

ENVIRONICS
RESEARCH

ADVISOR PERCEPTION STUDY

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2022

INTRODUCTION

Last year marked the 27th consecutive year of the Advisor Perception Study, the largest and most comprehensive study of Canada's independent investment and insurance advisors. In 2022, more than 3,000 advisors took part.

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SUMMARY

On both the investment and insurance side, advisors had a positive year with growing assets under management, as well as first-year premiums.



Investments

Given the current environment, advisors slightly reduced reliance on mutual funds and exchange traded funds (ETFs) in favour of fixed income products, such as bonds and GICs/GIAs.



Insurance

Permanent and travel insurance increased in prominence, making up a larger proportion of advisors' insurance sales. Additionally, advisors' usage of segregated funds increased, travel insurance finally rebounds to 2020 levels, and term insurance decreased.

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ADVISOR'S CLIENTS

Many advisors continue to consolidate their client base by working with a smaller number of clients with higher asset levels; a trend that has accelerated in the last 5 years.

While advisors tend to work with a broad range of clients, more than one-quarter are focusing on a specific group of Canadian clients. Advisors who are specializing typically select one group, but half identify two or more groups that they are targeting.

13%

Are focusing on or targeting:
Young investors, including Millennials or Gen Z

12%

Are focusing on or targeting:
Specific industries or job titles, such as engineers or C-suite executives

10%

Are focusing on or targeting:
Women

MUTUAL FUNDS OVERVIEW

Online efforts still in demand



With the pandemic, both advisors' expectations and company efforts for online support rose to manage the work-from-home dynamic. However, the need for online accessibility and tools continues to be in strong demand.

Performance and Back Office miss expectations

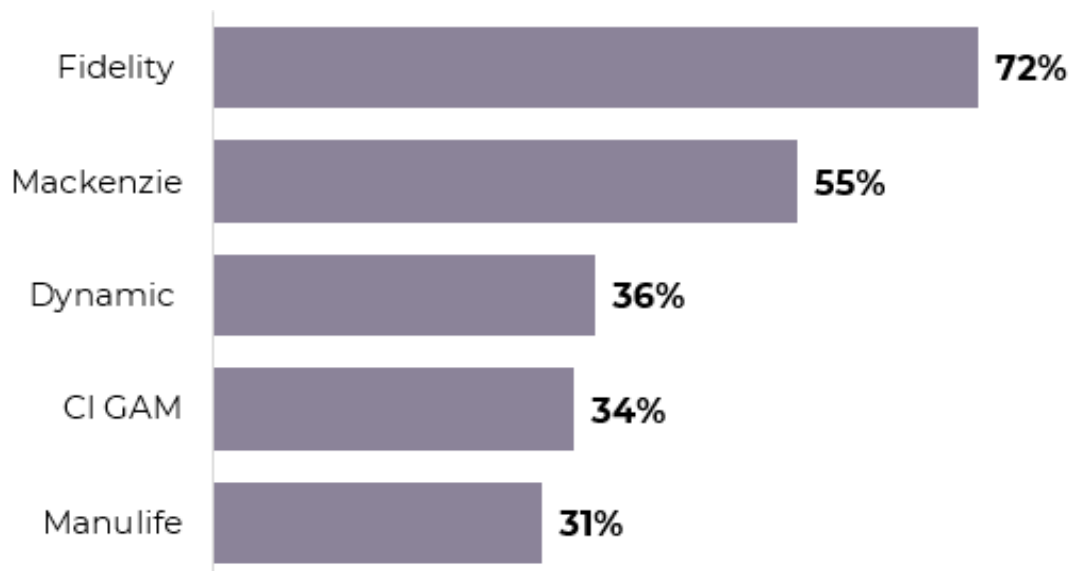


Advisors' perceptions of a company's Performance and Back Office support decline in 2022 as volatile markets, time stress, and frustrations with client services departments rise.

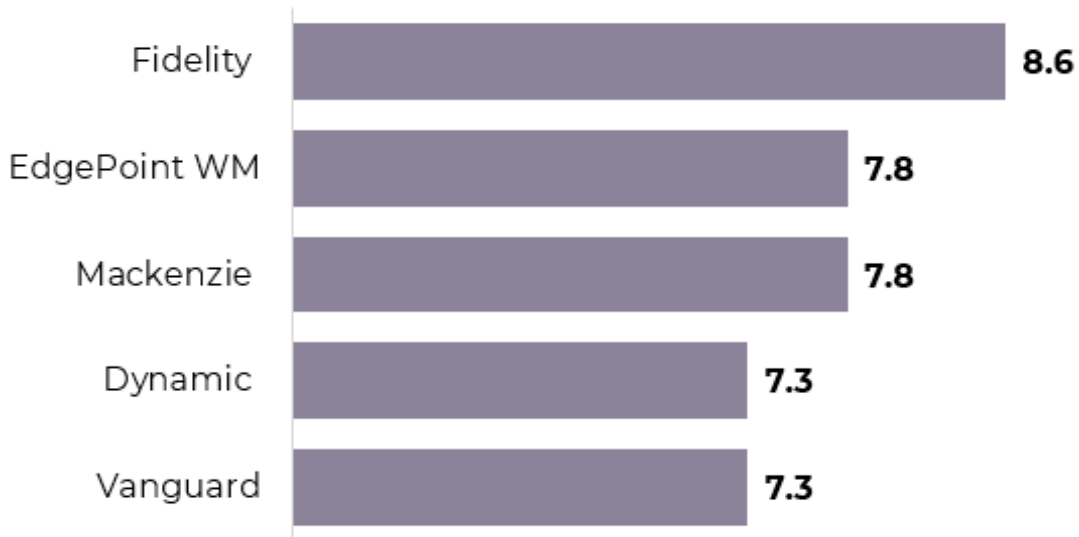
A quality back office experience differentiates companies from one another; where advisors feel frustrations, they will begin to move business away from that company. A company's support for advisors' practices is now the most important driver of sales.

