Reimagining Growth:

Key Findings From the LIMRA-EY Experienced Financial Professional Study

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How Life Insurance Carriers and Annuity Providers Can Strengthen Financial Professional Engagement and Help Meet Evolving Client Needs

From industry convergence and a diversifying client base, to digital disruption in the back office, to marketing in the metaverse, the life insurance and annuity industry continues to experience profound change and intense competition. As the pandemic's impacts recede, financial professionals continue to seek new sources of growth, and some have seized the moment more effectively than others.

The latest LIMRA-EY survey of experienced financial professionals, representing insurance, investment and advisory practice models, suggests how these trends and other powerful forces are influencing the sector's long-term growth prospects, and how financial professionals engage and serve clients every day. The survey results also clarify where insurance carriers can spark growth by honing their value propositions, refining their product offerings, reaching new market segments and rethinking how — and with which partners — they go to market.

Five key findings are explored:

1. **Female financial professionals are experiencing impressive client growth.**
2. **Social media is an effective client acquisition strategy.**
3. **Carriers and annuity providers must claim their place within complex and evolving technology ecosystems.**
4. **A quality financial professional experience is what differentiates carriers.**
5. **In a complex age, clients seek simplicity.**

Our study reveals some key challenges for incumbent insurers and investment firms, provides a snapshot of where the industry is today and shows financial professionals' perceptions. The research findings will help insurance companies, annuity providers and other financial services organizations align their products and service models to engage with different types of financial professionals. If you would like more detailed information about our study, and its implications for your business, please consult the list of contacts on page 20.

About the Study

To explore the needs and perspectives of experienced financial professionals, Ernst & Young LLP and LIMRA collaborated to update the 2018 Harnessing Growth: The Experienced Financial Advisor Study. To reflect current nomenclature, throughout this paper we are using the overarching term "financial professional" to represent "advisor," unless otherwise specified. This year's study surveyed more than 900 experienced financial professionals from six common insurance, investment, and advisory practice models. Respondents had a minimum of three years of sales experience in the industry and met minimum income thresholds for their practice models.

Minimum gross income thresholds by financial professional focus area

Insurance-focused financial professionals

- Career agents: $50,000
- Independent agents: $70,000

Investment- and advisory-focused financial professionals

- Full-service broker-dealer registered representatives: $150,000
- Independent broker-dealer registered representatives: $100,000
- Registered investment advisors (RIAs): $100,000
- Bank financial advisors or consultants: $70,000

Survey focus:

- Financial professional profile and compensation
- Business placement preferences
- Client profile and engagement
- Current financial professional attitudes and future outlook
- Products and services
- Technology

① Female financial professionals are experiencing impressive client growth.

A more diverse financial professional base can help carriers reach new customer segments.

During recent years, female financial professionals had a higher growth rate in client base expansion compared to their male counterparts. Female financial professionals also experienced a larger growth rate in life and annuity production.

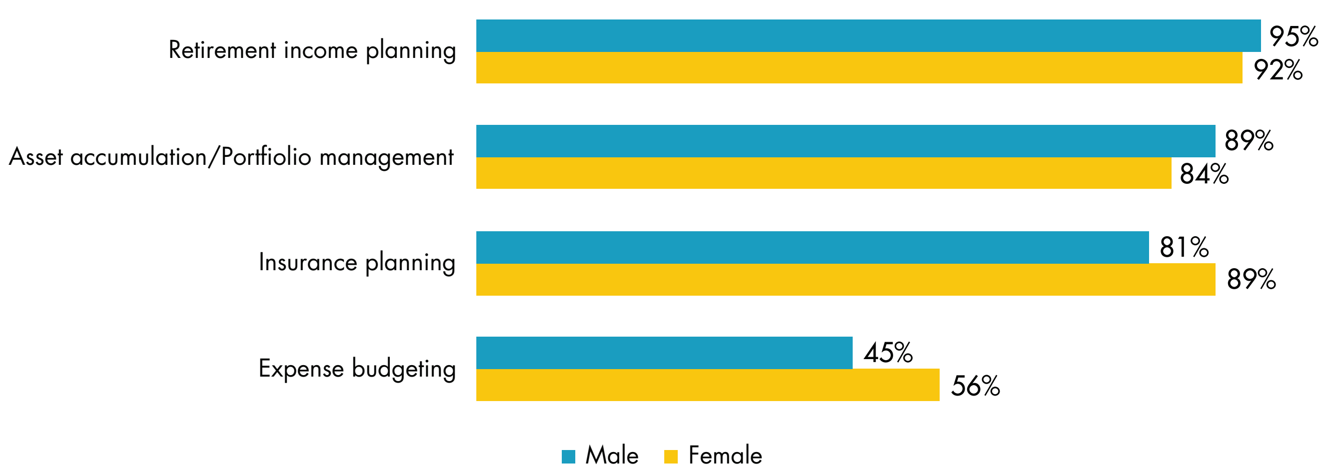
Female financial professionals appear to take a more holistic view of clients' needs, as evidenced by the broader range of services offered (e.g., retirement planning, insurance planning, expense budgeting) and the higher number of licenses and designations they hold compared to 2018. An investment in services that don't pay off in the near term, but result in stronger, stickier relationships over time, signals a commitment to building long-term client relationships. Therefore, the breadth of services offered helps explain their rising volume of life insurance policies and annuity contracts.

