

defaqto

Investment bond service review 2021

March 2021

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Introduction

Defaqto's investment bond satisfaction study was undertaken between July and September 2020 employing online and telephone fieldwork methods.

The survey received responses from 237 financial advisers and measured their satisfaction levels for seven categories of service:

1	Provider strength and brand Consideration should be given to brand strength, financial strength, integrity and ease of doing business
2	New business administration Consideration should be given to processing timelines, communication, ability to solve problems efficiently, speed and accuracy of remuneration payments and the options available
3	Existing business administration Consideration should be given to speed of responses to enquiries, time to make switches and redemption payment timelines
4	Administration staff Consideration should be given to availability, competence, helpfulness, technical knowledge and product/sales support provided to advisers and paraplanners
5	Product design and management Consideration should be given to diversity and range of investment options, the quality of the options available and the supporting literature provided
6	Reporting Consideration should be given to online investment reporting, the depth and accuracy of the online data provided and the availability and speed of delivery of ad hoc reports
7	Online services Consideration should be given to investment support tools, IT technical support, ease of online portfolio management, ease and speed of online transactions, system reliability and access, website content and website functionality



Methodology

First, we asked advisers to tell us how important the seven service disciplines are to their businesses using a five-point scale from ‘not at all important’ through to ‘very important’.

From this we calculated a mean score out of five to determine the importance of each individual aspect of service.

Next, we identified which bond providers are being used regularly by advisers. Finally, we identified their preferred providers and measured their satisfaction levels with those preferred providers, again using a five-point scale ranging from ‘very dissatisfied’ through to ‘very satisfied’.

Our surveys are whole of market, but our analysis and ratings for each provider are based purely on responses from those advisers who nominated them as preferred providers.

From the providers that qualify, we combine the ‘satisfied’ and ‘very satisfied’ responses to determine the ‘total satisfaction score’ for each individual aspect of service. These are weighted by the importance of each category and then aggregated to determine one overall satisfaction score for each preferred provider.

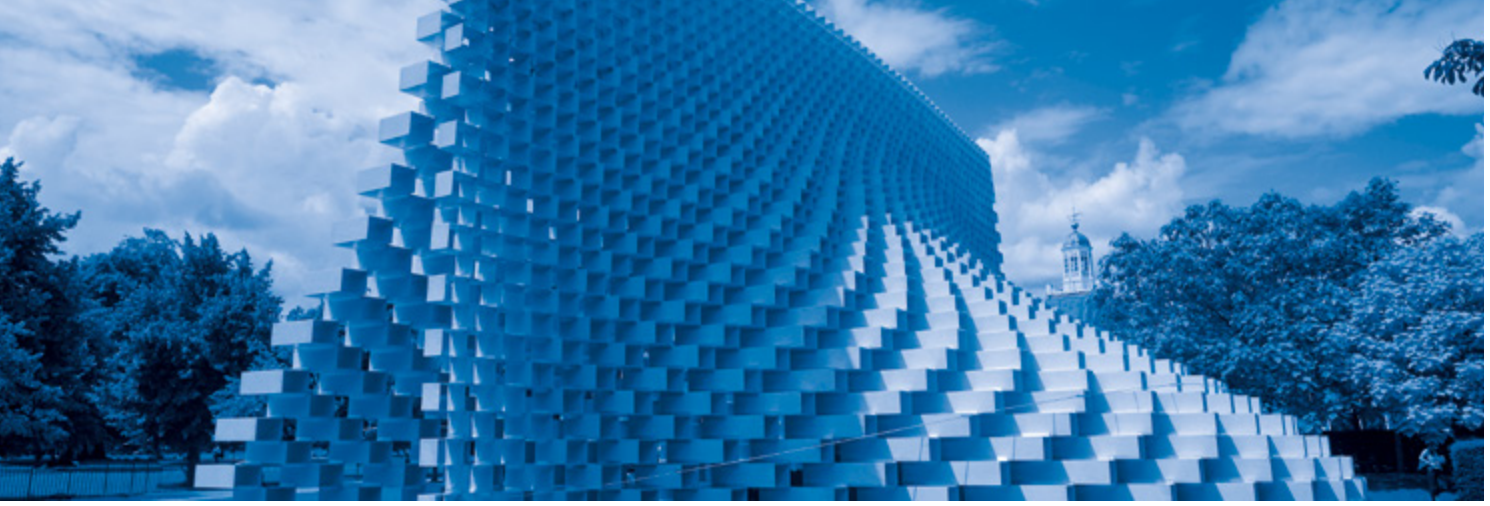
The satisfaction indices by category and Service Ratings are available within [Defaqto Engage](#), our financial planning software solution. They are also the basis of the Gold and Silver Service Ratings.





