



NMG's Canadian Individual Life Insurance Study

2022/23 Insights Partner Report

June 2023

About NMG and the Study

NMG Consulting

- ▶ NMG Consulting is a specialist multi-national consulting firm focused on insurance and investments
- ▶ Founded in Singapore in 1992, NMG Consulting established primary hubs in Sydney, Toronto, New York, London and Singapore



PROTECTION



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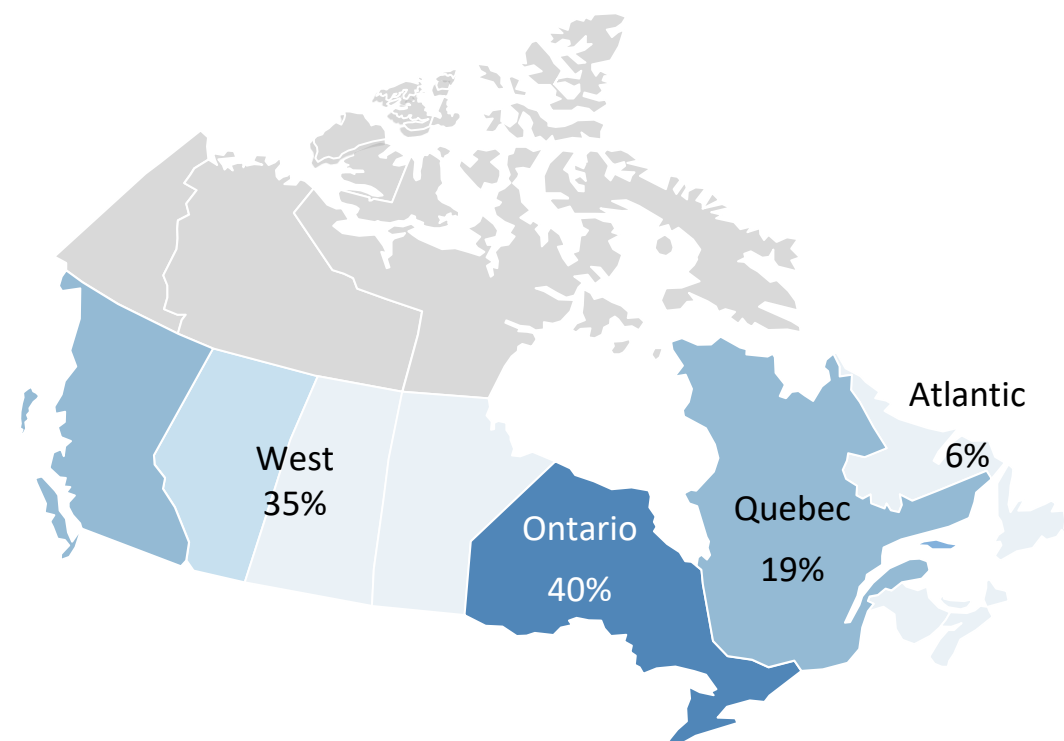


DATA
ANALYTICS

Study Overview

- ▶ This is the 2nd annual cycle of NMG's Canadian Individual Life Insurance Study
- ▶ Feedback received from 394 intermediaries from key distributors across the market
- ▶ Objectives for this report is to sharing results back with Insights Partners on:
 - ▶ Top industry challenges
 - ▶ Trends shaping the Individual Life Insurance industry
 - ▶ Insurer competitive positioning

NMG's Canadian individual Life Insurance study covered 394 life insurance focused advisors across the country



The Canadian Individual Insurance market



Industry trends

- Over the past 12-months, life products contributed to more **new business premium** than living benefit products, especially whole life. Advisors are most optimistic about term life and whole life future sales growth
- **Serving existing clients, acquiring new business and challenges from robo advice** are the primary challenges for advisors
- **Insurers struggled to meet clients needs for back-office and operational services.** Notable areas of improvement include response times to inquiries and greater transparency of insurance processes



Insurer performance

- **Manulife, Sun Life, and Canada Life** continue to lead the market in brand strength
- **Empire Life** leads the market for their wholesaler capabilities, ease of online new business applications and inforce business service to advisors, backed by their strength in term life
- **Industrial Alliance** holds an industry wide lead for innovation as they were recognized for their user-friendly platform. They are well positioned with underwriting capabilities and inforce business service to advisors



