



Adviser Forum

Adviser 121 meetings & Adviser Forum projects update

April 2009

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Purpose of document

- Play back results of the annual adviser planning meetings to:
 - Maintain an understanding of key operational issues faced by adviser firms.
 - Establish extent of demand and take up of e-services across advisers.
 - Ensure that the Forum Agenda going forward continues to collectively address the issues that are important to the adviser community.
 - Review what has been delivered by Adviser Forum.
- Will be a useful document for:
 - Organisations who want to maintain an understanding of the distributor marketplace.
 - Organisations who are developing and delivering e-services to advisers.



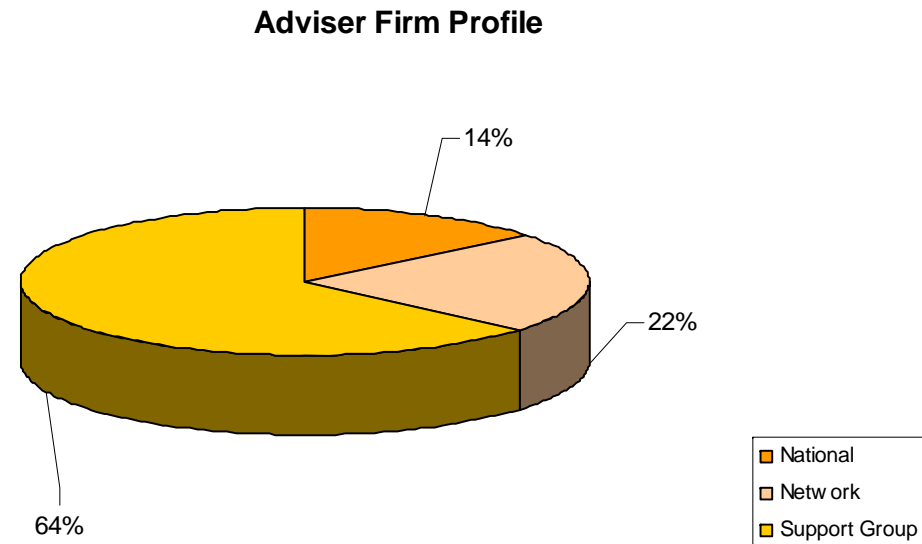
Methodology

- Information contained in this document is a result of a series of detailed 121 meetings that took place between adviser firms and F&TRC.
- Meetings started in December 2008 and ended in March 2009.
- Sessions typically lasted 1.5 hours.
- Meetings took place with Forum representatives (typically IT Director or Operations Director) plus, colleagues from their business e.g. Heads of Department.
- F&TRC questioned adviser firms on:
 - Initiatives they had delivered in the past year;
 - Planned initiatives for the coming year.
 - Key issues / challenges faced by their businesses.
 - Views on RDR.

Adviser firm profiles

Adviser firms F&TRC met with as part of this study

Adviser Firms	Business Type
2plan	National
Bankhall	Support Group
BDO Stoy	National
Bluefin Group	National & Netw ork
Foster De Novo	National
Lighthouse Group	National & Netw ork
Origen	National
Park Row	National
Positive Solutions	National
Royal Bank of Scotland	National
Sesame	Netw ork and Support Group
Simply Biz	Support Group
Skipton	National
The Money Portal	National & Netw ork
Three Sixty Services	Support Group





