New Expectations: The LIMRA-EY Future of Wholesaling Study
As a critical link in the insurance distribution chain, wholesalers provide product expertise, market intelligence and services that help carriers and financial advisors differentiate their offerings and grow their businesses. Significant change in the broader financial services market is fueling new expectations and perceptions of wholesaling, reframing relationships and laying the groundwork for new opportunities.

Advisors will continue to value external wholesalers for their product expertise and sales and marketing support, but going forward, they expect more value-added services. Wholesalers and advisors strongly agree that wholesalers need to bring more to the table. Eighty-four percent of wholesalers believe that their model must adapt to the changing environment to remain relevant.

According to previous research, *Harnessing Growth: The LIMRA-EY Experienced Financial Advisor Study*, approximately 8 in 10 advisors receive wholesaler support. In this rapidly changing environment, the challenge for wholesalers and the carriers they represent is to retain the fundamental attributes that remain most valuable to advisors while simultaneously adapting to address powerful forces such as regulatory scrutiny, technology advancements and new advisor practice models.

The results of this study, *New Expectations: The LIMRA-EY Future of Wholesaling Study* can provide a road map for carriers and distribution firms as they consider business models and investments that may fuel future success.

**About the study**

Business and distribution leaders are keenly interested in the future of wholesaling, particularly the changes and investments they must make to stay in tune with expectations of advisors and advisory firms. To explore the future of wholesaling, LIMRA and EY jointly conducted a multicomponent research study of the individuals providing wholesaling services and those consuming them. There were three elements:

- A survey of 500 advisors representing independent insurance agents, bank financial advisors, full-service broker-dealer advisors, independent broker-dealer advisors, and registered investment advisors.
- A survey of 475 wholesalers from key annuity and life insurance carriers and distributors.
- Seven one-on-one interviews with senior-level distribution leaders from the top life insurance and annuity carriers, and advisory and distribution firms.

The questions focused on the wholesaling services and expertise most valued today, those likely to be most valued in the future, and factors shifting the landscape.
Key findings

1. **Technology** is reshaping the way advisors and wholesalers interact and creating the need for new wholesaler capabilities.

2. Firms that have invested in **data and analytics** are seeing meaningful improvements in the sales productivity of their wholesaling organization. This is particularly true for annuity products.

3. In the next three to five years, **alternative models** such as hybrid and e-wholesaling will gain traction.

4. Federal and state **regulations**, particularly Regulation Best Interest (BI), require a shift to a more consultative model that focuses on financial planning solutions rather than primarily promoting products and features.

5. Carriers that see **opportunities in investment-oriented advisor channels** need to equip their wholesaling force with new and different skills, expertise and resources.
1. Technology is reshaping the way advisors and wholesalers interact and creating the need for new wholesaler capabilities.

More than half (56%) of advisors indicate that the way they work with wholesalers will change because of technology; 50% of external wholesalers and 67% of internal wholesalers agree. Changes are expected to be most evident in more frequent use of servicing tools and virtual communications.

While 53% of advisors believe that digital solutions could be applied to some wholesale services, wholesaler leaders note that artificial intelligence (AI) and digital solutions could elevate - not replace - the wholesaler role: for example, wholesalers could help with modeling portfolios and demonstrating the impact of both investment and insurance offerings.

As investment firms increasingly develop automated or semiautomated tools to help advisors identify the appropriate set of products/investments for clients, wholesalers will need to understand how product and investment choices are made and how they can place products with the use of these tools.

“Wholesalers need to have a higher level of acumen with technology platforms — they must understand the advisor desktop.”

— Life insurance wholesaler leader

Given the trends toward turnkey asset management platform systems, model portfolios and robo-advisors, some leaders envision a day when wholesalers must reach beyond the advisors in a firm, to those within the firm making decisions about which products are included in these automated, self-service platforms.
Communication preferences

As Gen Xers and millennials become a greater proportion of the advisor population, use of videoconferencing, texting and social networking is expected to rise. However, while 72% of external wholesalers expect more frequent videoconferencing, only 35% of advisors agree. More than 60% of advisors and nearly 90% of external wholesalers who interact both in person and through video conferencing, see in-person interaction as more effective.

External wholesalers spend most of their interaction time with advisors in person. External wholesalers text with their most valued advisor weekly or more often. Advisors expect wholesalers to be able to virtually communicate when needed.

When asked about their most valued relationships, both advisors and external wholesalers who use videoconferencing today said they would use it more in the future. New partnerships may need to be established in person, but there is clearly a place for videoconferencing in maintaining relationships. Carriers that are likely drawn to videoconferencing for expense reduction should be aware that advisors are less sold on the approach. The onus is on carriers to prove the worth of these tools to advisors and make sure that their videoconferencing tools are adding value to the advisor-wholesaler relationship.