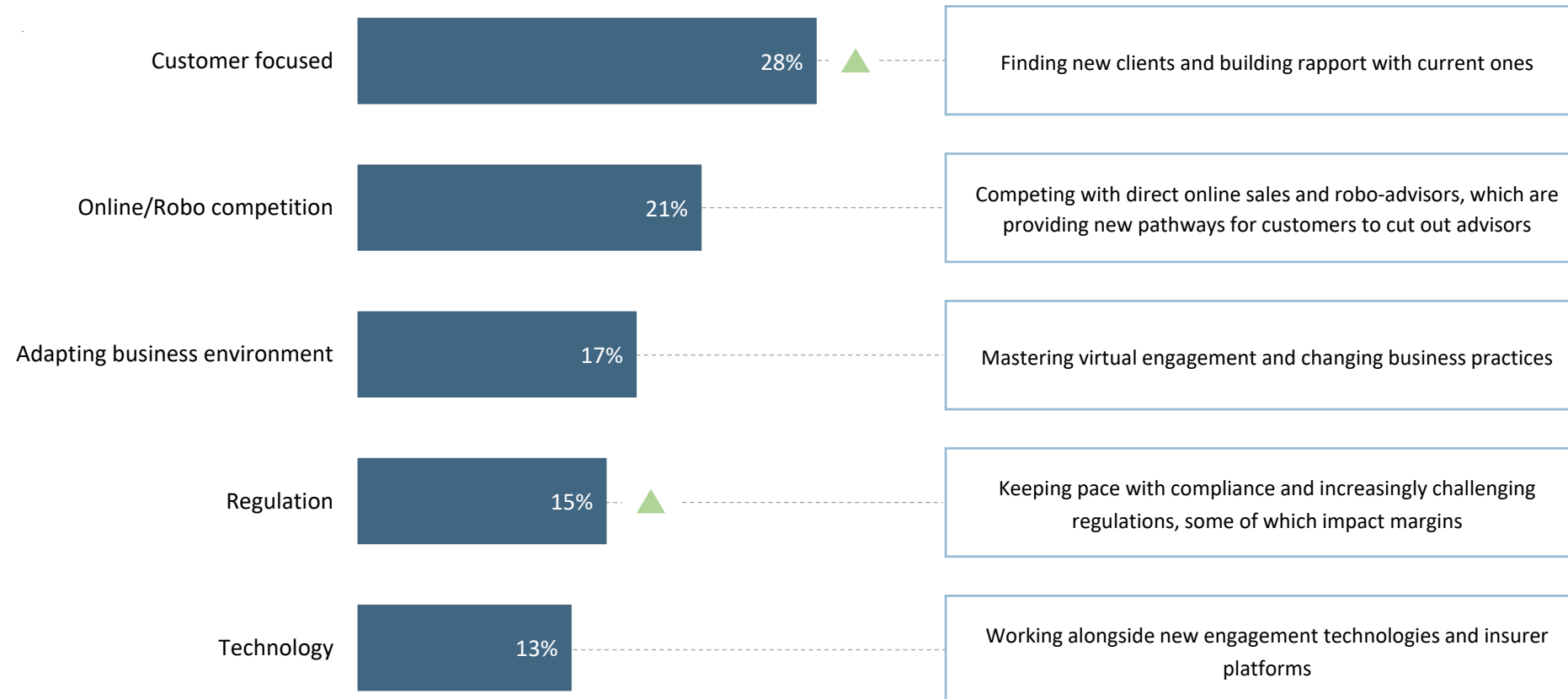
Product dynamics

- Product flexibility and ease of doing business (related to online application and underwriting efficiency) are the strongest drivers, aside from price, for **term life product placement**
- Clients valued enhanced dividend scale and cash values from carriers offering **whole life products**
- Advisors seek robust illness definitions, return of premiums, and product features, such as child riders, for **critical illness**
- RBC Insurance dominates **disability products** due to their efficient new business processes and breadth of products offered

Growing and maintaining a client base against digital insurance solutions was among key advisor concerns facing the industry

Greatest challenges facing advisors in the Individual Insurance Industry (1 – 3 years) (% of respondents, top 5 themes)

Challenges breakdown

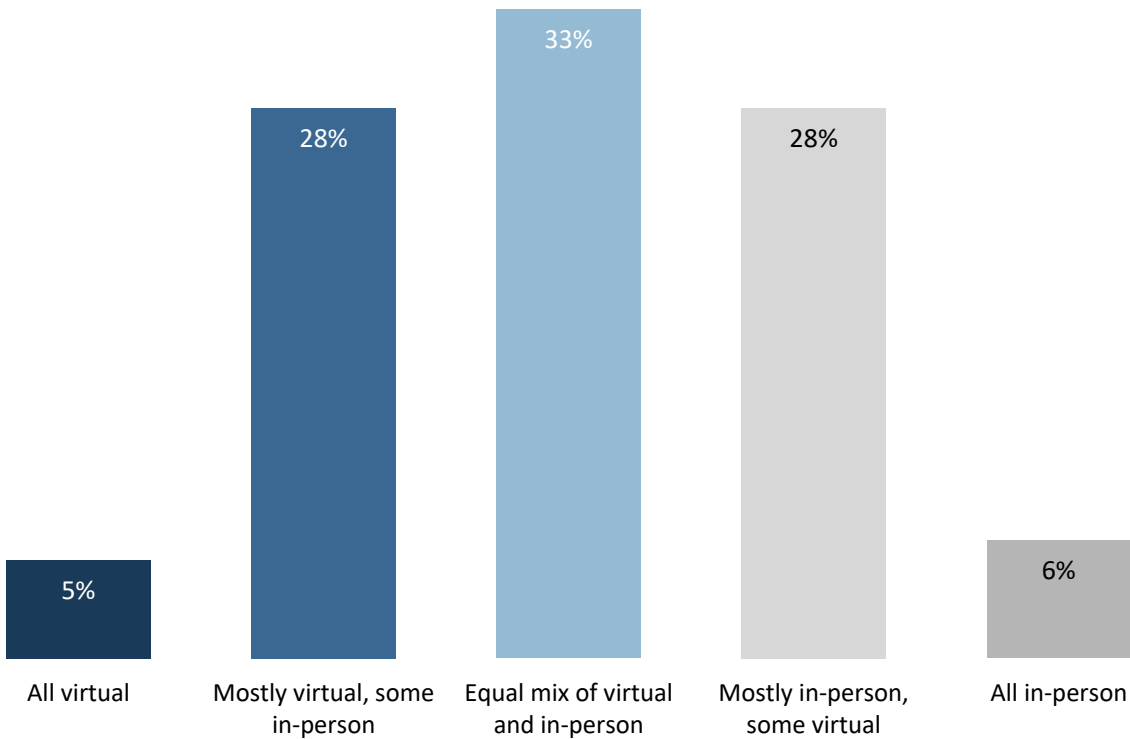


- ▶ Advisors view services to their existing customers as the top priority, while client acquisition is another challenge over the next 1 to 3 years
- ▶ Fierce competition from the digital solutions and robo-advice sector is top-of-mind for advisors in Canada, driven by the concern that clients will prefer the speed of online providers
- ▶ In addition to a rapidly changing business environment, margin-slicing regulations are an area of concern for a small group of advisors