Executive summary of adviser views

- The vast majority of firms are seeking to “**corporatise**” their business which is driven by the need to run profitable and sustainable businesses.
- Company philosophy advocated by some adviser firms is that the “adviser owns client relationship, company owns the clients assets”.
- Many adviser firms are planning to **segment services** such as advice, review, transaction etc into components and each activity is likely to have a specific charge. This moves advisers away from relying upon product sales to generate income and focuses much greater attention on charging for services.
- Some adviser firms will seek to **develop multiple sales channels**. This will include low touch / high volume business models e.g. web / call centre based services as well as maintaining traditional IFA and wealth management (investments and platforms) services.
- All adviser firms are seeking to **develop greater controls** around the advice process and day to day working practices.
- Advisers who do not work within the controls set down by the adviser firm may be expected to cover any costs of working outside mandated process or, be expected to undertake additional activities themselves i.e. undertake their own research/due diligence.
- **Servicing is paramount** to future success of adviser businesses and this will require access to more information electronically as and when advisers and clients need it.
- **Straight through processing capabilities** i.e. pushing data into provider systems and back into adviser systems is essential to drive down costs.
- **Technology is key** to delivering a lot of the changes adviser businesses want to implement and as a result there needs to be much more industry support around technology developments and e-services.



Advisers on RDR

- Adviser firms all appear to share the view that RDR is a positive thing for the industry as it should improve professionalism therefore consumer perception of the sector.
- Expect older advisers to fall out as many will be unable to meet new requirements under RDR but ultimately believe this will lead to a “leaner but more focused” adviser force.
- Adviser firms are starting to see a shift in adviser behaviours as they are seeing a rise in number of fees being charged to clients.
- Adviser firms will seek to assist advisers through developing qualifications by sourcing training externally.
- Push for qualifications should improve adviser ability to support and service niche and high net worth business.
- Some advisers may charge an “aggregate” price for advice i.e. pensions advice will be £x, protection £y etc. Others may choose to adopt true time/fee based models as used by accountants and solicitors so each case will be individually priced. Adviser views on this subject area is still evolving.
- Cost of advice will reflect the amount of time an adviser spends on each activity.
- Advisers are likely to de-select providers/fund managers/lenders etc that are expensive to deal with e.g. poor servicing or processing capabilities.



Reflecting the true cost of doing business

- Many advice firms have stated that they are no longer prepared to absorb the cost of dealing with inefficient trading partners.
- Additional costs are often incurred by the advisory firms as:
 - The levels of service provided by providers falls short of what is needed to service the client and the asset.
 - As the adviser firm has often recommended the provider there is a general feeling they should fill the “gap” created by poor service levels.
 - The initial proposition to the client does not clearly distinguish between the cost of delivering the advice, the cost of handling the transaction and the cost of providing ongoing assistance to manage the scheme.
- Trading partners are likely to be segmented into categories such as highly efficient, efficient, inefficient etc., consequently advisers who chose deal with those in the former category will be able to pass on lower costs on their consumers.
- Whilst it is unlikely that advisers will be prohibited from dealing with inefficient partners by the corporate entity, they will be expected to pass apply a differential pricing policy when dealing with such parties.
- Business partners who can trade efficiently are more likely to receive preferential status.



Influence of technology

- Irrespective of firm type i.e. national, network or support group, firms are investing significant sums in:
 - Consolidating their technology partners (many have already done so).
 - Developing technology architecture to support a wide range of business activities.
 - Encouraging their members to invest in technologies that can aid their businesses.
- It is worth noting that the firms interviewed are all at different stages of this process.
- Traditionally adviser firms have been reluctant to impose any form of prescription as to what systems advisers can use however, many are now using subtle techniques to encourage greater adviser adoption of such services.
- During this period of change we are likely to the following outcomes:
 - Firms that currently do not mandate the use of technology are likely to do so.
 - Increase in the adoption of industry services such as e-commissions and contract enquiry (often considered vital building blocks to achieving sustainability, cost containment and delivery of services).
 - Improvement in the quality of data held in adviser systems (EDI is often cited as a pre-cursor to achieving this).
 - Greater demands on technology vendors to keep pace with business and regulatory changes.
 - Greater demand for third party system integrations.