2019 to 2021 Growth in number of:

	Female:	Male:
Life insurance policies	13%	5%
Annuity contracts	23%	15%

Figure 1:

Services Offered to Clients by Financial Professional Gender



In looking at other measures of growth, female financial professionals as a whole outpaced their male counterparts in both gross income growth rate and growth in number of clients. More than half of them attributed their upswing in income to client growth.

To some extent, the growth differences are a function of female financial professionals starting from a smaller client base. But there are indications that they are thinking and acting differently from their male counterparts. For instance, females are two times more likely to want to diversify their client mix, and they indicate more than men that serving the lower to middle market is economically feasible. These actions may be contributing to the fact that 72 percent of women reported an increase in referrals versus 65 percent of men. Thus, insurers and investment firms may consider focusing on female financial professionals who diversify their client base and reach currently underserved segments as a way to boost sales revenue. Sharing lessons learned from leading, high-growth female financial professionals can help other financial professionals identify leading practices in penetrating underserved markets.

However, carriers should be aware that these diverse and/or underserved clients may have different needs that require different types of products and services than more traditional customers. New methods and communication channels may also be needed to engage these new segments.

Financial professionals with strategies to diversify client mix:

Female: **16%**

Male: **8%**

Financial Professional Multilingualism as a Client Acquisition Strategy

The growth of female financial professionals' businesses shows the compelling opportunity that comes with greater financial professional and client diversity, especially reaching underserved market segments. Consider that multilingual financial professionals grew their client base by 30 percent from 2019 to 2021 compared to only 16 percent by monolingual financial professionals. Multilingual financial professionals also have notably more diverse client bases, with 59 percent of their clients being white versus 82 percent of monolingual financial professionals. They also have more clients with household incomes over $1 million (11 percent) than their monolingual peers (6 percent).

② Social media is an effective client acquisition strategy.

Financial professionals who invest in specialized talent see the most social media success.

Financial professionals increasingly see social media as a legitimate means of connecting with prospective clients. Overall, social media usage for prospecting has grown steadily during the last decade, from 13 percent in 2012, to 40 percent in 2018 to 48 percent in 2022. Financial professionals currently acquire 8 percent of their clients via social media, and they expect this percentage to increase to 13 percent in one year and to 20 percent in three years.

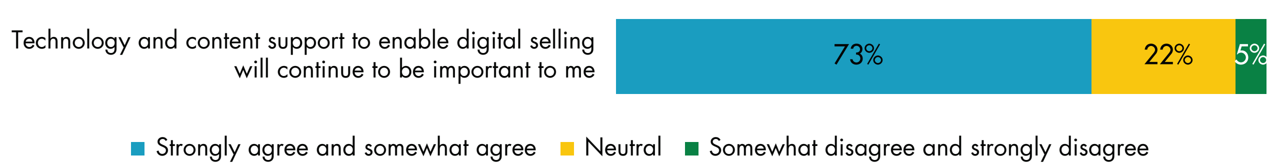
The slowing growth in adoption suggests financial professionals have accepted social media as an integral part of the communications landscape and see both its advantages and limitations. It may also highlight that financial professionals recognize that even more tools and communication channels are just over the horizon, thanks to tech's relentless advancement.

Insurance-focused financial professionals in the career and independent agent channels are the most bullish on future social media use. Our results suggest that this optimism, as well as their current success, stems from their recruitment of experienced social media talent. Financial professionals with high-growth practices, who continually fill the new business funnel through social media, realize the need to invest in social media talent. These financial professionals anticipate a significant acceleration in the number of clients acquired through social media over the next three years compared to those who do not feel the need to invest in social media.

The uptick in social media usage for client acquisition likely reflects a long-running trend toward digital client engagement. Digital tools are driving client growth. Among all respondents, 73 percent state that technology and content to enable digital selling will continue to be important.

Figure 2:

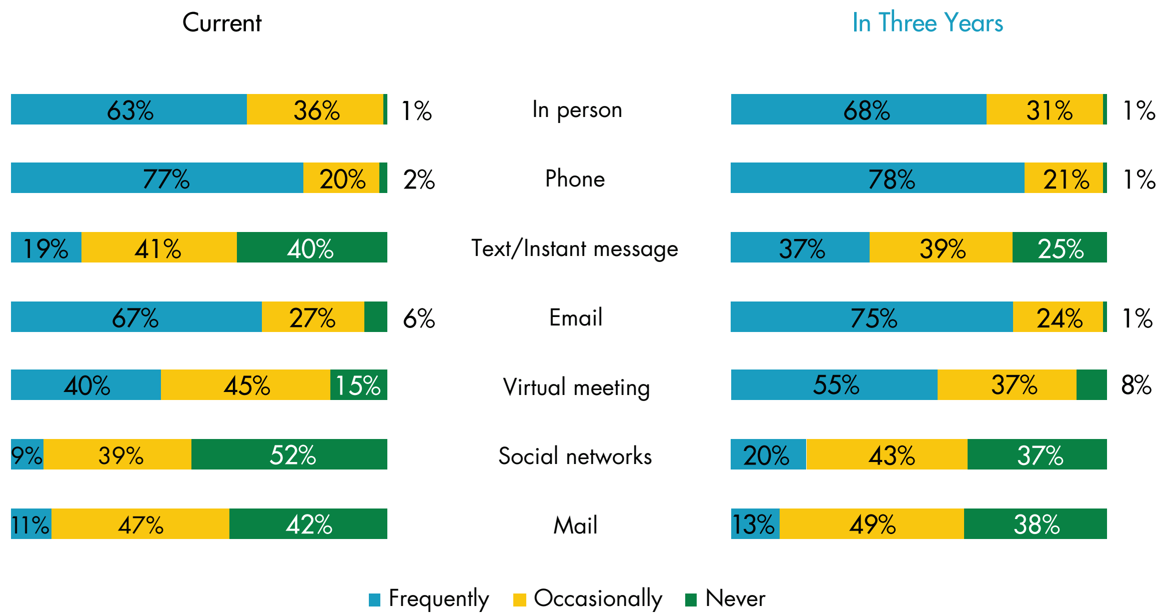
The Importance of Technology and Content Support