Two in three advisors expect a greater or equal focus on in-person engagement with their clients and prospects compared to using virtual tools



Future engagement model outlook
What advisors believe meetings with their clients and prospects will look like going forward



“There is something to be said for the personal touch.”
NAC, Ontario

“Finding a solid combination of equal and in person is extremely effective going forward. The way the future is mostly virtual, and some in person. Sometimes you need in person meetings, and sometimes you need to save time.”
ISA, Ontario

“I think we need to get back to more in-person meetings and build a stronger connection with clients. While non-face-to-face interactions are great in some instances, for new prospects you can't replace that face-to-face interaction.”
MGA, Atlantic

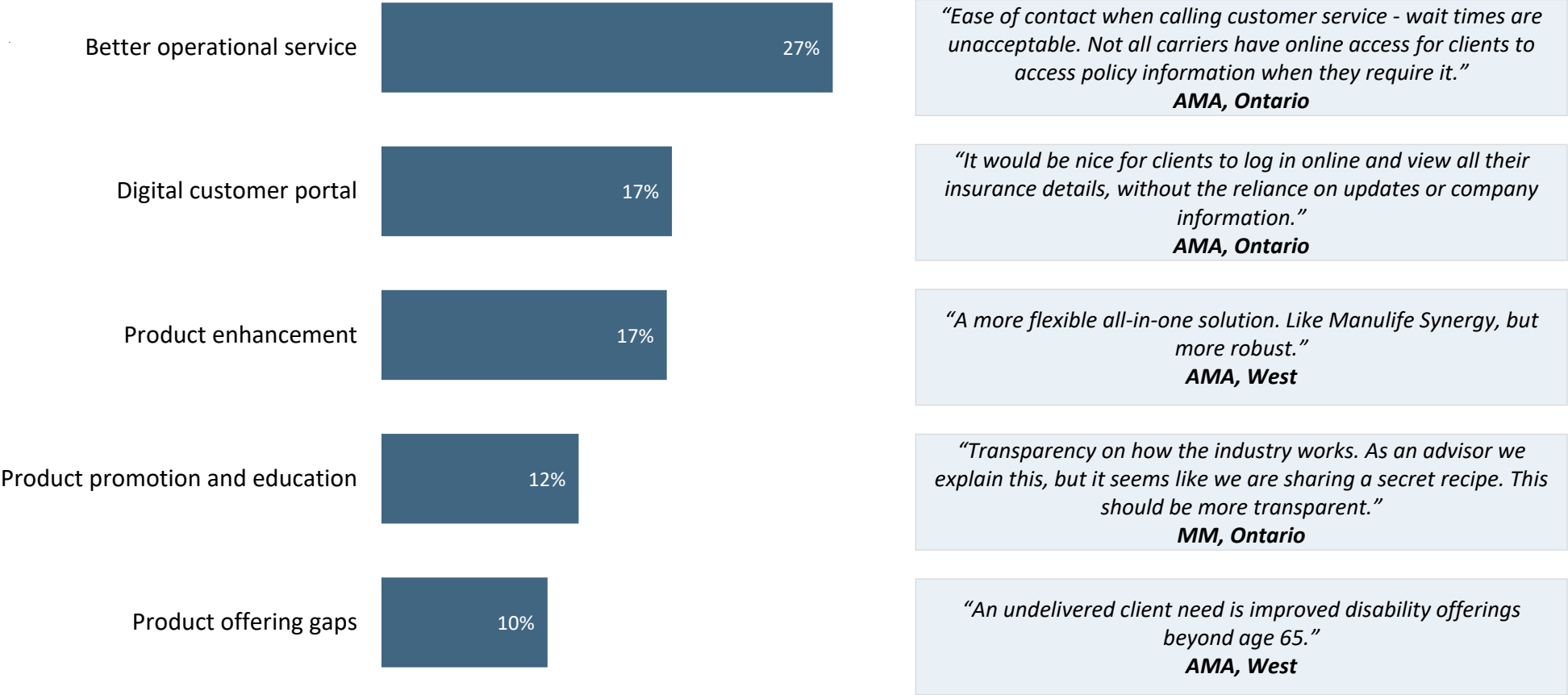
- ▶ One in three prefer a balanced approach between virtual and in-person meetings, while another third valued personal interactions the most, especially for developing new relationships
- ▶ When it comes to meeting clients and prospects, advisors’ appetite to leverage virtual engagements persists

Note: %s indicate the proportion of respondents citing the respective future engagement model for meetings with clients and prospects in the future

Advisors believe inforce service to the end customer is the focal point of undelivered client needs, as well as provision of an online customer portal