Advisers on client management systems

- Many adviser firms recognise the importance of a client management, their challenge however is to impart this understanding upon their adviser community.
- A number of firms have started conducting research amongst their adviser base to determine the level of CMS adoption, the networks and support groups in particular have undertaken their own research in this area.
- As adviser firms have been spending significant time and resource to encourage greater use and adoption of such systems amongst their advisers and some are starting to see a degree of success. These activities will continue throughout 2010.
- For client management systems this means a significant opportunity to attract new customers.
- Moving forward, client management systems will see:
 - Networks and supports group negotiating and managing the relationship between the CMS and their adviser members.
 - A greater scrutiny over system capabilities i.e. more due diligence by adviser firms.
 - Increased contact with adviser firms to agree new services and developments.
 - Ongoing monitoring and review of the CMS' capabilities.



Advisers on client management systems cont.

- Adviser have highlighted a number of areas they believe CMS vendors need to address:
 - Adapting remuneration modules with systems to ensure they can cater for a post RDR world, for many advisers this means enhancements to fee recording capabilities.
 - Improving client reporting capabilities specifically around the ability to obtain electronic valuations.
 - Developing electronic new business processes that will reduce much of the friction and cost of doing business. This is an area highlighted by many as by far the weakest link in any client management system.



Advisers on portals

- Overall there is significant dissatisfaction amongst adviser firms when it comes to portal services.
- Many feel that aside from simple, core products i.e. protection, some pension products and bonds (with demand for the latter falling) portals have not developed the necessary capabilities to support more complex products.
- Many adviser firms have long felt that portals are ideally placed to deliver an efficient e-new business service but in reality this has failed to materialise.
- The amount of pre-population and re-population capabilities is severely restricted and there appears to be little appetite amongst portals (or product providers) to improve the situation.
- For many adviser firms the lack of any real STP solutions is a concern as many see this as key to helping them operate more profitable businesses.
- Some adviser firms are already developing point to point links with providers, others may start looking at this model as viable alternative.



L&P issues

Contract Enquiry

- Importance of Contract Enquiry is increasing as advisers move to a servicing based model.
- Adviser businesses moving to a servicing model will need to communicate with clients on a regular basis, most typically in the form of valuation statements.
- Appetite to develop B2C portals is growing although few have implemented these with any vigour however such services are going to require an even greater demand for information from providers.
- In order to deliver on this the process to receive and collate all of the necessary data will need to be industrialised.
- Want to see collective investments supported by product providers for valuations.

E-new business

- Support Groups and Networks are looking to do more work in this area and will seek to understand which provider extranets work well, information will be shared back with advisers.
- Advisers are keen to see development of “true” STP services.

Remuneration

- E-commission data quality issues persist and advisers want to understand how providers plan to address this issue.



Wrap & wealth management issues

Discretionary fund management services

- Seeing an increasing trend amongst adviser firms offering discretionary fund management services.
- There is a concern amongst some adviser firms that some of the smaller platforms offering DFM services will not be able to cope with volume business, mainly due to the lack of back end automation.

Transaction history

- Some of the integrations between platforms and client management systems are to support transaction data are quite poor.
- A few adviser firms have commented that as discretionary fund management services become more widespread this will increase the need for transaction history data.
- Some take a view that advisers should be maintaining their own transaction history as it means they can move off platform without the issue of dealing with legacy data.
- However, others take a different view and feel that ceding platforms should maintain all transaction history data and should it make available to advisers upon request. In the current environment there are no industry agreed practices to support this requirement.

Integrations

- Whilst the lack of industry standards is not perceived as a negative this some advisers have stated:
 - As a result it takes longer for a CMS to deliver what the adviser firms wants as the integration will need be bespoke.
 - Bespoke integrations could end up locking adviser firms into a CMS as their particular implementation will be bespoke thus moving CMS could be more difficult.
- This is a key focus area for adviser firms already using platforms and many have specific projects underway.