And early adopters — those saying they aggressively pursue new technologies and buy into them early in their lifecycle — have experienced greater growth (20 percent) since 2019 than slower and more cautious adopters (16 percent), suggesting that omnichannel strategies are critical to future growth. Traditional methods of communicating with prospects (e.g., in person, phone) remain important; however, financial professionals plan to communicate more frequently via tech-driven channels (e.g., text, instant messaging, virtual meetings, social media) in the future. Carriers can differentiate themselves by supporting financial professionals with relevant and compelling content. This will be particularly important in the email communication channel, now frequently used by 67 percent of financial professionals versus 46 percent in 2018.

Figure 3:

Omnichannel Prospect Communications — Today and Tomorrow



Totals might not add to 100 percent due to rounding

For life insurance and annuity providers, the implication is that they must have a high-profile presence and strong capabilities across the full range of communication channels. They must also provide appropriate support, tools and content for financial professionals and their clients. These priorities will become imperatives as social media channels proliferate and the metaverse goes mainstream. There's little doubt that future generations of customers will access all forms of financial advice via social media platforms and in virtual worlds.

Insurers outside of the US are showing the way forward. For example, in South Korea, consumers can visit virtual agents' offices and interact with them as avatars. In the UK, one carrier is engaging existing customers in the metaverse with games that allow them to earn premium discounts and to connect to physical wellness in the real world.

It's clear that financial professionals are well aware of the potential for digital disruption to their business. Thus, they are taking active steps now (e.g., hiring talent with analytic and digital skills, investing in IT infrastructure to expand communication) and shaping future plans for marketing and client acquisition.

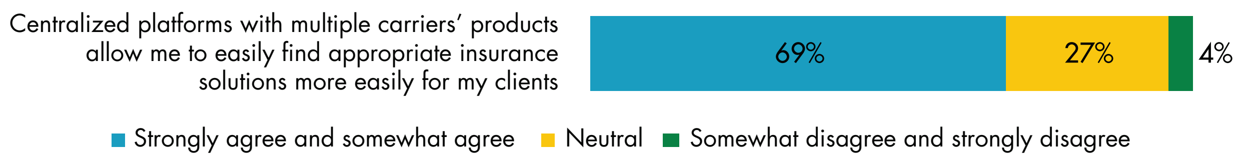
③ Carriers and annuity providers must claim their place in complex and evolving technology ecosystems.

Product convergence and an increasingly complex technology landscape require that carriers and providers continue investing in ecosystem capabilities to meet financial professionals where they are.

As the convergence of wealth management and protection solutions accelerates, financial professionals are forced to use a fragmented set of tools and platforms to support clients and connect partners within the ecosystem. Our survey reveals significant upside for carriers and providers that enable integrated underwriting algorithmic solutions, modern administration systems, along with portfolio management and compliance platforms, that form an ecosystem capable of supporting distribution partners and financial professionals. Of our survey respondents, 69 percent agreed that centralized platforms make it easier to find appropriate insurance solutions for their clients, with independent insurance agents the most likely to express this preference (80 percent). Importantly, carriers should be cautious about building their own tools, as 40 percent of financial professionals say that third-party tools work better than carrier tools.

Figure 4:

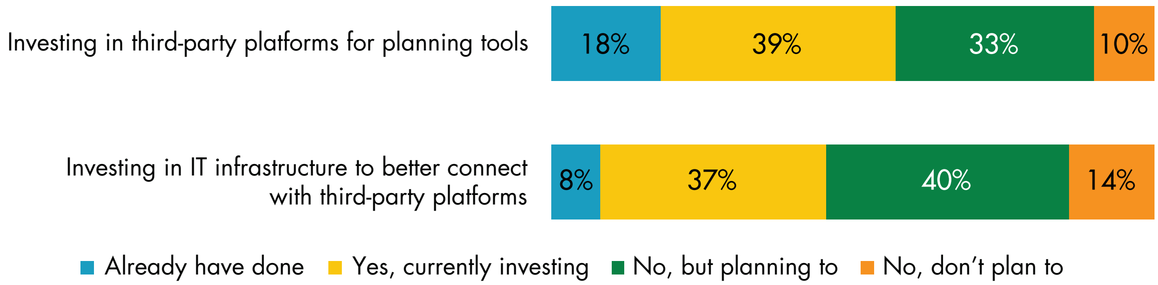
The Importance of Centralized Platforms



The first step is to identify the right ecosystems and platforms, including those orchestrated by FinTechs, large banks, wealth and asset managers, and turnkey asset management platforms. The near-term priority for carriers must be to meet financial professionals and consumers where they are — that is, the platforms and ecosystems they are already using. The next step will require carriers to invest in the necessary infrastructure to overcome the constraints of legacy systems that often prevent easy connections with third-party platforms. The business case for making these investments is clear, given that 90 percent of financial professionals have already made, or plan to make, similar infrastructure investments.