Undelivered client needs from insurers

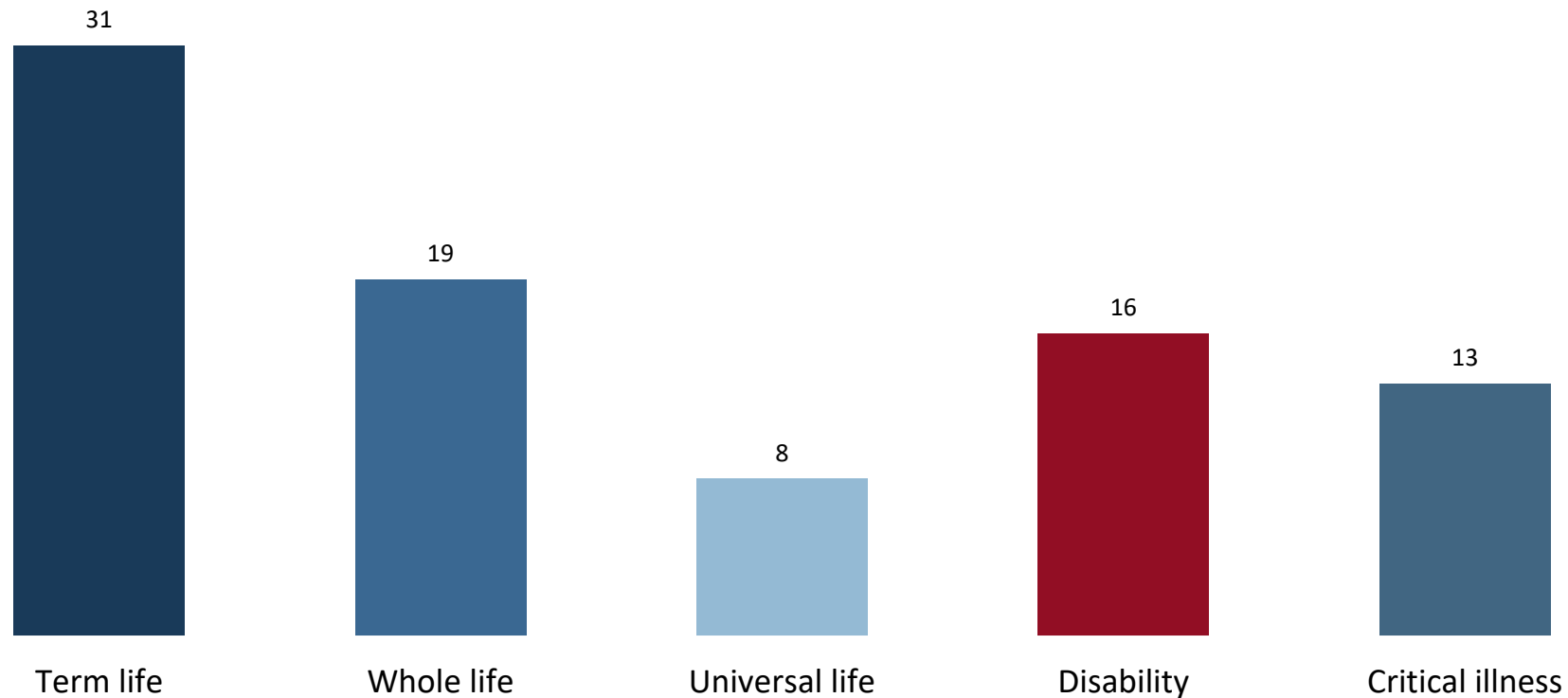


- Operational service dominated as an undelivered need from insurers in the market. This included responding to client inquiries and providing transparency regarding the end-to-end insurance process (across new business, underwriting, inforce, and claims)
- Advisors also expressed the need for a digital customer portal for their clients, with access to policy details, key files, and easy plan adjustment capabilities

Note: %s indicate the proportion of respondents citing the respective factor as an undelivered client need

Advisors sold more term life policies in the past 12 months than any other product

Average number of new policies sold (last 12 months)