Adviser Forum deliverables

- Over the second half of 2008 and first quarter of 2009 Adviser Forum members have been engaged in a number of projects.
- Each project has addressed a specific need as identified by advisers. These have been:
 - **Contract Enquiry Collaboration guide** – developed a helpful guide to assist advisers understand key issues they will need to manage when planning to implement a Contract Enquiry service.
 - **Understanding provider e-commission processes** – delivered detailed analysis of 24 different e-commissions systems and the approaches providers take when handling clawback, debit and credit payments.
 - **Client Management System and Platform Group** – established a fourth Forum Group whose primary focus is to improve working practices and respond to adviser requirements concerning integrations.
 - **Improving Contract Enquiry** – documented provider approaches to error messages plus obtained “plain English” descriptions for each message to assist end users understand the nature of the error and what they need to do to resolve the issue.
- Details of each project has been documented overleaf.



Q1 2009: Contract Enquiry Collaboration Guide

What issue needed to be addressed?

- Improving the use of Contract Enquiry for advisers.
- Setting realistic expectations of advisers at outset as to what Contract Enquiry will deliver.
- Educating advisers to understand what work they need to put in to make Contract Enquiry work for their businesses.

What did the project deliver?

- Good practice principles that advisers should seek to adopt to improve their understanding of the activities they will need to undertake prior to implementing the Contract Enquiry service.
- To assist advisers make the right decision about how and when they use Contract Enquiry.

How has it helped to resolve the issue?

- A formal process in place it is hoped now exists to assist advisers have a clearer understanding of the issues and work needed to implement and use the Contract Enquiry service.

Adviser Checklist

What you need to find out	Why you need to know it
Find out the ways in which how Contract Enquiry situations vary.	There are basically two ways of getting a Contract Enquiry.

Good practices for Advisers to follow

- Contract Enquiry can deliver significant cost and time savings for your business. But Contract Enquiry is not a 'turn key' solution. It requires understanding of the process involved, an up-to-date resource, allocation to eat it up and ensure that your **Advisers; client database**

Purpose of document

- The objective of this document is to:
 - To set realistic expectations of Contract Enquiry capabilities and limitations amongst advisers.

Adviser Forum

Contract Enquiry Collaboration Guide - For use by Advisers

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Q4 2008: Provider e-commission processes

What issue needed to be addressed?


- EDI is delivering significant benefits to adviser businesses when it works well.
- However, provider processes to deal with brought forward balances, claw backs, debts and debit statements is causing operational difficulties for commission departments.
- The immediate issue for distributors is a lack of understanding as to how each provider handled these types of payments.

What did the project deliver?

- Detailed documentation delivered over two phases explaining how twenty four different provider e-commissions processes work.
- Product Providers included within this guide are:
 - AEGON Scottish Equitable
 - Axa
 - Clerical Medical
 - Friends Provident
 - Legal & General
 - Norwich Union
 - Prudential
 - Scottish Widows
 - Standard Life
 - The Hartford
 - Zurich

How has it helped to resolve the issue?

- Advisers are actively using this information to help them to train staff to understand how different providers operate plus, to help them understand how issues can be resolved.

					The Hartford	Zurich CUTAS	Zurich IPAS	Zurich OSCAR	
					Scottish Provident	Norwich Union ex-CU	Norwich Union ex-GA	Norwich Union ex-Heritage	Norwich Union ex-NU
AEGON Scottish Equitable DUBLIN	AEGON Scottish Equitable EDINBURGH	AEGON Scottish Equitable LYTHAM	Axa	Clerical Medical	KMS runs from agency (m. ex-NU) (Ex Allied)				
Our commission system is a mainframe development and has no specific name.	Our commission system is a mainframe development and has no specific name.	Our commission system is a mainframe development and has no specific name.	AXA only support EDI commission from one system	Agency Management System (AMS) / ACA	with Union				
	Edinburgh - Life and				2 alpha need by 3 to or 2 alpha 36575GL - ing .SML. ion agency e, however solves are party)				
					cal Medical				
e-Commissions: understanding Product Provider EDI commission processes - Part 2					IC0123				
Objective Providers were asked to respond to the list of questions put forward by distributors concerning their commission processes for Brought forward balances, Claw backs, Debts, Debit statements. This information can be used by distributors in the short term to assist with staff training and would form the basis of a longer term discussion with providers to understand where improvements to process could be achieved.					or AAAAAA No				
Rationale Distributors stated that EDI was delivering significant benefits to their businesses when it worked well. However, provider processes to deal with brought forward balances, claw backs, debts and debit statements were causing operational difficulties for commission departments. The immediate issue for distributors is a lack of understanding as to how each provider handled these types of payments although providers agreed to make this information available.					No				