Figure 5:

Financial Professionals Are Investing in Technology



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Ecosystems are also facilitating embedded financial products, another important strategic growth opportunity for carriers. Life and annuity solutions will likely follow the trend of personal lines, with products presented in the context of related large purchases and/or major life events. We are seeing early signals and momentum of annuities increasingly being embedded as part of employee retirement plans.

Ecosystems offer substantial upside beyond sales, including more efficient processes and better data integration across multiple tools and applications (e.g., financial planning, portfolio management, budgeting). But carriers must plan for the impact on financial professional and consumer expectations. As ecosystems evolve, consumers and financial professionals will increasingly look for and expect more real-time transactions and services — including application processes, risk assessments, and potentially intraday trading, to name just a few — as they turn to ecosystems to meet holistic needs. Carriers that can support such real-time processes will be best positioned to capture growth via their participation in others' ecosystems or orchestration of their own.

④ A quality financial professional experience differentiates carriers.

Quality products are table stakes, but streamlined sales processes and strong support are difference makers.

Many financial professionals work with multiple carriers; therefore, life insurance carriers and annuity providers face stiff competition in winning their business. Our results show that, beyond product quality and compensation, streamlined sales processes and strong support tools are necessary to keep financial professionals engaged.

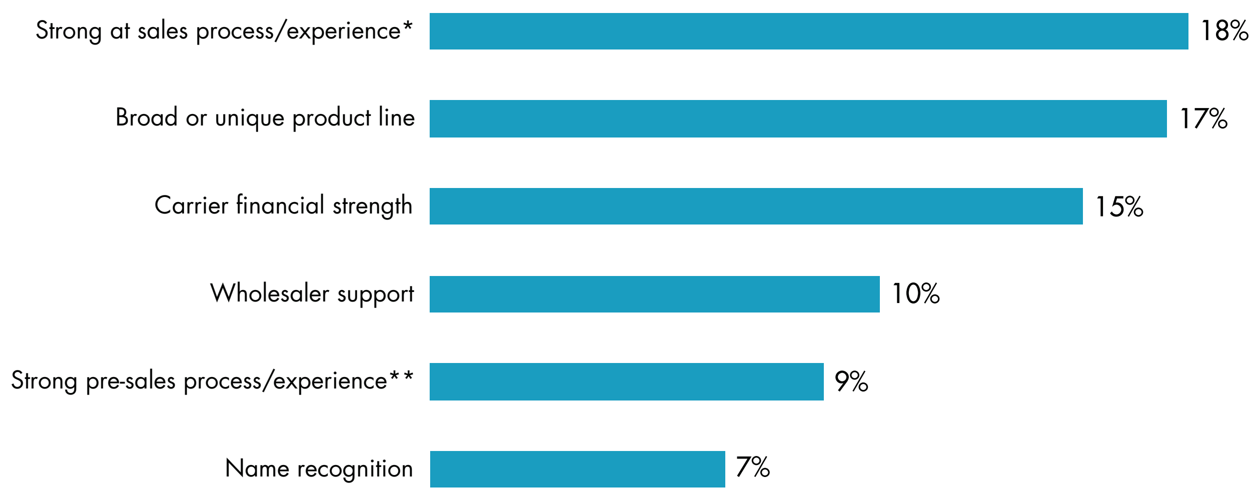
Life insurance: A differentiated experience during the sales process impacts a financial professional's decision to add, eliminate, or increase business with a carrier.

Almost 1 in 3 financial professionals brought on a new life insurance carrier in the past two years, with 20 percent of those a replacement carrier and 82 percent an additional carrier. Financial professionals are drawn to carriers that offer faster, easier, and more consistent application and underwriting processes. However, carriers increasingly use the same data to accelerate their underwriting decisions. This levels the playing field for carriers, but it's created new challenges for insurers and product distributors seeking to stand out. Developing a better sales process is the best opportunity.

Consistent with the results of previous surveys, we found that financial professionals are drawn to place business with life carriers that have strong sales processes in addition to extensive product lines. Sufficient product selection only gets carriers on a financial professional's radar, while quality service and support win business. Name recognition and financial strength increased in importance from our last, pre-pandemic survey.

Figure 6:

Primary Reason Financial Professionals Place Business With Their Top Life Carrier



**Strong pre-sales process/experience, such as integration with financial professional platforms and illustrations*
***Strong at-sales process/experience, such as a faster/easier/consistent application and underwriting process*

The lack of a streamlined sales process and poor experiences are also leading contributors as to why some financial professionals don't place much life insurance business. Outside of financial professionals who are primarily investment focused and financial professionals whose clients' life insurance needs are already met, nearly a quarter of financial professionals with less than 25 percent of their income from life insurance cite the burdensome sales process as to why life insurance is not a larger portion of their business. Our 2018 survey showed a similar trend. To boost sales among this group of financial professionals, insurers can provide tools to help identify appropriate services for clients and offer life insurance planning and modeling tools as part of a holistic portfolio.