Executive summary

- The survey was conducted between July and September 2020 employing online and telephone fieldwork techniques and measured the relative importance of seven satisfaction categories and identified the advisers' preferred providers of onshore and international investment bonds.
- The study measured how satisfied the advisers are with their preferred providers and identified where expectations were being met by cross-matching ranked importance to ranked satisfaction.
- Comparisons with our previous review, in 2020, are made throughout this document.
- Open architecture products are generally favoured over restricted architecture products with onshore open architecture bonds garnering the support of nearly 60% of advisers and international bonds 47%. Least support is shown for restricted international bonds.
- The most popular investment products with financial advisers are pensions, investment ISAs and unit trust/OEICs. There has been an increase in interest in National Savings products.
- Prudential dominates advisers' recommendations for onshore bonds. For international bonds, Canada Life International (Isle of Man) and Prudential International (Ireland) received most support. The Utmost brands garnered more support this time.
- *New business administration* remains the most important category for advisers this time and *Existing business administration* moves into second place from fourth last time. *Reporting* was accorded the lowest importance score.
- *New business administration* and *Provider strength and brand* are the categories with which advisers are most satisfied. They are least satisfied with *Online services*. With the exception of *New business administration*, all categories received poorer satisfaction scores this time.
- Transact and Utmost Wealth were the providers that achieved the highest satisfaction scores, with Old Mutual Wealth and HSBC also performing well.
- Expectations are being met for four out of the seven categories. However, for *New business administration* and *Existing business administration*, ranked first and second for importance, satisfaction was well below expectations. This indicates areas where providers could focus their resources to have a significant impact on their Service Rating.
- The level of nominations of preferred providers is, in itself, a measure of overall satisfaction as, on balance, advisers are assumed to be fairly satisfied with the providers they regard as preferred. However, there is not necessarily a strong correlation between those providers that achieve a large number of responses and a large number of high scores.



Investment bond products

We asked advisers to tell us which types of investment bonds they had recommended in the last 12 months.

Generally, advisers favour open architecture onshore and international bonds over restricted architecture products, and that remains true as shown in Chart 1. Over the last three years, interest in onshore products over international products appears to be on the increase, but interest in international bonds rallied this time.

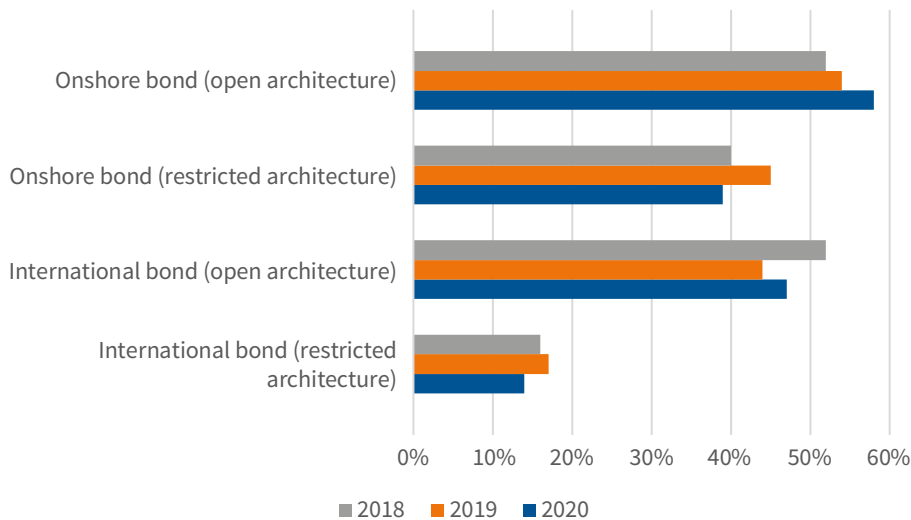


Chart 1: Investment bond types recommended in the last 12 months

Approaching 60% of advisers are writing open architecture onshore bonds, a figure which has increased in the last three years, with 47% writing open architecture international bonds and 39% restricted architecture onshore products. Restricted architecture international bonds take-up remains relatively low at 14%.