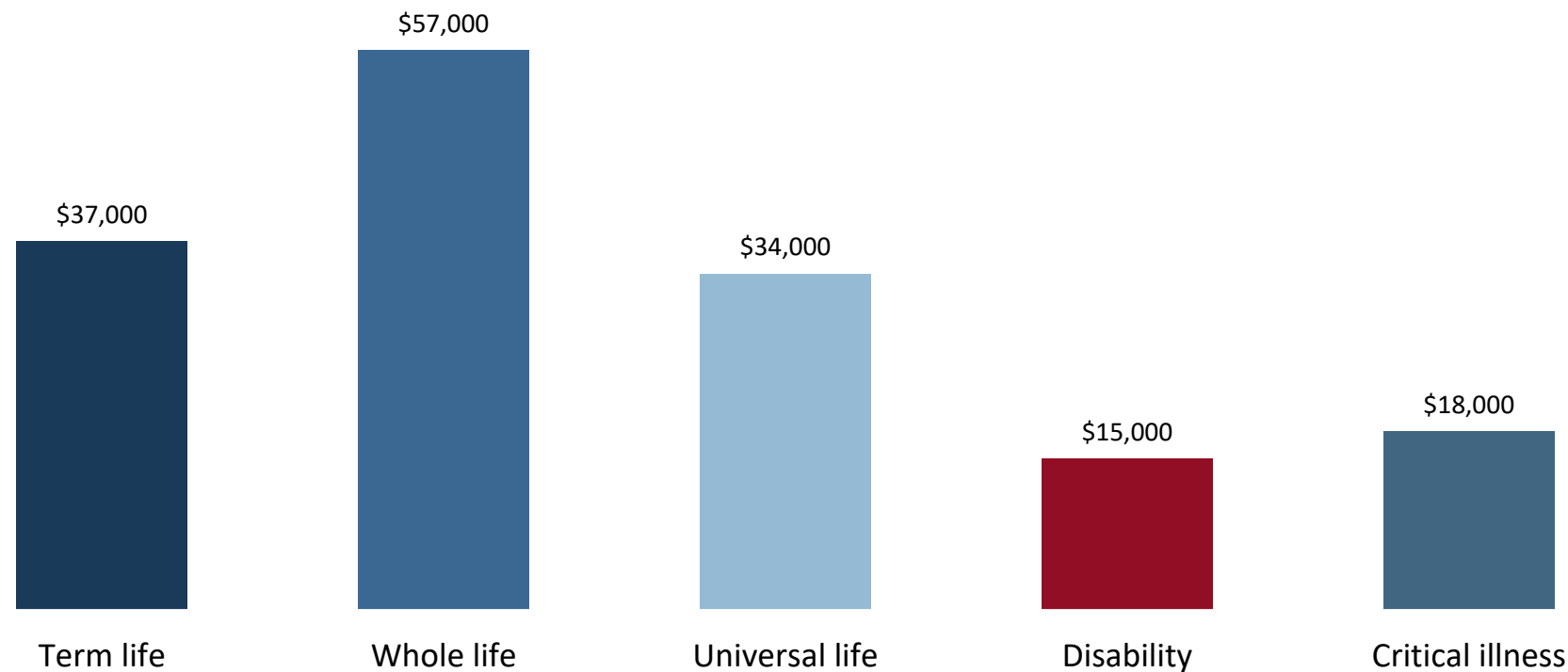


- ▶ Term life products were most frequently sold by Canadian intermediaries over the last 12 months, followed by whole life
- ▶ Regarding living benefits, the number of new policies sold was level between disability and critical illness products
- ▶ Universal life products were sold the least in the last 12 months

Whole life products generated the highest average new business premium for advisors in the past year



Average new business premium generated (last 12 months)



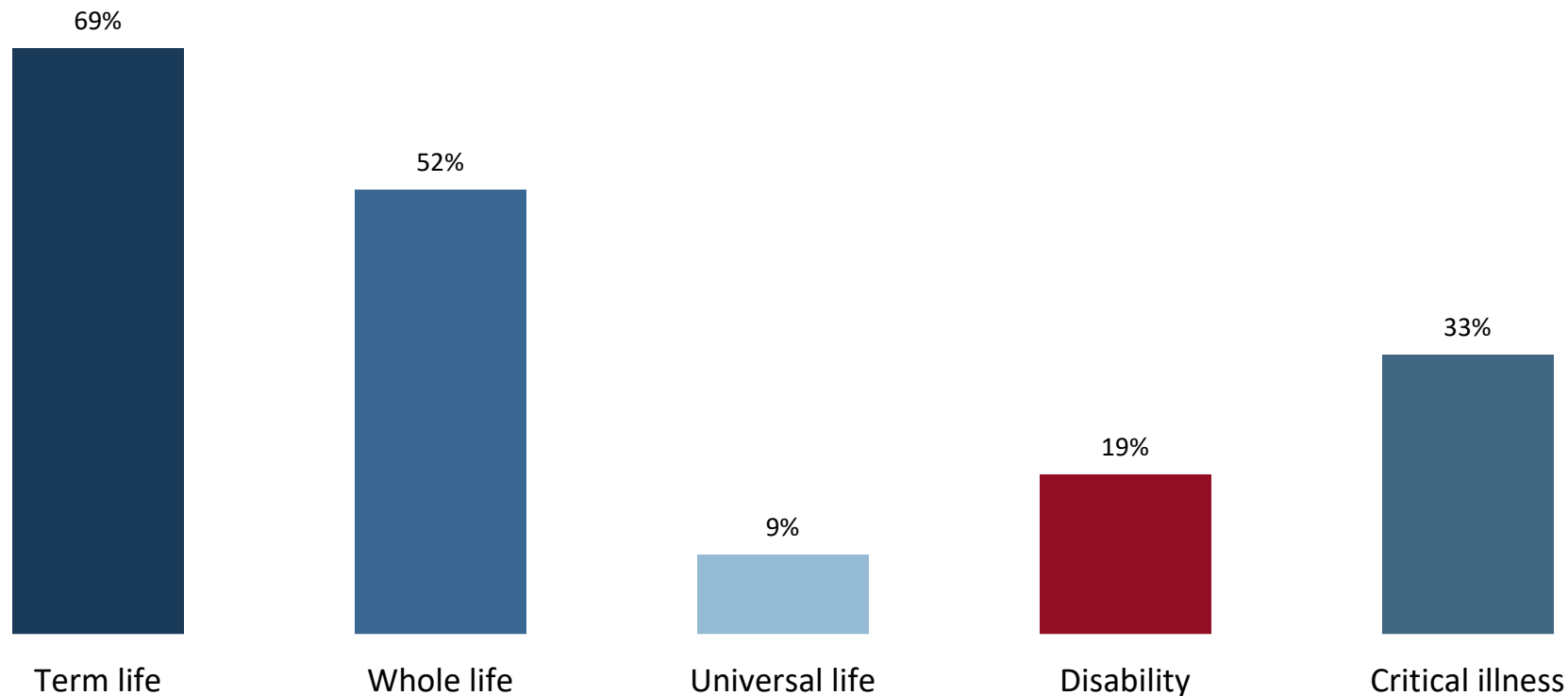
- ▶ On average, whole life policies contributed to the highest new business total premiums over the last 12 months
- ▶ Despite a higher amount of policy sales, lower monthly term life premiums resulted in subsequently lower total business premiums
- ▶ Universal life policies generated high premiums, resulting in comparable annual new business premiums with term life despite significantly fewer policies sold

Note: figures above bars represent the average advisor new business premium generated for the respective product over the last 12 months

Advisors expected that whole life and term life products would drive sales growth over the short-term, followed by critical illness insurance



Future sales growth drivers (% of respondents)



- ▶ Future sales expectations are optimistic with over one half of intermediaries foreseeing an increase in the next 12 months, particularly for term life and whole life products
- ▶ One in three advisors believe that critical illness products will drive the most sales over the next 12 months
- ▶ Disability and universal life products are expected to generate the least amount of sales growth




Note: figures above bars represent the % of respondents indicating that the respective product will be a future driver of sales growth

Manulife, Sun Life & Canada Life stand out for their brand while Empire Life, RBC Insurance and iA differentiate on wholesaler capability and innovation