Business Placement Partners

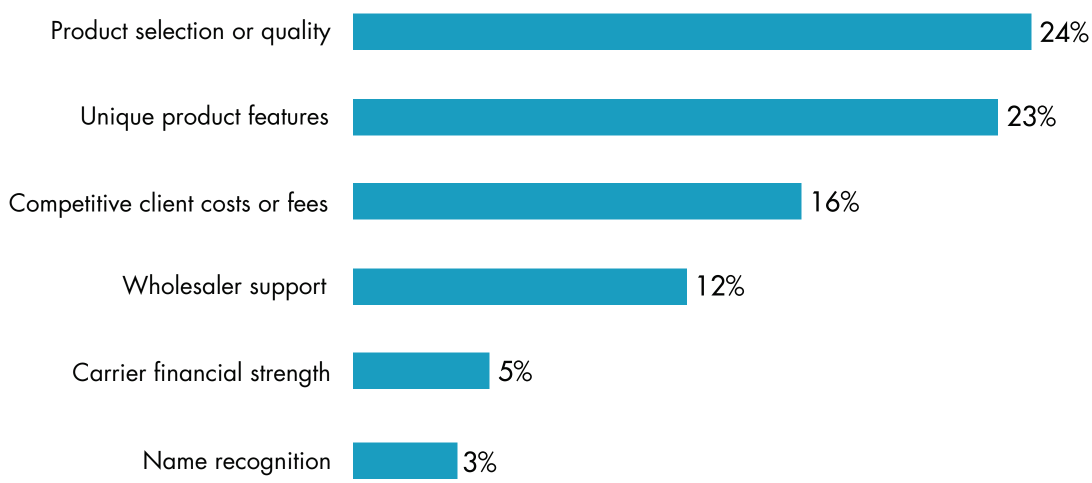
Financial professionals have options for placing business, outside of going directly to carriers. Nearly a quarter of investment-focused financial professionals prefer to place life business with third-party distribution partners or outsourced insurance desks. Among independent financial professionals, nearly 40 percent prefer to place life business with a brokerage general agency (BGA) and independent marketing organizations (IMOs). For annuity products, more than 75 percent prefer to go directly to a provider, but carriers should be aware that nearly half of independent insurance financial professionals prefer to place annuities through a BGA or IMO. Therefore, a premium is placed on meeting financial professional expectations regarding breadth of product offerings and service level.

Annuities: Depth and Breadth of Products Are Table Stakes; the Wholesaling Experience Is How to Differentiate.

More than a quarter (27 percent) of financial professionals brought on a new annuity provider in the past two years, with 29 percent of those a replacement provider and 73 percent an additional provider. Unlike life insurance, where service is a primary attraction, products drive financial professional choice of annuity providers. Specifically, product selection and quality, unique product features, and competitive client costs are the top reasons financial professionals choose specific annuity providers and manufacturers. These reasons have persisted since prior studies.

Figure 7:

Primary Reasons Financial Professionals Place Business With Their Top Annuity Provider



For all financial professionals willing to sell annuities, cumbersome sales processes and complex products are the leading reasons why annuities represent less than 25 percent of their business. There is an opportunity for carriers here — complex products are more likely to require human support, and wholesalers can make a complex product environment easier to navigate.

Similarly, for roughly 65 percent of investment-focused financial professionals, product complexity and a cumbersome sales process trail far behind the appropriateness of annuities and use of other investment options in client portfolios. These investment-focused financial professionals indicated that annuities do not provide an appropriate solution for their clients; instead, they favor other investment options that, in their opinion, provide greater value. Here again is where the wholesaler can demonstrate how an annuity fits into a comprehensive financial plan.

It is important that annuity providers understand the nuances of different practice models and how each financial professional serves their clients to better align products, marketing materials and support to suit those profiles. Annuity products must be positioned to showcase their value to clients, especially compared to traditional de-accumulation methods for client assets. Opportunities exist for growth, as independent insurance agents noted they would benefit from more training on annuities, a clear indication of where carriers should target future optimization efforts.

⑤ In a complex age, clients seek simplicity.

