small businesses

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



% of provider switch rate over the past year by client type

"We expect even more clients to go to market as we continue to enter the post-COVID era."
Broker, Quebec

"There are a lot of new start-ups in the market so there has been more new clients (virgin business) this year."
Broker West

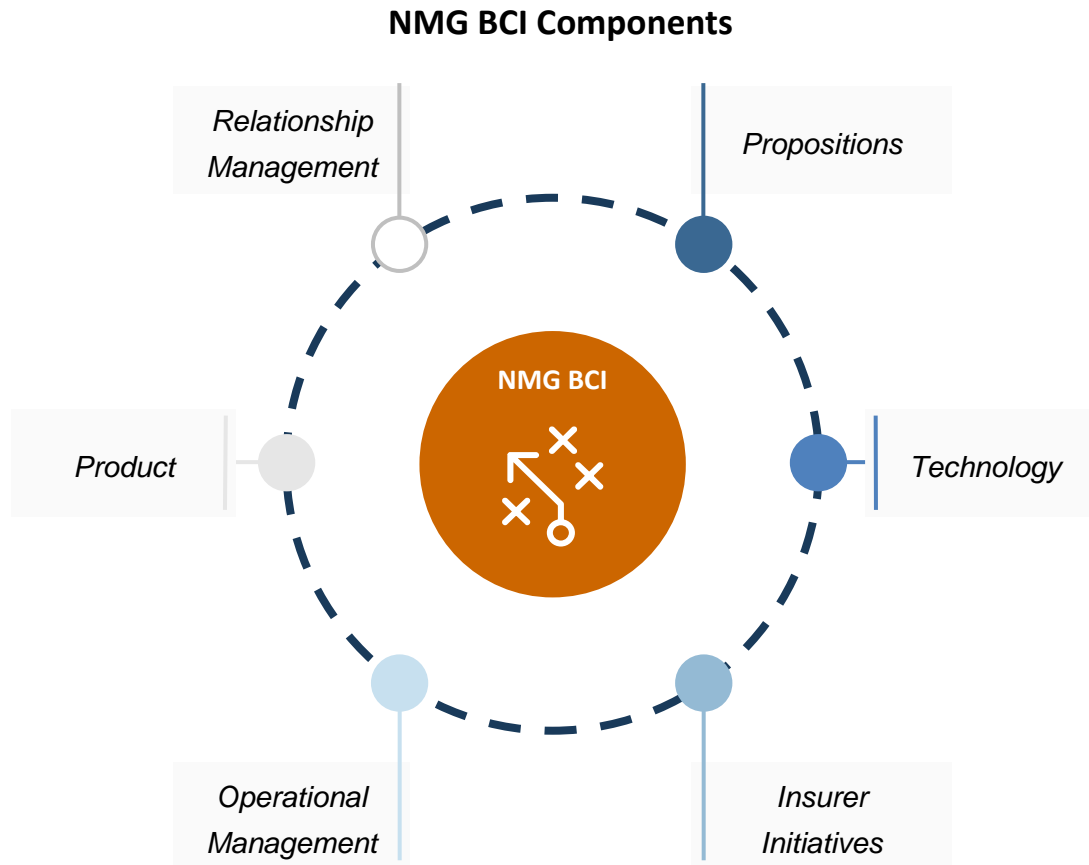
"The client's that switched providers were part of technology and people networks." **Broker, West**

"There has been an increased appetite in the industry for virgin business."
Broker, West

- ▶ 83% of intermediary clients are existing clients, down from 88% the year before, highlighting a gradual shift in client type
- ▶ 9% of new clients at intermediaries are virgin business, driven by an increasing number of start-ups and small businesses

NMG Business Capability Index (BCI)