Top-3 ranked providers across key performance factors

Select key performance factors

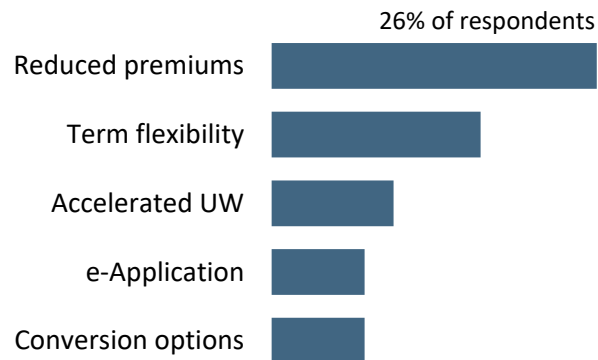
			
Brand strength	Manulife	Sun Life	Canada Life
Wholesaler capability	Empire Life	RBC Insurance	Canada Life
Innovation	iA	Empire Life	Manulife
Ease of online new business application	Empire Life	Foresters	Equitable Life
Underwriting efficiency & communication	Foresters	iA	Empire Life
Inforce business service to advisors	Empire Life	iA	Foresters

- ▶ This table highlights those carriers that are investing in capabilities. The top ranked provider, by intermediaries, had the highest performance rating for that factor
- ▶ Manulife, Sun Life and Canada Life dominate with the strongest brands in the Canadian individual life market
- ▶ Empire Life is ranked 1st across several business factors, supported by their wholesaler capability, ease of online new business application process and inforce business service to advisors
- ▶ Industrial Alliance is recognized for their innovation and back-end service across underwriting and inforce service to advisors

Leading term life providers differentiate on conversion options and flexible term offerings; seamless e-App processes save time through efficiency

Notable product adjustments valued by clients and drove sales (Last 12 month)

Term life



"I noticed that term life premiums are consistently getting more competitive, which is a good trend."
MGA/AGA, West

"The flexibility of setting your own term is getting more traction."
NAC, Ontario

Insurer product capability differentiation (term life)

Top-3 insurers by perceived value of offer

Value Leaders



Key value-add



Empire Life

- ▶ Fluid new business process
- ▶ Seamless e-Application
- ▶ Good customer service



Manulife

- ▶ Vitality program
- ▶ Conversion options
- ▶ Underwriting process



iA

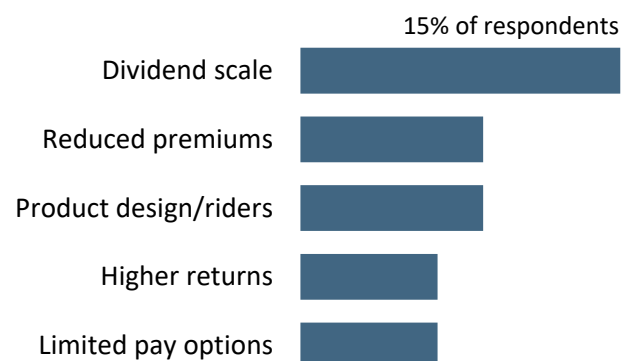
- ▶ Conversion options
- ▶ Product flexibility
- ▶ Product riders

- ▶ In the last 12 months, advisors valued increasingly lower premiums on term policies
- ▶ Empire Life is perceived strongly across Canada for their term life offering, leading on value competitiveness. They stand out for their online new business application process
- ▶ Manulife is recognized for their strength in term life due to the Vitality program and flexible conversion options
- ▶ Industrial Alliance's conversion options are well recognized, along with their product flexibility and riders offered

Advisors indicated improved cash values and dividend scale were appreciated by their clients seeking whole life policies

Notable product adjustments valued by clients and drove sales (Last 12 month)

Whole life



"Receiving dividends and building up cash value has been good for young parents who purchase WL for their infant children."

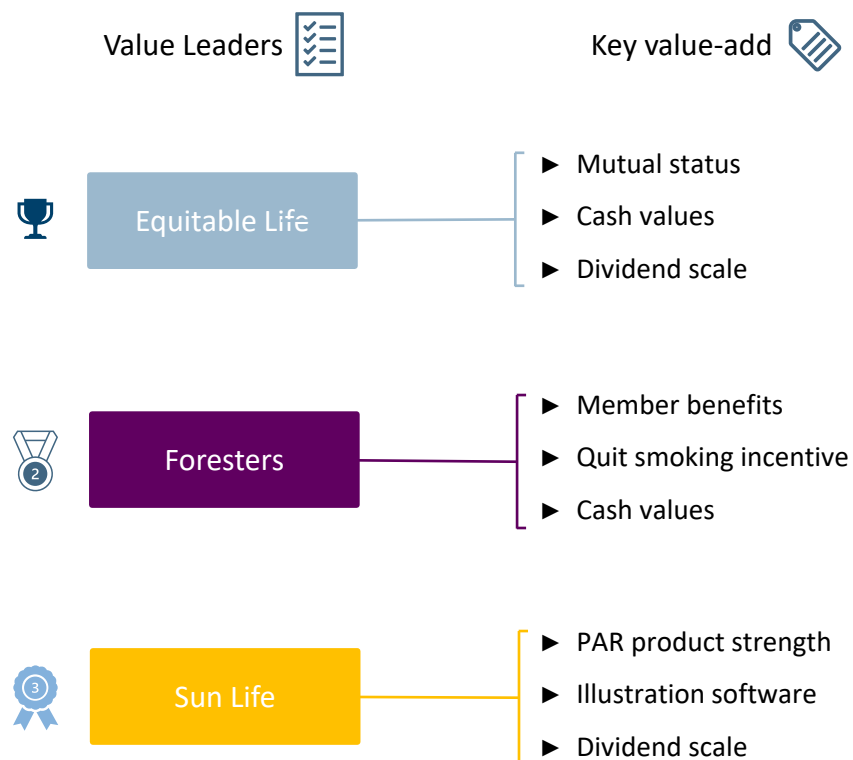
MGA, West

"Limited pay options are harder to find across the industry."