Q3 2008: CMS & Platform Forum

What issue needed to be addressed?


- Whilst parties recognise that greater integration is needed, the practical reality is that such work is consuming significant resource at both ends.
- As there are no specific industry standards for e-messaging within the platform market each integration becomes a bespoke exercise.
- Consequently integrations are taking longer to put in place.

What did the project deliver?

- F&TRC have been working with members of the client management system and platform communities to develop an environment where parties can come together to discuss how they can tackle common issues around integration.
- A set of issues that the Group would like to address in a collaborative environment have been documented.
- Issues have been prioritised and next steps agreed.
- A set of meeting dates have been confirmed and this Group will now meet every quarter to take forward the issues that have been identified.

How has it helped to resolve the issue?

- Client Management Systems and platforms now have a dedicated environment where they can meet to accelerate the resolution of issues.
- Parties are focusing on improving processes so that they reduce some of the resource, effort and costs associated with delivering integration projects.



Adviser Forum

Improving integration practices between client management systems and platforms – meeting output

IAMC International Centre, 12 Bloomsbury Square, London WC1A 2LP

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The issues (as defined by attendees)

• FTRC requested all participating organisations to submit details of the issues they wished to address via this meeting.

• Why did we ask for this information?

Attendees

Platforms and Client Management Systems	
Life	Steve Taylor
Life	Stephen Ward
Software	Tony Dunsmore
Financial Software	Simon Cockle
AS	Helen McGeer
Software	Ann Dempster
	Shaminder Gill
John & Gordon Steyn	
AS	
Focus Solutions	JCS
LifeTime Group	James Hay

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Q3 2008: Improving Contract Enquiry Service

What issue needed to be addressed?

- To improve user experience of error and warning messages by understanding what approaches Providers are currently taking and what good practices can be determined from this.
- Providers concerned about number of recurring error messages e.g. same contract generates the same error.
- High number of error messages for some advisers puts them off using the CE service i.e. seen as a barrier to adoption.
- Advisers do not always understand the content of the error message.

What did the project deliver?

- Detailed analysis looking at:
 - The error messages supported by each Product Provider.
 - Details of any supplementary information contained within the error message.
 - Plain English translation of error messages.
 - Information to assist advisers resolve the error i.e. what to do next.

How has it helped to resolve the issue?

- Client Management Systems and platforms now have a detailed understanding as to how each Product Provider approaches error messages.
- Client Management systems can use the information to enhance the Contract Enquiry experience for advisers using their systems.

Code No.	O. Error / Warning message type	Does this message refer to a software issue (adviser cannot fix) or user issue (adviser could fix)? Or, could it be both?	Do you send back an additional tag (i.e. supplementary text) that provides the end user with additional information concerning this message?	For each message supported, provide a "plain english" description of what this means.	In the event of receiving this message what would you recommend the adviser/end user do next?
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Provider approach to CE error / warning messages