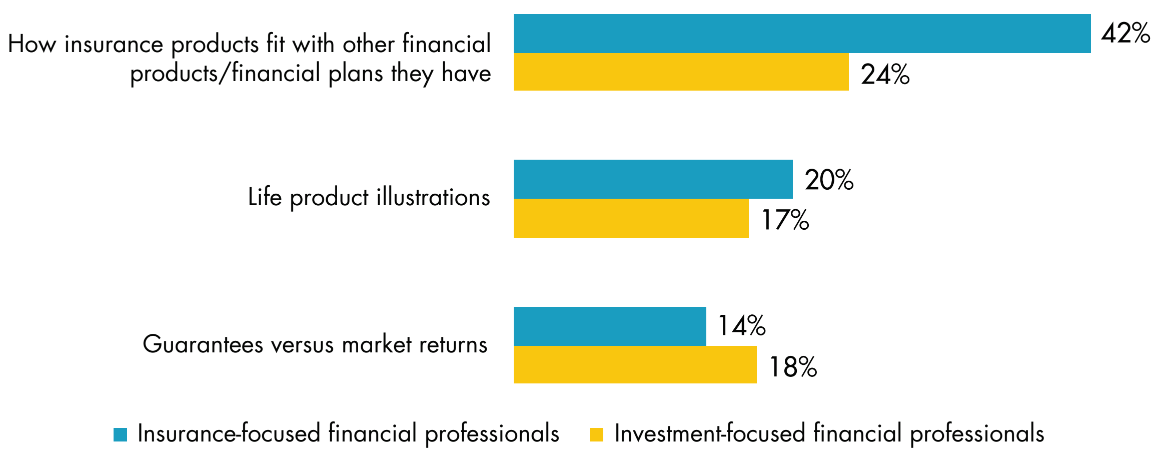
Clarifying the value proposition and simplifying products can help carriers drive growth.

Our research shows how product complexity and a lack of clarity as to perceived value continue to be barriers to growth for carriers. According to financial professionals, clients, regardless of age or household income, fail to grasp the value of life insurance and annuities.

Life insurance: According to 3 in 10 financial professionals, the most difficult aspect of the life insurance sales process for clients is understanding how insurance products fit with other financial products, with the percentage greater for insurance-focused financial professionals (42 percent) than for investment-focused financial professionals (24 percent). The latter group said living benefit riders and long-term care were the features their clients struggled most to understand. Overall, this year's results show only marginal improvement from prior studies.

Figure 8:

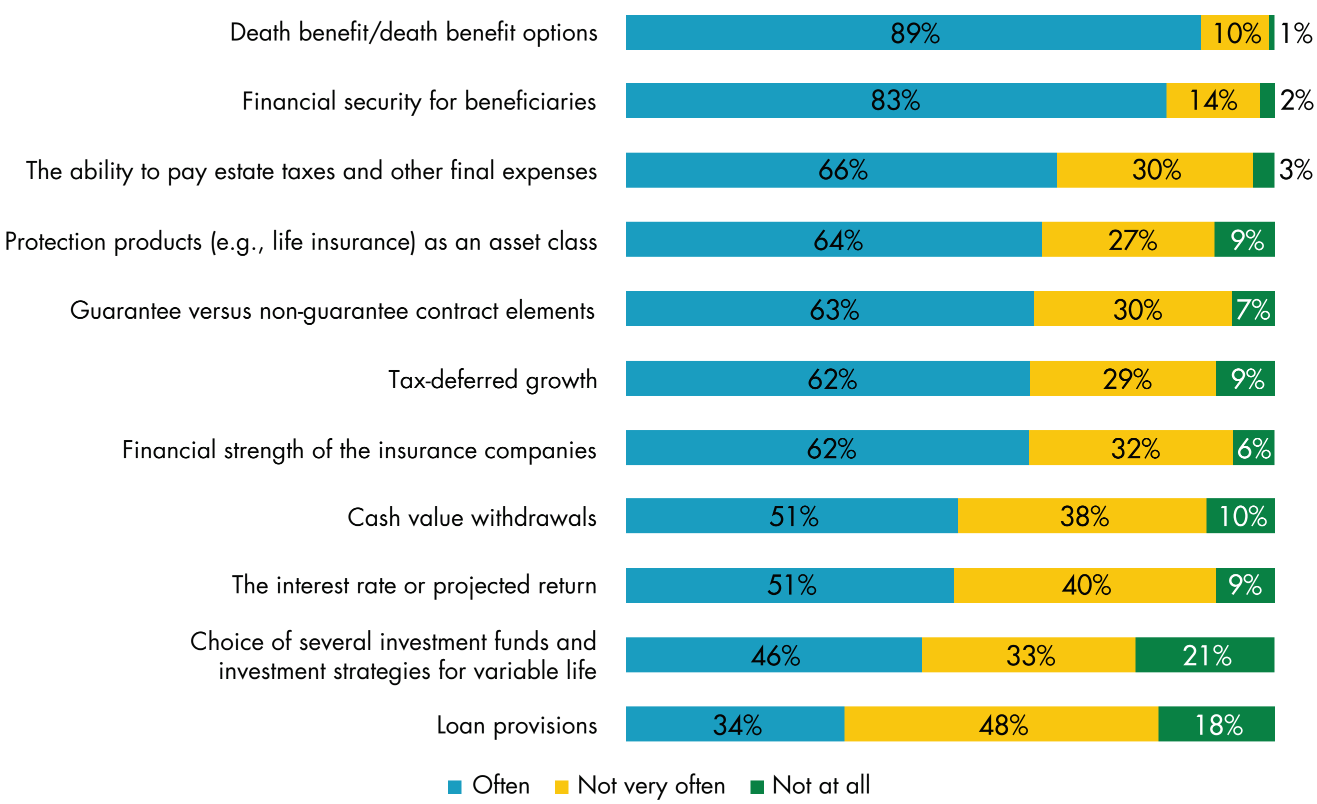
Top Life Insurance Product Features Prospective Buyers Don't Understand



Recognizing that prospective buyers don't always understand how life insurance works, financial professionals emphasize the product features (e.g., death benefit options) and emotional benefits (e.g., client financial security) that best resonate with individual clients. However, more complicated features (e.g., loan provisions, withdrawals, investment options) are not often mentioned during the sales conversation. Carriers understand how these features benefit clients, but training may be needed to confirm that both financial professionals and prospective buyers see the value, too.