Performance outcomes are a key influence on overall perception of a company. While some have recovered from the negative impacts of performance seen in 2020, others seeing lower performance outcomes are battling poor perceptions now.

Top 5 Mutual Fund Companies by Sales Penetration



Top 5 Companies by Overall Rating



ETF OVERVIEW

Sales stay strong in 2022



Overall ETF sales remain strong, with 60% of IIROC advisors currently offering them. This year, advisors are broadening their ETF shelf by working with more ETF providers.

ETFs as a percentage of sales declines



Despite gains and a strong overall sales year, average ETF sales as a percentage of total gross sales declines in 2022 as advisors increase reliance on GICs and bonds.

Important considerations when selecting brands

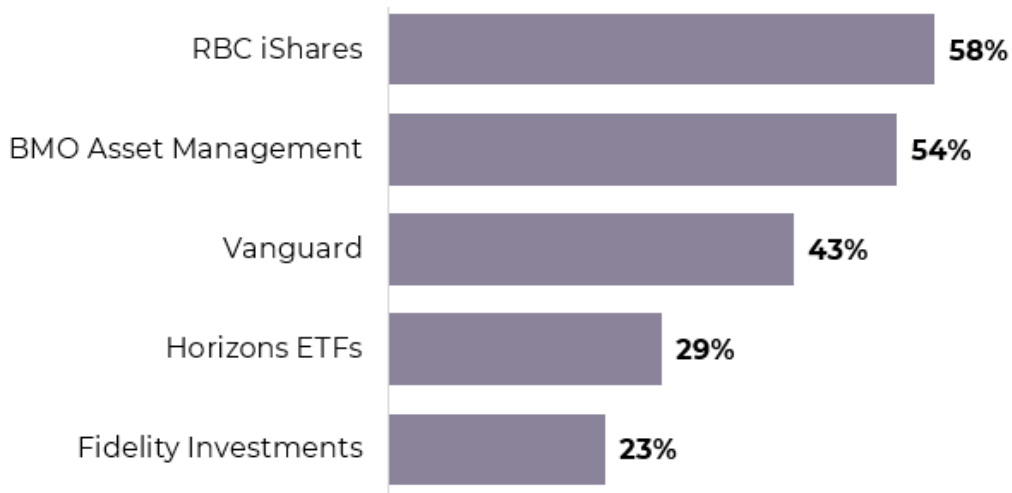


Advisors are increasingly prioritizing expenses and fees, performance, range of passive products and reputation when selecting ETF brands to work with.

Importance of Wholesaler among ETF Users

Quality wholesalers and outreach, plus other value-added advisor supports, differentiate brands like Mackenzie, Fidelity, Dynamic and Manulife, complementing their mutual fund offerings and positioning them in the top 50% of providers.

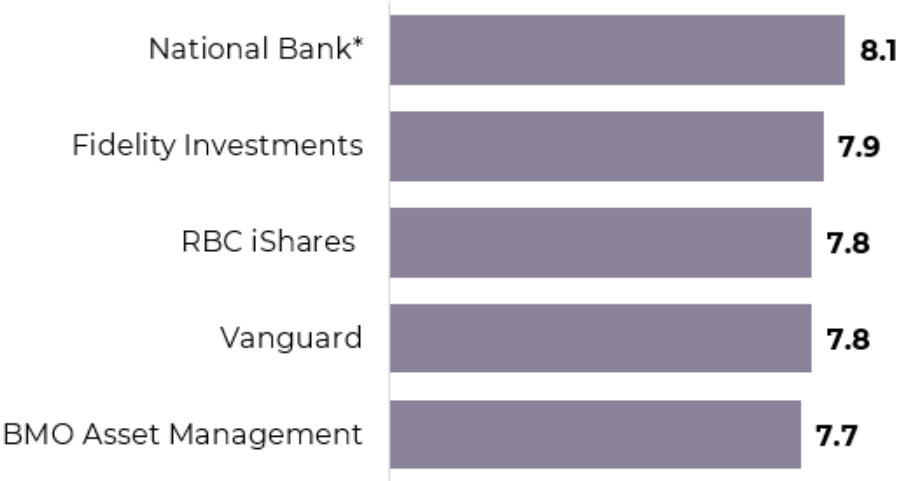
Top 5 ETF Providers by Sales Penetration



Support for Established ETF Brands

Range and type of ETFs, as well as *corporate image* of ETF providers, continue to be key drivers of sales. These sales drivers have increased in importance since 2021, and are where more traditional ETF brands tend to excel.