Objective	To improve user experience of error and warning messages by understanding what approaches Providers are currently taking and what good practices can be determined from this.	Record in CRM that online valuations are not possible and remove the policy from any scheduled requests. Call NU to request a valuation. Pension: 0845 9000 815, Investments: 0845 9000 810	Record in CRM that online valuations are not possible and remove the policy from their schedule. Call NU to request a valuation. Pension: 0845 9000 815, Investments: 0845 9000 810
Rationale	Providers concerned about number of recurring error messages e.g. same contract generates the same error. High number of error messages for some advisers puts them off using the CE service i.e. seen as a barrier to adoption. Advisers do not always understand the content of the error message.	Record in CRM that online valuations are not possible and remove the policy from any scheduled requests. Call NU to request a valuation. Pension: 0845 9000 815, Investments: 0845 9000 810	Record in CRM that online valuations are not possible and remove the policy from their schedule. Call NU to request a valuation. Pension: 0845 9000 815, Investments: 0845 9000 810
Information requested by:	Adviser Forum (Wider Stakeholder Group)	Record in CRM that online valuations are not possible and remove the policy from any scheduled requests. Call NU to request a valuation. Pension: 0845 9000 815, Investments: 0845 9000 810	Record in CRM that online valuations are not possible and remove the policy from their schedule. Call NU to request a valuation. Pension: 0845 9000 815, Investments: 0845 9000 810
Notes	Please respond to the questions in the next worksheet. Additional comments can be made in the last worksheet.	Record in CRM that online valuations are not possible and remove the policy from any scheduled requests. Call NU to request a valuation. Pension: 0845 9000 815, Investments: 0845 9000 810	Record in CRM that online valuations are not possible and remove the policy from their schedule. Call NU to request a valuation. Pension: 0845 9000 815, Investments: 0845 9000 810
Frequency of study	Once	Record in CRM that online valuations are not possible and remove the policy from any scheduled requests. Call NU to request a valuation. Pension: 0845 9000 815, Investments: 0845 9000 810	Record in CRM that online valuations are not possible and remove the policy from their schedule. Call NU to request a valuation. Pension: 0845 9000 815, Investments: 0845 9000 810
Response date	20-Jan	Record in CRM that online valuations are not possible and remove the policy from any scheduled requests. Call NU to request a valuation. Pension: 0845 9000 815, Investments: 0845 9000 810	Record in CRM that online valuations are not possible and remove the policy from their schedule. Call NU to request a valuation. Pension: 0845 9000 815, Investments: 0845 9000 810
Organisation name		Record in CRM that online valuations are not possible and remove the policy from any scheduled requests. Call NU to request a valuation. Pension: 0845 9000 815, Investments: 0845 9000 810	Record in CRM that online valuations are not possible and remove the policy from their schedule. Call NU to request a valuation. Pension: 0845 9000 815, Investments: 0845 9000 810
Completed By		Record in CRM that online valuations are not possible and remove the policy from any scheduled requests. Call NU to request a valuation. Pension: 0845 9000 815, Investments: 0845 9000 810	Record in CRM that online valuations are not possible and remove the policy from their schedule. Call NU to request a valuation. Pension: 0845 9000 815, Investments: 0845 9000 810
Date		Record in CRM that online valuations are not possible and remove the policy from any scheduled requests. Call NU to request a valuation. Pension: 0845 9000 815, Investments: 0845 9000 810	Record in CRM that online valuations are not possible and remove the policy from their schedule. Call NU to request a valuation. Pension: 0845 9000 815, Investments: 0845 9000 810



Conclusions

- **Moving forward, Adviser Forum will continue to address:**
 - Contract Enquiry: coping with increase in demand and service enhancements, including closer review of other services such as event notification.
 - E-commissions: identifying improvements to commission processing that could benefit advisers and providers/platforms.
 - Fund codes and adviser charging; understanding what approach the major fund identification code suppliers will take to charging advisers for holding such information.
 - Re-registration (on and off platform): addressing the issue of how electronic re-registration processes will work in practice between platforms and advisers.
 - Investment planning tools: review good practice notes to ensure recommendations are keeping pace with developments in this area (originally planned for Q4 2008 but deferred due to prioritisation of other projects).
- FTRC have also been asked by advisers to look at:
 - Timeliness of asset allocation data.
 - Improvement of e-new business services.
- Subjects will be worked into the agenda.