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

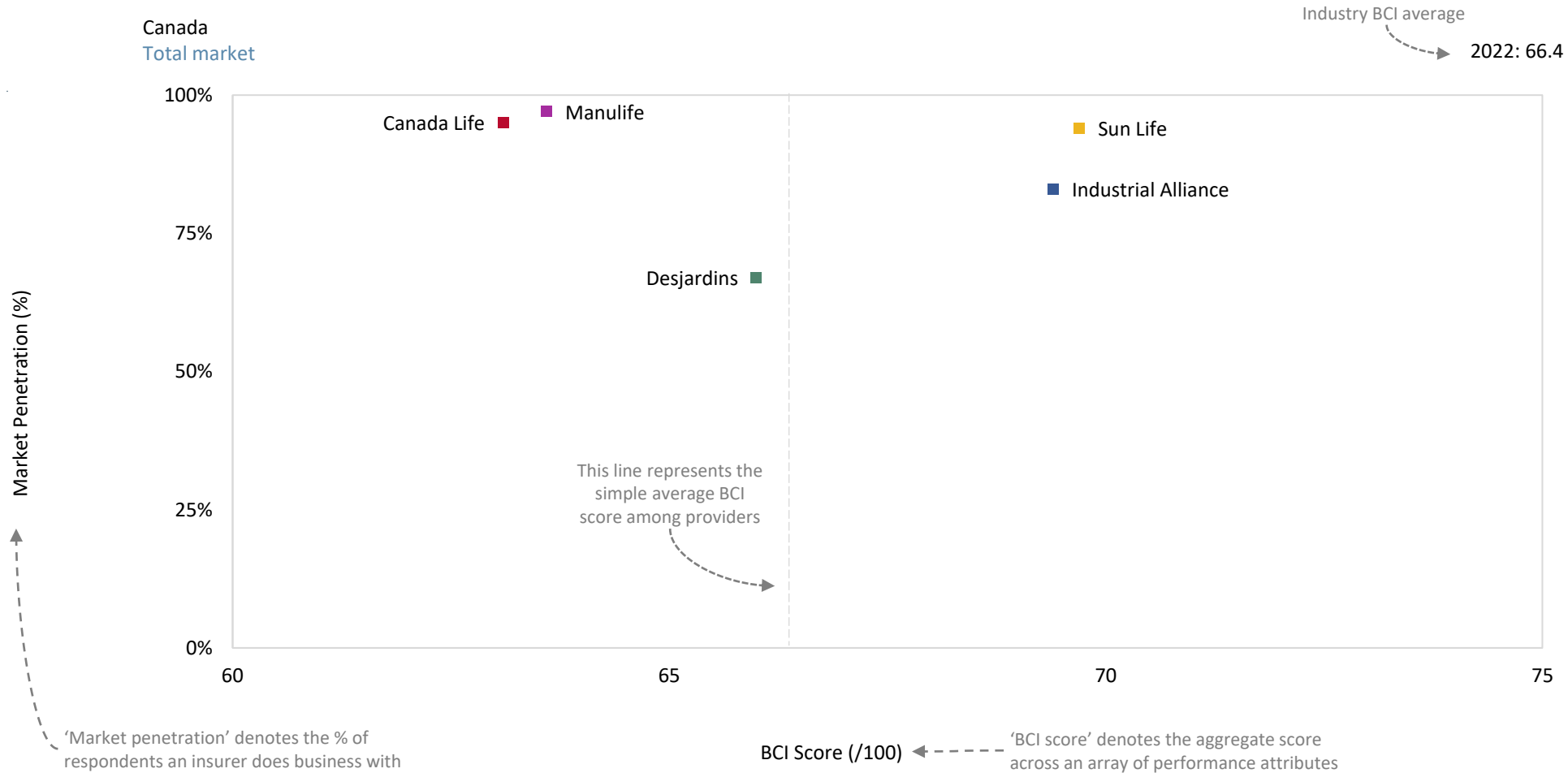


NMG Business Capability Index (BCI)