Figure 9:

Life Insurance Product Benefits Emphasized During the Sales Process



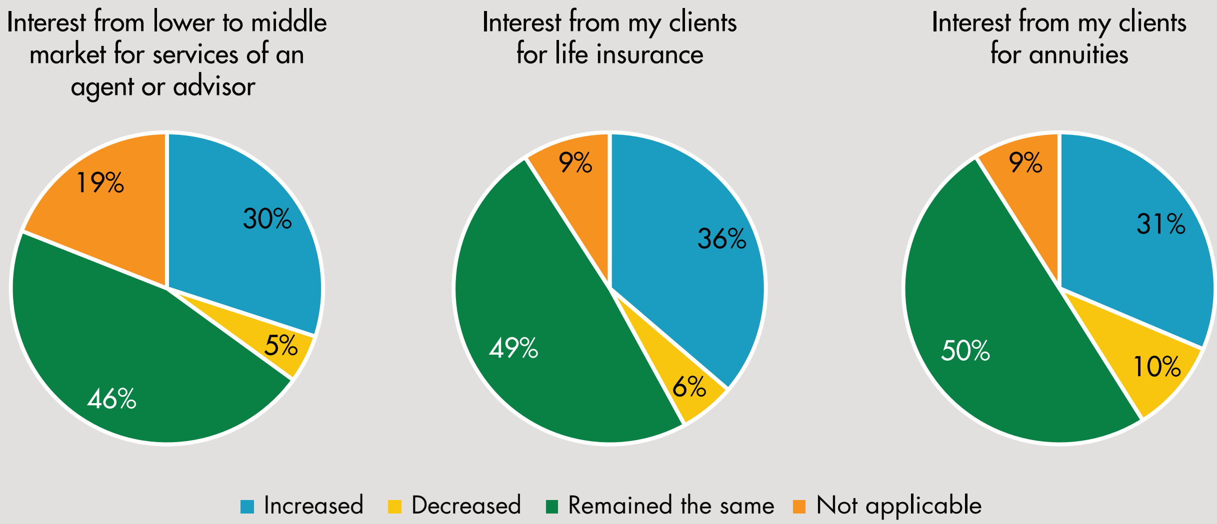
Totals might not add to 100 percent due to rounding

Product Complexity Presents Barriers

Product complexity presents significant barriers for mid-market consumers. The pandemic caused a spike in demand for life insurance and annuities, particularly among the middle market, which the industry has long struggled to penetrate. Simplified marketing materials and education for financial professionals and prospective buyers could be an opportunity for carriers to monetize this cohort's rising interest in financial security.

Figure 10:

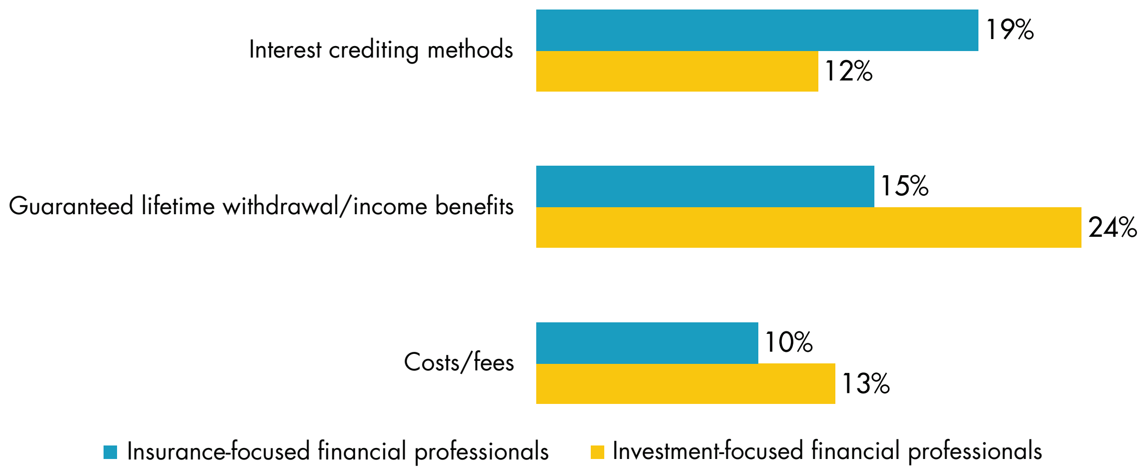
Pandemic Impact On



Annuities: Annuities present similar challenges to client understanding. Guaranteed withdrawals, costs and fees, interest-crediting methods, and protected growth features top the list of prospective buyers' challenges. Since product features are a primary reason financial professionals choose to place business with a specific annuity provider, better education on product features and benefits should be prioritized.

Figure 11:

Top Annuity Product Features Prospective Buyers Don't Understand



There is a paradox here in that financial professionals select annuity providers based on unique product features, but those features might make it harder to understand how annuities meet a prospective buyer's understanding of annuities.