Quality trumps quantity

When asked what gives an advisor the trust and confidence to start placing business consistently with the carrier that a wholesaler represents, advisors responded:

- The wholesaler’s value proposition, rather than number of interactions (43%)
- The wholesaler’s knowledge of the advisor’s business model and willingness to work together (25%)

“Advisors don’t want to embrace technology — webinars are an example — as much as we’d like them to.”

— Annuity wholesaler leader
Aligning with advisor interests

As they invest to capture the efficiencies and heightened productivity of technology, wholesalers and carriers must be cognizant of what matters to advisors, understanding that perceptions often do not match reality.

For instance, 56% of external wholesalers and 48% of internal wholesalers say simplification of the ticketing/submission process is the top technological advancement to bring value to advisors, but only 23% of advisors agree. While 57% of external wholesalers say case design assistance is one of the three most impactful services they bring to an advisor’s practice, only 24% of advisors rank it among the top three.

Carriers that choose to invest in technology should consider how it frees up wholesaler time for more impactful activities and drives operational efficiencies.

“The winners will be those wholesalers who make advisors’ lives easier while helping them increase volume and revenue.”

— Advisory firm leader

Most valued technologies for advisors

<table>
<thead>
<tr>
<th>Advisor View</th>
<th>Wholesaler View</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>23%</strong> Simplification of ticketing/business submission process</td>
<td><strong>55%</strong></td>
</tr>
<tr>
<td><strong>22%</strong> Advanced planning and modeling tools</td>
<td><strong>10%</strong></td>
</tr>
<tr>
<td><strong>13%</strong> On-demand access to wholesalers</td>
<td><strong>4%</strong></td>
</tr>
<tr>
<td><strong>12%</strong> Point-of-sale assistance</td>
<td><strong>10%</strong></td>
</tr>
<tr>
<td><strong>12%</strong> Self-service tools</td>
<td><strong>6%</strong></td>
</tr>
</tbody>
</table>
While technology will enable wholesalers to partner with more advisors and change some interactions, both advisors and wholesaler leaders agree that face-to-face meetings will remain preferred. “Many people want a personal touch ... [it] builds relationships and requires a certain skill set that is not going away,” says one sales leader with an advisory firm. “Virtual communications provide cost savings and some success but are more limiting than in-person interactions,” a wholesaler leader adds.

The human element can be seen as part and parcel of a more holistic financial planning approach. As one distribution leader notes, “Clients want to know that their portfolio is up X percent, but even more so, they want to understand if and how it is meeting their personal goals for their life and legacy.”

“Robo-advisors may work until the market drops 2%, then advisors are flooded with calls. There is something unique about ‘humanness’ and the relationships we foster that cannot be replaced.”

— Annuity wholesaler leader

2. Firms that have invested in data and analytics are seeing meaningful improvements in the sales productivity of their wholesaling organization. This is particularly true for annuity products.

The data is there, and the consensus is that it can and should be used to add value: 61% of advisors are currently using data to actively target new clients and/or deepen existing client relationships. Eighty-seven percent of advisors expect improved data and analytics support from wholesalers and the carriers they represent in the near future.

Advisors see the best value-adding opportunities coming from client segmentation and prospecting: nearly half (48%) of bank financial advisors say the best opportunity to add value via data and analytics lies in client segmentation; 56% of all other advisors point to prospecting.

While most wholesaler leaders say they do not yet have the data science talent on board to move data and analytics efforts full speed ahead, they recognize the value. Those using data and analytics to strategically allocate resources report that doing so has helped take sales productivity numbers to record highs. Leaders of wholesalers point to the usefulness of data and analytics in prospecting with advisors in mature territories and supporting strategic deployment of resources in geographically dispersed territories.
In the next three to five years, alternative models such as hybrid and e-wholesaling will gain traction.

With advisors expecting change, carriers are challenged to demonstrate the value of different wholesaling models and gain buy-in for new models to succeed. Wholesaler leaders report experimenting with various models as part of their three-to-five-year business plan. Some are scaling up, adding more external wholesalers and giving them additional resources (e.g., the support of a second internal wholesaler), while others are stepping up the role of virtual technologies, particularly in larger geographic territories.

Wholesaler leaders also report that external and internal wholesalers are being trained on various e-platforms, envisioning that these trainees could potentially be a centralized resource that provides this expertise to various distribution channels.

“

We are behind the curve in using propensity models and data and analytics in a forward-looking fashion. Rather, it’s enabling us to look back and develop theories of how we may change producer strategy or realign territories.