Investment products

We asked advisers to tell us what other types of investment products they had recommended in the previous 12 months.

The results are shown in Chart 2 together with the equivalent results from previous studies.

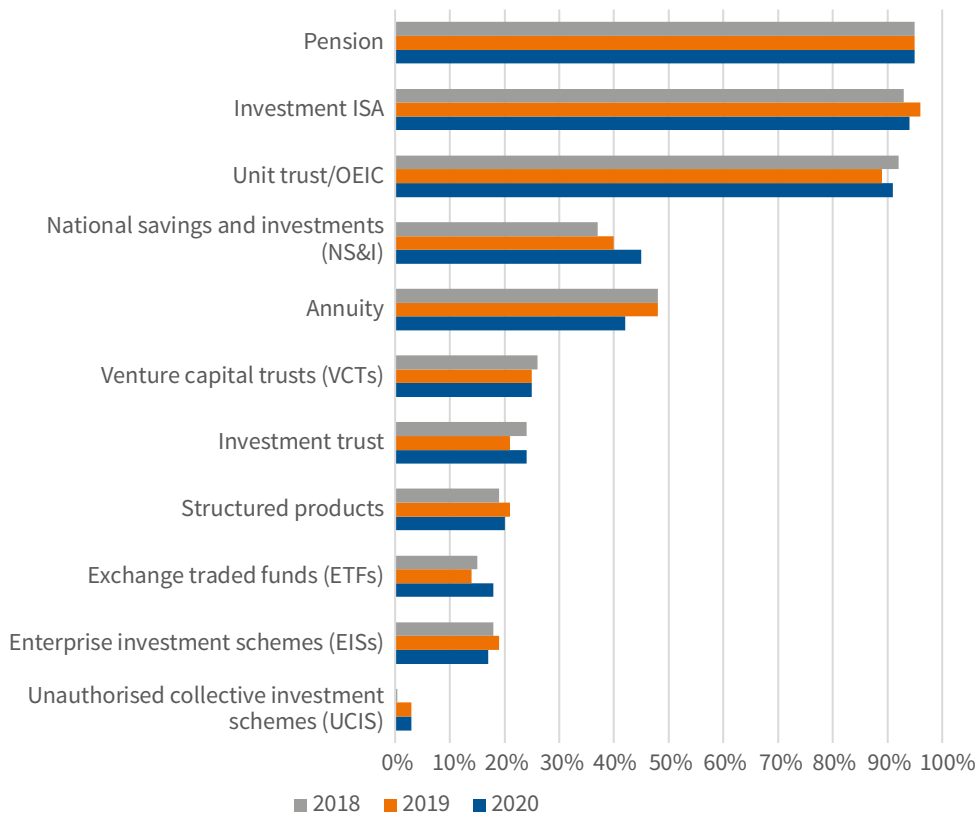


Chart 2: Investment products used in the last 12 months

As in previous years, the most popular investment products with financial advisers are pensions, investment ISAs and unit trust/OEICs. The order of preference is largely unchanged from the previous year with advisers typically favouring traditional products over the specialist investments that require more due diligence.

This is probably reflective of the large proportion of respondents (68%) who describe themselves as general practitioners compared with the 20% who described themselves as investment specialists.

The increase in interest in National Savings products and the corresponding decline in interest in annuity products may result from the pressure on equity markets caused by the COVID-19 lockdown.



Investment bond providers

We asked advisers to tell us which types of investment bonds they had recommended in the last 12 months.

Charts 3 and 4 show the results for those providers used by 3% or more respondents together with the results from the previous two studies.