MGA, West

Insurer product capability differentiation (whole life)

Top-3 insurers by perceived value of offer

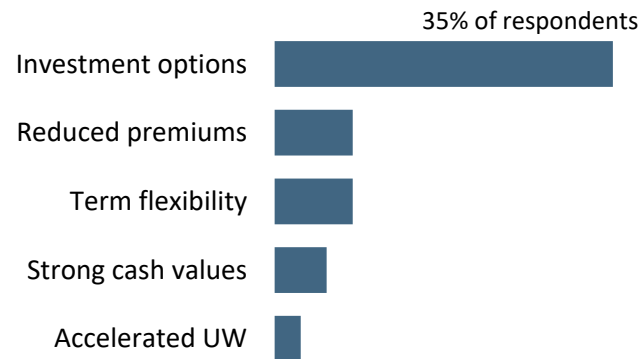


- ▶ Equitable Life and Foresters are well regarded in their whole life value offering. Equitable Life is recognized for their mutual status and dividend scale
- ▶ Foresters' unique member benefits and quit smoking incentive are key elements of their whole life value proposition
- ▶ Sun Life's whole life products, although often pricier, provide immense value through their strong participating fund. Their illustration software is also easy to use with clients

Advisors note a broad range of investment options as the most valuable product adjustment for universal life providers

Notable product adjustments valued by clients and drove sales (Last 12 month)

Universal life



"Added portfolio options and lower minimum face amounts."

MGA, Atlantic

"There are now more investment choices, including ETFs."

ISA, West

Insurer product capability differentiation (universal life)

Top-3 insurers by perceived value of offer

Value Leaders



Key value-add



Sun Life

- ▶ Broad investment options
- ▶ Easy to understand
- ▶ Business-owner focus



BMO Insurance

- ▶ Broad investment options
- ▶ Fee structures
- ▶ Mutual fund/ETF access



Manulife

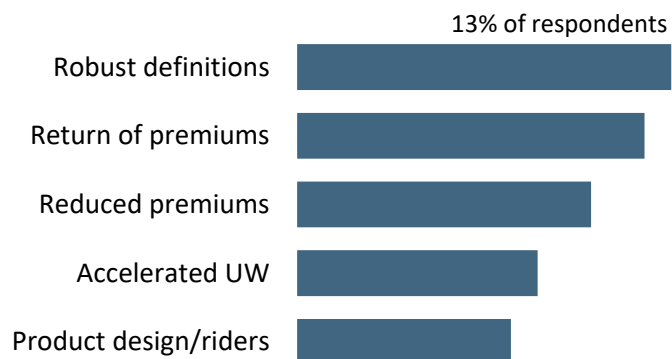
- ▶ Ease of doing business
- ▶ Vitality
- ▶ Conversion options (from Term)

- ▶ Advisers cite a broad range of investment options as a key value indicator for universal life products
- ▶ Sun Life's universal offering is recognized for simplicity and ease of understanding, as well as the scope of investment options
- ▶ BMO Insurance's investment options are also cited as key value-added areas, paired with their extensive asset management expertise
- ▶ The recent addition of Vitality to their universal life product line strengthens Manulife's position in the industry

Robust definitions, return of premiums and product features, such as child riders, are most notable for critical illness

Notable product adjustments valued by clients and drove sales (Last 12 month)

Critical illness



"More flexibility. Better understanding of illness definitions and partial payout options."

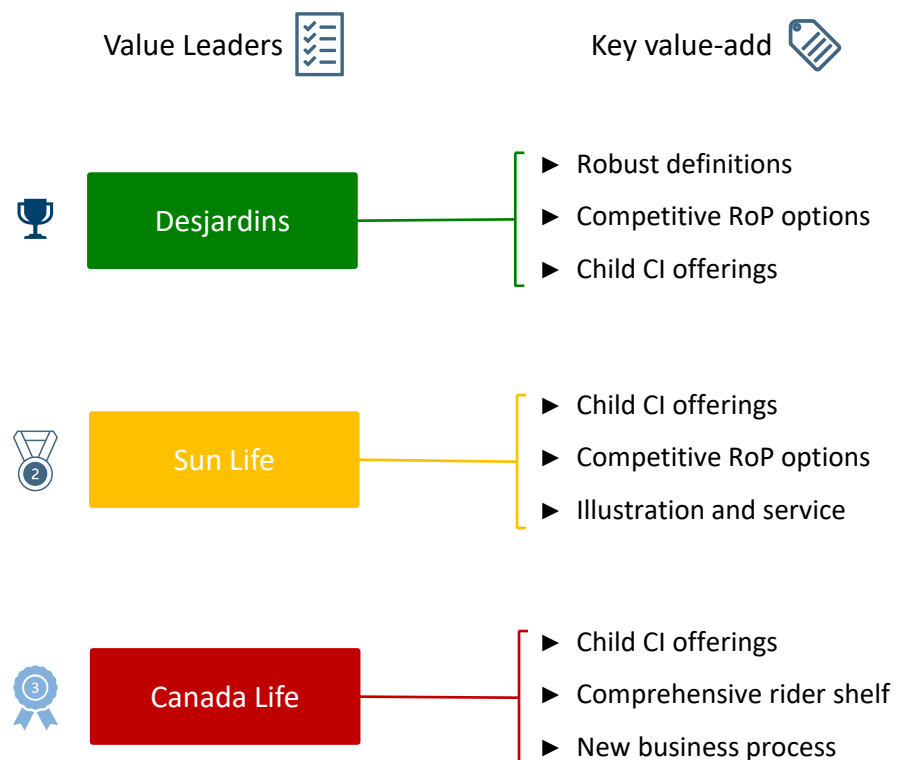
MGA, Atlantic

"A way to protect their savings in the event of critical illness. If clients have an ROP rider it's a way to hedge their risk."