- 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 12-24 months**

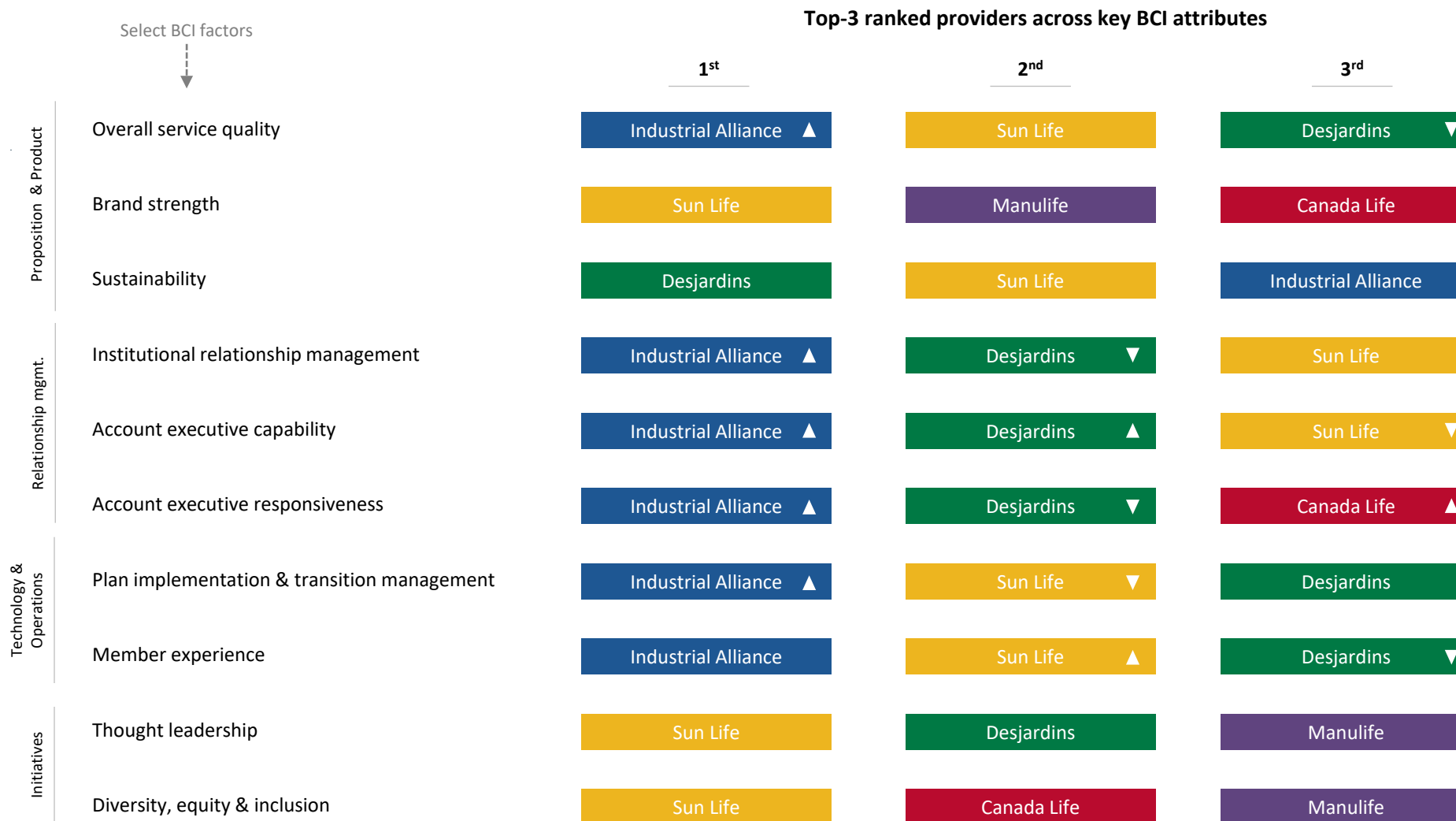
Sun Life remains market leader driven by technology differentiation. Industrial Alliance closed the gap due to relationship management & operational services

Business Capability Index



- ▶ **Sun Life** leads the Canadian group retirement market due to differentiation in online tools, quality of mobile application, and integration of GB & GRS
- ▶ **Industrial Alliance** retains second place with reinforced performance across the board, standing out in institutional and account executive relationship management, and operational services
- ▶ **Desjardins** remains third overall, with lead position in Quebec

Sun Life leads as the top brand in group retirement, however Industrial Alliance and Desjardins lead in several key relationship management factors



- ▶ 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
- ▶ Sun Life leads in several factors, notably on brand strength, thought leadership and DE&I
- ▶ Industrial Alliance is seen as a leader in relationship management and provides strong plan implementation & transition management
- ▶ Desjardins leads in sustainability while remains strong in relationship especially improved in account executive capability
- ▶ Manulife and Canada Life are the second and third strongest brands in the industry, but they lack differentiation across various attributes

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

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.



Hamish Worsley

Partner

▶ Hamish.Worsley@NMG-Group.com



Sherry Niu

Senior Consultant

▶ Sherry.Niu@NMG-Group.com



Karan Sabharwal

Partner

▶ Karan.Sabharwal@NMG-Group.com



Andrew Carrique

Consultant

▶ Andrew.Carrique@NMG-Group.com



Thank you

For more information,
visit www.nmg-consulting.com