Onshore bonds

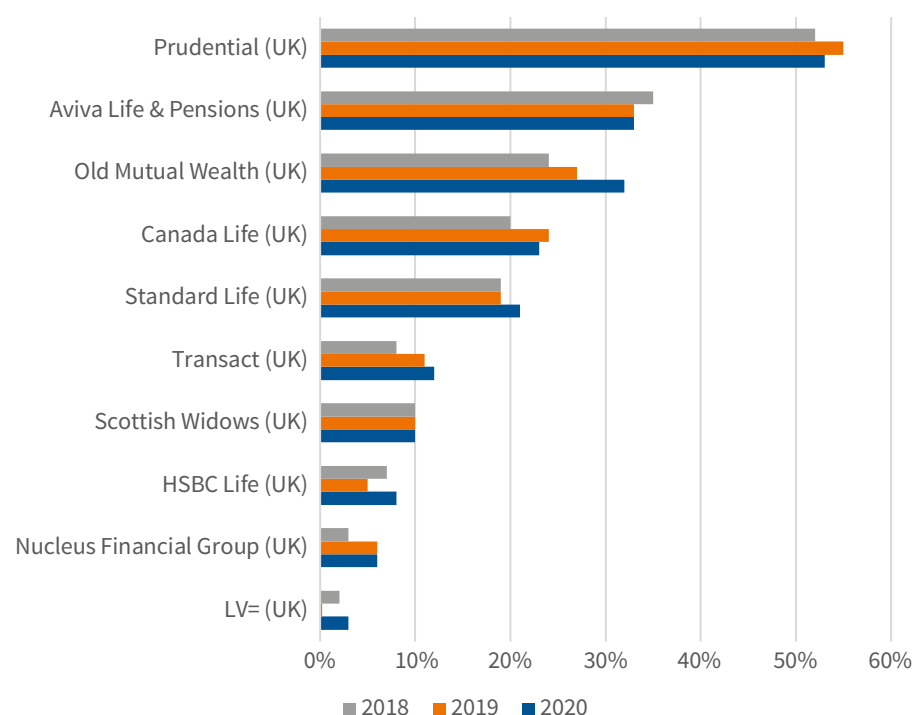


Chart 3: Onshore bond providers used in the last 12 months

The most popular provider of onshore bonds is Prudential with 53% of advisers supporting the firm in the past 12 months. The nearest rivals are Aviva, with 33% support, and Old Mutual Wealth with 32% having jumped up five percentage points from the previous year.

On average, advisers are recommending 2.1 onshore bonds providers, unchanged from our last survey.