The bottom line is that carriers need to be more purposeful in helping financial professionals engage in meaningful conversations with their prospects and clients. They can do so by providing useful tools and services so financial professionals can help clients find the right products with the right features for their needs. Carriers should also consider the role of wholesalers in terms of financial professional support and education.

Priority Actions to Drive Growth

Our survey results offer rich and actionable insights for insurers and annuity providers to unleash a new era of growth.

New competition necessitates innovative services. The success of FinTechs and other nontraditional competitors suggests the depth and breadth of consumer interest in new seamless, personalized experiences. Just like clients, financial professionals are drawn to the functionality of leading apps and digital services. Thus, product providers must meet clients and financial professionals where they are. When building their own platforms, carriers must provide the digital toolsets that clients and financial professionals want.

Independent financial professionals have more flexibility and are likely to adopt any tool, platform or channel that helps with acquisition or increases efficiency and productivity. They are certainly ready for platforms and ecosystems that integrate the many tools and data sources they already use. It's clear the industry is headed toward real-time capabilities (e.g., application processes, portfolio rebalancing); the first step for tomorrow's leaders is establishing the necessary infrastructure.

Customer needs have changed. Since the start of the COVID-19 pandemic, clients are increasingly looking for products that improve their financial security and confidence, put a premium on ease of understanding, and align with long-term goals. Support for financial professionals to confirm that products are both easy to sell and easy to buy, even within the regulatory and compliance frameworks, is just as important. Further, some customers want more autonomy in managing their portfolios, as seen by the rise (for better or worse) of meme investing and low-price online brokerages. Product providers must be aware of these trends and provide access to tools, content, and advice to help customers make good decisions.

Many middle-market and younger consumers are, for the first time, thinking about working with financial professionals. To help their distribution partners capture the potential demand, carriers should develop easy-to-leverage financial wellness tools and content (e.g., budgeting and insurance planning). These topics are great entry points and, as our results show, have helped female financial professionals grow their books of business.

Financial professional experience is a difference maker. Product offerings, compensation models and fee structures have reached parity (or near parity). Thus, attentive service and a quality experience have become the primary means through which life carriers and annuity providers can build stronger relationships across their distribution networks and further differentiate themselves. Both life insurers and annuity providers should assess their wholesaling strategies as critical components of the financial professional experience, whereas life insurers need to pay particular attention to the application and underwriting processes, seeking to make them faster, easier, and more consistent.

As carriers contemplate how to differentiate with the right experiences, they should recognize financial professionals' plans to engage clients through an expanded use of email, virtual meetings, text, and social networks. Carriers also must confirm that financial professionals have access to robust and compelling content, including articles, posts, and videos that are personalized to the needs of different client personas. Carriers that help financial professionals establish strong omnichannel capabilities (including in the metaverse) will gain a clear advantage. This will require collaboration and coordination among marketing, sales, legal, and compliance leaders.

Tech-savvy talent remains critical to success. Specialized talent should be a top priority for all stakeholders in the industry — experienced social media talent is already producing results for financial professionals. The most in-demand and high-impact skills include data scientists, business and market analysts, experience designers, and relationship managers.

A clear purpose and strong commitment to diversity, equity, and inclusiveness (DEI) can move the needle on growth. A diverse financial professional base can open new opportunities for growth. As demonstrated by top-performing females and multilingual financial professionals, a diverse and inclusive financial professional base can expand opportunities to reach beyond traditional communities. This presents a chance for insurers and carriers to do well by doing good.

Priorities include recruiting more female financial professionals and sharing the leading practices of high-growth female financial professionals across the distribution network. Further, by refining the value proposition and providing more holistic services (such as those female financial professionals increasingly offer), carriers and annuity firms can reinforce the industry's noble purpose of boosting financial security and protecting what clients hold most dear.

Seizing the Opportunities of a Dynamic Market

A dynamic market presents both compelling opportunities and risks to stakeholders. We are optimistic about the future of the industry and believe that the path to breakthrough growth starts with addressing a few core strategic questions:

- How does our purpose inform the products and experiences we offer to both financial professionals and end customers?
- Is our distribution strategy clear and aligned with the experiences and product suite we are investing in?
- Do our products deliver what consumers need today? What ancillary services could we provide to help clients meet their goals?
- Do we have the talent we need to better support the financial professionals with whom we do business? Is our wholesaler strategy aligned to provide the best training, education, support, and experience for financial professional growth, as well as our own growth?
- Are we investing in the right tools and technologies to make the biggest difference in terms of financial professional satisfaction and operational efficiencies?
- What is our ecosystem strategy? Are our offerings easy to find on leading platforms? Do they show up attractively and in a differentiated way?

The financial services marketplace continues to undergo transformational change, driven largely by shifting customer needs and expectations, new technology, and intensifying competition (not to mention the fallout from the global pandemic). The role of financial professionals is changing just as profoundly. Life insurers and annuity providers will continue to rely on this vital channel for their own long-term growth. But enhancing growth will require significant adjustments and investments in everything, from go-to-market strategies, to back-office infrastructure. Because more people have a greater interest in financial security, the overall growth outlook for the industry is bright, especially for those firms that can develop the data-driven and tech-enabled solutions that both financial professionals and consumers are looking for.

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