— Annuity distribution leader

While the usefulness of data and analytics for wholesaler operations is apparent, wholesalers must also look outside their own operations. Half of all advisors said they do not receive the level of data and analytics support they seek from wholesalers. Only 24% of advisors said their wholesalers know their proprietary analytics and tools very well.

Analytics are helping wholesalers decide, at a more granular level, how and with whom they spend time.

3.
Mixed perspectives: comparing advisor and wholesaler preferences

When asked what type of wholesaling model would be most valuable in three to five years, advisors were split between traditional approaches and a hybrid model:

- **56%** preferred a new model combining in-person and virtual support.
- **43%** preferred a traditional external/internal wholesaling model, similar to that which exists today.

Like advisors, most internal wholesalers predicted that a hybrid model would be most valued by advisors in the next three to five years.

Unlike advisors, external wholesalers were more likely to say that the current wholesaling model will remain most valued by advisors; those who said this had 13% higher average incomes.

Performance management

Leaders of wholesaling teams tend to have their performance measured in sales volume, and several leaders underscored the importance of performance management focusing on sales, rather than activities, as an outcome. Still, many are looking ahead to the ways that data and analytics may help them assess and incentivize performance through new approaches, considering factors such as coaching competencies and how successful recruiting is.

Wholesaler leaders responded that the activity metrics driving their performance are generally not incorporated into their compensation plans. External wholesalers pointed to market share in their territory, as well as the number and type of advisors they meet, as important drivers of performance. Internal wholesalers said that these same metrics were most important to their performance.

Potential income advantages of using a scheduler

The survey found that, in general, external wholesalers who use a scheduler have higher incomes than those who do not. External wholesalers who have a scheduler to set meetings for them and who schedule at least 80% of meetings in advance are more successful (as judged by income). Wholesalers who partially foot the bill for their schedulers earn even more.
4. Federal and state regulations, particularly Regulation Best Interest (BI), require a shift to a more consultative model that focuses on financial planning solutions rather than primarily promoting products and features.

The majority (84%) of external wholesalers and 57% of advisors believe BI regulations will impact their business relationships over the next three to five years. Fundamentally, acting in a client’s best interest requires examining their financial needs and goals holistically and providing a comprehensive plan for the future. It also requires broader conversations and new financial planning acumen and tools.

“Regulation BI breaks us out of a commoditized approach and is an opportunity for a wholesaler to show where their product can advance a client’s overall goals and add value.”

— Life insurance wholesaler leader

Wholesalers must focus on advising the advisor, as well as providing education on how a solution strengthens a client’s portfolio and advances the client’s overall financial needs and objectives, rather than selling product features.

Leaders of wholesalers see this change as an opportunity to help advisors fill gaps and fully serve client interests. Considering a client’s needs holistically requires more than a retirement nest egg; it requires a balanced examination of investment, growth and asset protection. Evolving financial planning and advice technology can facilitate analysis of client needs and elevate a wholesaler’s ability to work with advisors to position products within an overall portfolio.
Amid change, some things remain the same

While the future will require a more consultative approach, advisors will continue to value deep product expertise and sales and marketing support.

Seventy-eight percent of advisors say their most valued wholesaler represents one product manufacturer. Many wholesalers aspire to have more arrows in their quiver, selling more products rather than specializing. Nearly half of advisors prefer to work with specialized wholesalers.

Advisors also show a clear preference for external wholesalers that provide point-of-sale (POS) assistance: nearly 4 in 5 wholesalers deemed most valued by advisors provide this service. This preference for POS assistance is evident across all channels, even registered investment advisors, who tend to be most protective of client relationships. All indications are that POS assistance will remain critical, even as it migrates to be more consultative in nature.

"We see a continued evolution to providing solutions rather than just product information; I don’t see it as a fundamental change, but a continued evolution."

— Advisory firm leader
5. **Carriers that see opportunities in investment-oriented advisor channels need to equip their wholesaling force with new and different skills, expertise and resources.**

Investment firms and their advisors are attractive outlets for insurance carriers selling life and annuity products but selling to these investment-oriented advisors requires knowledge, capabilities and collaboration that differ from the sales approach taken for insurance-oriented advisors.

Selling life and annuity products through these channels will at times require a highly knowledgeable wholesaler and/or a multidisciplinary team from across the carrier's organization to demonstrate how that carrier's products can complement and strengthen a client's portfolio or model portfolios the advisory firm has constructed for advisor use. Success factors will include familiarity with the advisory firm’s planning and modeling tools and potentially upskilling relationship management teams.

In the long term, leaders see the potential for developing commission-free, advisory-focused products, but right now, “that seems more theory than practice,” says one life insurance distribution leader.