International bonds

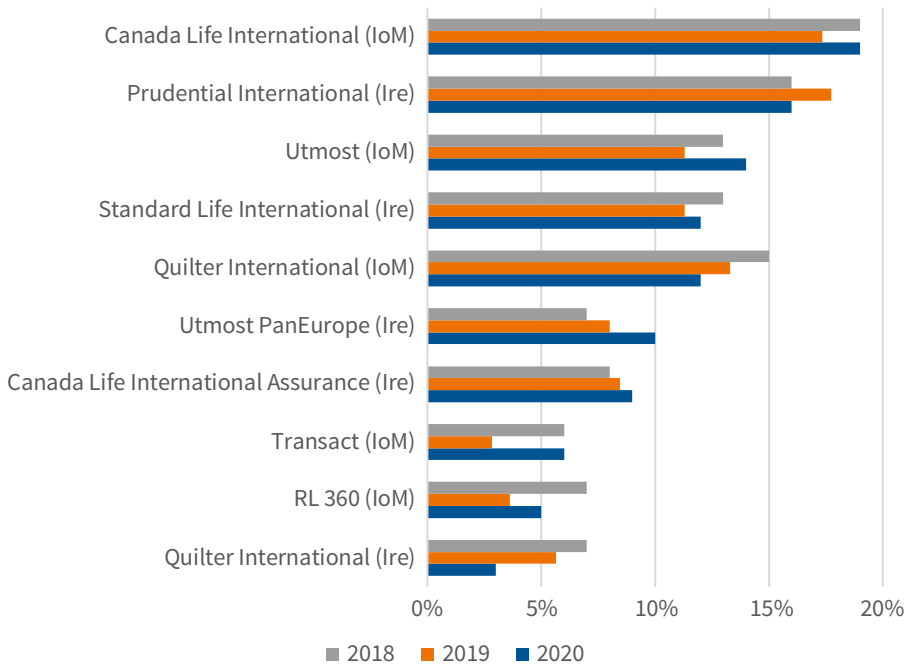


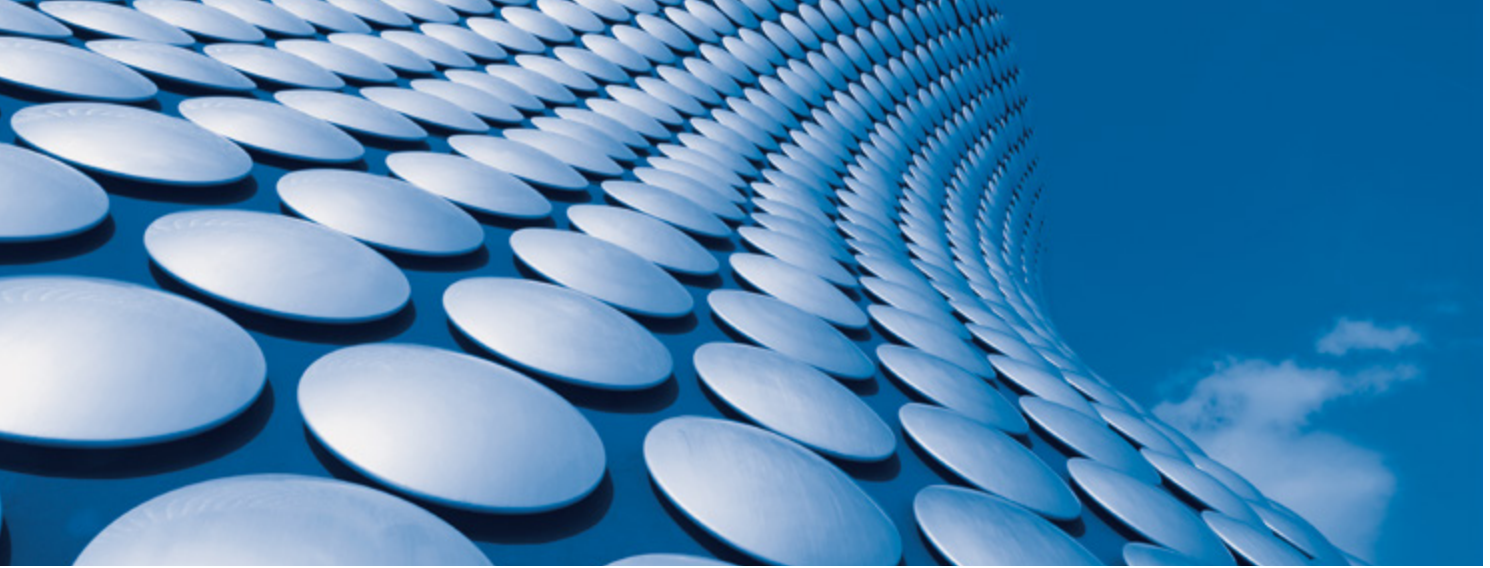
Chart 4: International bond providers used in the last 12 months

The providers that advisers said they were using for international bonds is largely unchanged since our last survey, but with increased support for Canada Life International moving it back into top spot ahead of Prudential International, which has a little less support this time.

RL 360 (IoM) and Transact (IoM) also garnered more interest as did Utmost (IoM) rebranded from Utmost Wealth Solutions (IoM).

Old Mutual Wealth, now Quilter, had less support following the rebrand for both the Isle of Man and the Ireland-based offices.

This study shows that, on average, advisers are recommending 1.1 international bond providers, up from just one in our last survey. Some advisers will choose only to recommend onshore bonds.



Preferred providers

In addition to asking which providers have been used, we also asked advisers to tell us their preferred providers.

Naturally, there are fewer responses per provider for this question, but the results in Charts 5 and 6 illustrate which providers in general terms are giving satisfaction to the adviser community. On average, advisers nominated just one preferred provider, down from the average of 1.68 polled last time.