Top 5 ETF Providers by Overall Rating



*Note: small sample size (n<30), use caution

ROLE OF THE WHOLESALER: CURRENT AND FUTURE

Connection, Knowledge & Reliability



The need for top-notch wholesalers has never been greater, both on the investment side and on the insurance side.

David MacDonald, MBA, CAIP | Group Vice President, Financial Services | Environics Research



Key drivers of sales

Wholesalers' recognition and responsiveness to advisors, as well as knowledge, are increasingly tied to investment sales.



Advisors concentrating on fewer wholesalers

Advisors are concentrating their engagement with a smaller number of wholesalers, building stronger relationships with a select few.

Role of the Wholesaler

Advisors desire flexibility when meeting with wholesalers – most want to meet with their top wholesaler face-to-face, while new wholesalers or those working for companies that advisors work with less frequently need to offer a mixture of face-to-face and online meeting options. As advisor expectations increase, top wholesalers are those that demonstrate strong and responsive service that is tailored to and directly supports advisor practices.

Preference for Meeting with Wholesalers



INSURANCE OVERVIEW



Growth in first-year premiums (FYPs)

Insurance FYPs hit all-time highs in 2022 after seeing a decrease in 2021.



Expanding number of insurers on shelf

Across all three lines – Life, Living Benefits and Segregated Funds – advisors have expanded the number of insurance firms they are working with.



Moving from Term to Permanent insurance

Advisors move away from Term to Whole and Universal insurance. Travel insurance also rebounds as pandemic restrictions diminish.



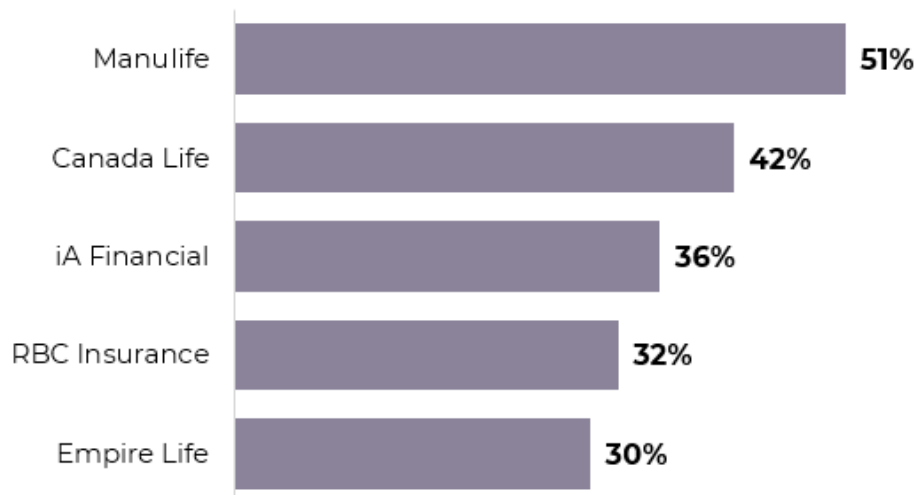
Growing Segregated Fund usage

More advisors are selling Segregated Funds in 2022 vs. 2021; Manulife, iA Financial and Canada Life are the top three segregated fund providers advisors are supporting.

Product and service factors always top-of-mind

Across lines, price, quality and in-force policy servicing continue to influence insurance sales.

Top 5 Insurers by Sales Penetration



High standards being met

Overall insurance company ratings achieve all-time highs in 2022, with iA Financial leading the industry, followed by Sun Life, Empire Life and Manulife.

Top 5 Insurers by Overall Rating



INSURANCE RATINGS

Top considerations for Satisfaction



Back Office experience reflects on brand support overall

Satisfaction with Back Office has been declining since 2020 as advisors' needs and expectations rose with working from home. Providing a strong Back Office experience is two-fold: minimizing dissatisfaction with transactions and feeling supported by knowledgeable and efficient representatives.



Relationships built on support and consistency

Frequency of contact with wholesalers and business development assistance are top drivers of sales and often underappreciated.



ESG INVESTMENTS

Challenges and strategies as the industry matures



Environmental, Social and Governance (ESG) / Responsible Investments decline in interest and usage in 2022, with short-term performance challenges leading to lessening support, particularly among IIROC advisors.

However, Canadian investors’ interest in Responsible / ESG investments remains high, and is of particular interest to Millennial, Gen Z and women investors.

While NEI Investments has long been the leading investment company for RI / ESG investment, usage of Mackenzie and Fidelity for RI / ESG investments has doubled since 2020.



CONCLUSION

Thank you for your support of this research. Your feedback provides valuable insights on the industry, to ensure that the brands you work with can continue to improve their products and support to best serve you and your clients.

Have any comments or questions on this report? Reach out to us at advisorresearch@environics.ca.

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