“Going forward, wholesalers may need to talk to different people within our organization. For instance, our national accounts team may work together with our investment management team, who add expertise on hedging and risk management.”

— Annuity wholesaler leader
Survey responses indicate that selling to investment- versus insurance-oriented advisors also requires different work styles and value-added services. For instance, investment-oriented advisors meet less frequently with their most valued wholesaler but prefer more traditional in-person interactions. They don’t view videoconferencing as an effective substitute for in-person interactions. On the other hand, insurance-oriented advisors like very frequent interactions, whether by phone, email or in-person meetings.

**Investment-oriented advisors meet less frequently with their most valued wholesaler**

- 63% of investment-oriented advisors interact via a traditional method (in person, on the phone or through email) weekly or more often with their most valued wholesaler.
- 28% of investment-oriented advisors do the same.

**Investment-oriented advisors prefer more traditional in-person interactions**

- 34% of insurance-oriented advisors who interact with their most valued wholesaler through both videoconferencing and in-person meetings said that in-person is more effective.
- 73% of insurance-oriented advisors who use both methods said the same.

“As advisors become less product and portfolio consultants and more wealth management consultants, wholesalers need to migrate with them and help advisors solve problems for clients. This has been happening and will continue.”

— Advisory firm leader
Investing for the future: a road map for success

Understanding advisor preferences and adapting services to address them are critical to wholesalers’ future success. Taken together, the survey responses underscore what advisors value most and what drives wholesaler productivity—now and in the future. These approaches can provide a road map for carriers’ investments in ongoing success.

- Sell in a consultative manner, aligning products with the client’s overall portfolio, needs and goals at POS and otherwise
- Be flexible in communicating, combining in-person meetings with virtual interactions when needed
- Collaborate with advisors on their desktops, leveraging the financial planning and advice technology and tools that will have a high impact on growth
- Recruit the data science talent needed to advance data and analytics initiatives, especially user-friendly analytic tools that support client segmentation and prospecting
- Clearly demonstrate your value proposition, understanding of an advisor’s business model and commitment to working with the advisor
- Provide ongoing training in key areas, including:
  - Relationship, sales management and consultative selling
  - Financial planning and modeling tools
  - Communication technology
- Consider hiring schedulers to assist wholesalers in activity planning to boost productivity
- Continue to experiment with new hybrid and e-wholesaling models to understand which resonates best with different advisors or practice models
The questions carriers and other organizations face are not centered on whether they should change their approach to the market. Instead, it is time to pivot the conversation toward assessing the direction and velocity of change in advisor practices. Equally important is understanding the impact of not keeping pace. It’s time to be truly customer-focused – and the advisor is the customer.

Historically, the product was the key differentiator – but in today’s environment, product parity driven by regulation and competition has made aspects such as speed, service delivery, responsiveness and accuracy the wedge factors that separate carriers in the minds of advisors. Today, advisors are offering a wider range of products and services to their clients, forcing the dynamic between advisors and product manufacturers to evolve. Distribution firms, advisory firms and financial institutions are increasingly adopting full-service platforms to incorporate advice and preconfigured solutions. Emerging best-interest requirements and related impacts to market demand have already driven companies and their wholesalers to re-evaluate their approaches to the market and advisor engagement.

The integration of technology and financial planning tools, the use of data and analytics, and new regulations will continue to shape the wholesaler landscape. These changes will open more opportunities for wholesalers to add value for advisors and to work with advisors as consultants, supporting financial planning, filling gaps in client programs and delivering holistic solutions. But even as change comes, the fundamental value of wholesalers will remain in one-on-one relationships built on a shared understanding of the value of deep product expertise, POS support and a joint vision of success.
About LIMRA
Established in 1916, LIMRA is a research and professional development not-for-profit trade association for the financial services industry. More than 600 insurance and financial services organizations around the world rely on LIMRA’s research and educational solutions to help them make bottom-line decisions with greater confidence. Companies look to LIMRA for its unique ability to help them understand their customers, markets, distribution channels and competitors and leverage that knowledge to develop realistic business solutions.


EY | Assurance | Tax | Transactions | Advisory

About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy.

Ernst & Young LLP is a client-serving member firm of Ernst & Young Global Limited operating in the US.

© 2020 Ernst & Young LLP.
All Rights Reserved.

US SCORE no. 08416-201US
2001-3365184 BDFS0
ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax or other professional advice. Please refer to your advisors for specific advice.

ey.com

Contacts

Laura Murach
Associate Research Director
LIMRA
lmurach@limra.com

Carol Perkins
Assistant Research Director
LIMRA
cperkins@limra.com

Mark Hopkins
Managing Director
Ernst & Young LLP
mark.hopkins@ey.com