Onshore bonds

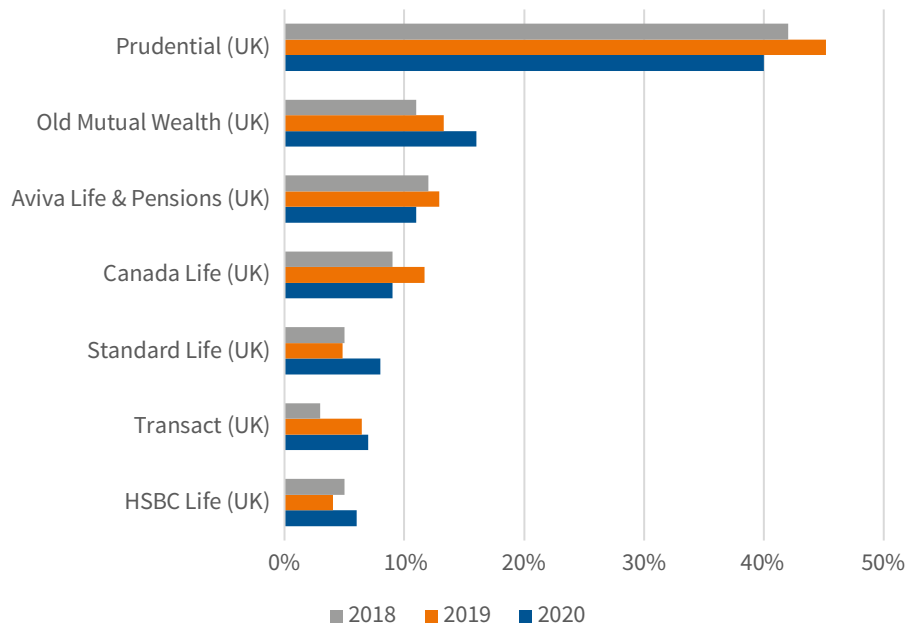


Chart 5: Preferred onshore bond providers

As in previous studies, Prudential dominates the onshore bond market with 40% of advisers nominating the firm as their preferred provider, although this is slightly down from 45% last time.

Old Mutual Wealth remains the nearest rival with an increased nomination rate of 16%; Aviva and Canada Life maintain their third and fourth positions respectively, but with slightly less support than last time.

Standard Life, Transact and HSBC Life all had increased support this time.

International bonds

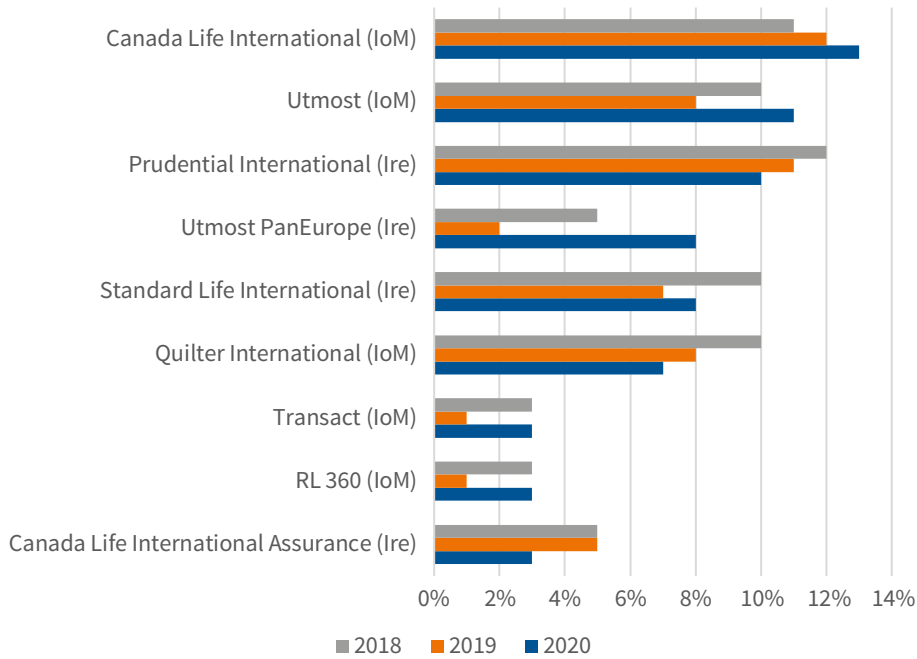


Chart 6: Preferred international bond providers

The nominations for preferred international bond providers were more balanced.