MGA/ISA, Ontario

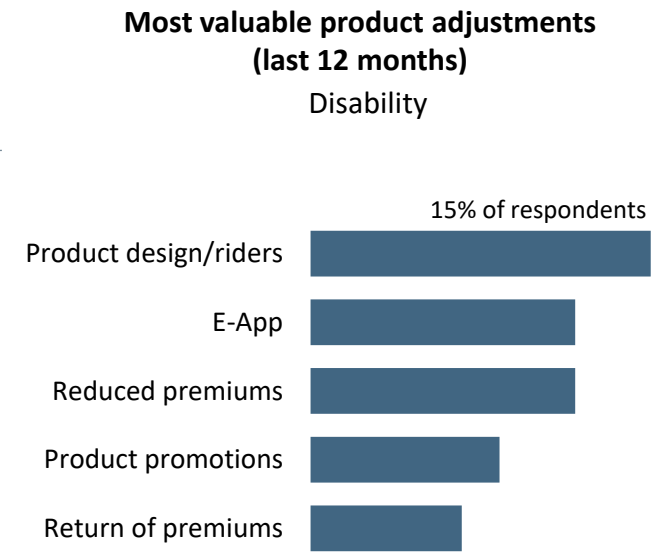
Insurer product capability differentiation (critical illness)

Top-3 insurers by perceived value of offer



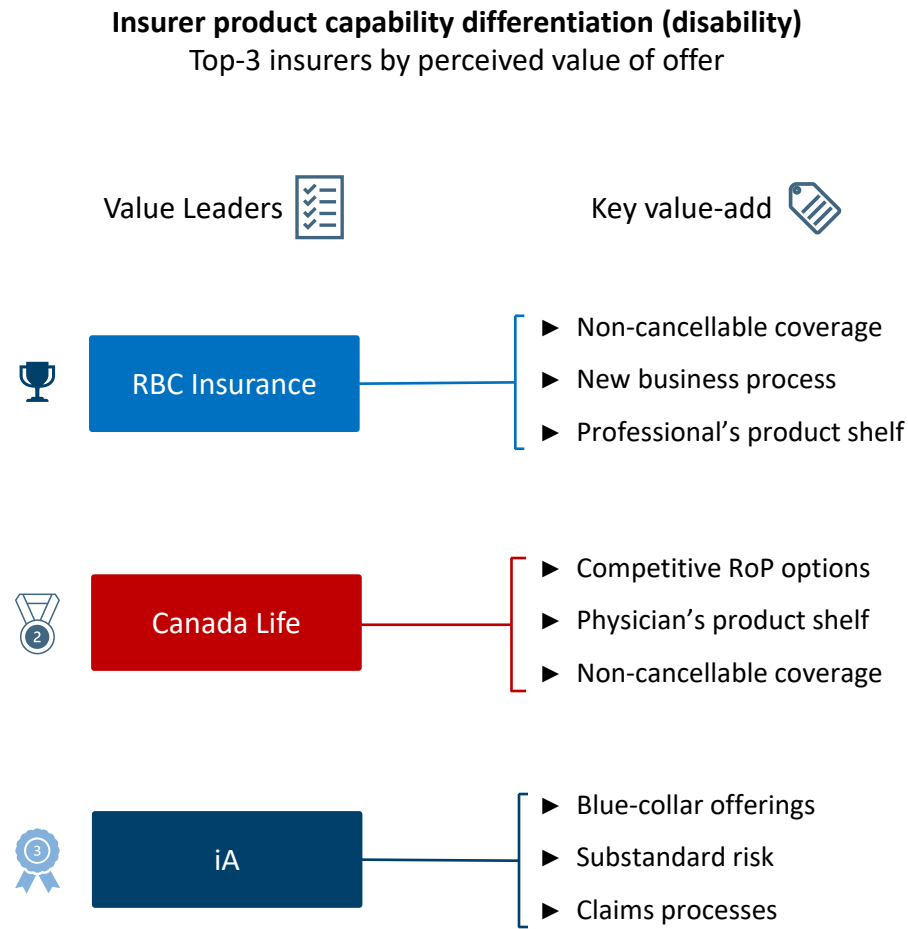
- ▶ Among the leading critical illness providers, children's product offerings are cited as a strong value-add. Robust illness definitions are a leading product adjustment for advisors
- ▶ Desjardins leads the Canadian critical illness market in value competitiveness, due to their robust set of illness definitions
- ▶ Sun Life's value-added features include their child critical illness offerings, as well as detailed product illustration and servicing
- ▶ Canada Life's comprehensive shelf of rider options is seen as a value-add differentiator

RBC Insurance demonstrates leadership for disability products in Canada with efficient new business processes, software and breadth of products



“Disability is expensive if you never make a claim. The ROP option reduces the risk and changes the discussion to win/win.”
AGA, West

“Paid up additions have been a real interest for clients, which acts as an inflation rider to their plan.”
MGA, Ontario



- ▶ Product design and riders are noted by advisors in the past year as an area of added value for disability products
- ▶ Targeted market offerings are a shared differentiator for disability providers, such as business owner, physician, or blue-collar-focused products
- ▶ RBC Insurance stands out in the disability market for their wide breadth of products offered
- ▶ Canada Life is recognized for competitive return-of-premium options and their product offering for physicians
- ▶ Industrial Alliance’s blue-collar focus is positively noted by advisors along with their claims processes

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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