As in the previous year, Canada Life International (Isle of Man) has the most preferred international bond nominations. But Utmost (IoM) now comes second ahead of Prudential International, which traditionally receives a large share of nominations and remains in the top three.

Utmost PanEurope also attracted more nominations this time following the merger and rebrand of the various international products.





Service satisfaction categories

In this study, the preferred providers were measured against seven aspects of service weighted according to the level of importance that advisers attach to each of them.

We asked the respondents to say how important each aspect of service is to their business ranging from 1 'not at all important' to 5 'very important'. From the range of responses we were able to calculate an average score and rank the aspects of service in order of importance (see Table 1).

Satisfaction category	Average importance score	
	2020	2019
New business administration	4.44 (1)	4.36 (1)
Existing business administration	4.43 (2)	4.32 (4)
Product design and management	4.35 (3)	4.34 (3)
Provider strength and brand	4.34 (4)	4.35 (2)
Online services	4.33 (5)	4.21 (5)
Administration staff	4.23 (6)	4.16 (7)
Reporting	4.18 (7)	4.18 (6)

Table 1: Ranked order of importance of service categories

New business administration remains the most important category for advisers this time with an increased average score of 4.44.

Last time, unusually, *Provider strength and brand* was ranked in the top part of the table, ahead of the administration of existing bonds. This time, *Existing business administration* has returned to second position and *Provider strength and brand* has dropped to fourth position.

Product design and management retains its top three position. *Online services* remains in the lower part of the table and *Administration staff* and *Reporting* are again the least in relative importance.



Satisfaction

Satisfaction is calculated with reference to scores awarded to the preferred providers for each of the seven aspects of service in the range 1 – 5, where 1 equates to ‘very dissatisfied’ and 5 equates to ‘very satisfied’.

The scores are aggregated to show the satisfaction levels by provider, by service category and for the industry as a whole.

Because the respondents are scoring their preferred providers, one would expect the response to be generally positive; however, where low scores are cast it is a wakeup call to the provider concerned that their supporting advisers are dissatisfied with some aspect of their proposition to them.

There is not necessarily a strong correlation between those providers that achieve a large number of responses and a large number of high scores. Advisers choose providers for a number of reasons, not just good service, and while on balance advisers will be satisfied with their chosen preferred providers, there may be individual aspects of service that fail to make the grade.



Industry satisfaction

The index of satisfaction is calculated by expressing the number of above average scores (4s and 5s) as a percentage of all scores awarded.

In Table 2 we show the satisfaction indices for each service category for the industry as a whole. The indices are weighted by the importance accorded each category by the advisers in the study.

Satisfaction category	Importance	Weighted satisfaction	
		2020	2019
New business administration	1	77%	77%
Existing business administration	2	69%	76%
Product design and management	3	76%	78%
Provider strength and brand	4	77%	79%
Online services	5	60%	63%
Administration staff	6	69%	73%
Reporting	7	66%	69%

Table 2: Industry satisfaction by service categories

Apart from *New business administration*, satisfaction has declined for all categories and in the case of *Existing business administration*, by seven percentage points.

The best performing categories are *New business administration* and *Provider strength and brand*, with which advisers are most satisfied; they are again least satisfied with *Online services*.

The general decline in satisfaction across the industry results may reflect the additional pressure advisers have been under during the pandemic and the effectiveness of the providers' response.



Best performing providers

Based on the weighted satisfaction indices for each provider, we can identify the top performers in each of the seven categories of service (see Table 3).

Satisfaction category	1st	2nd	3rd
Provider strength and brand	Transact (UK)	Old Mutual Wealth (UK)	Canada Life (UK)
New business administration	Transact (UK) Old Mutual Wealth (UK) Utmost (IoM)	Canada Life (UK) Standard Life (UK)	HSBC Life (UK)
Existing business administration	Transact (UK) Utmost (IoM)	Old Mutual Wealth (UK)	Canada Life (UK)
Administration staff	Transact (UK) HSBC Life (UK)	Utmost (IoM) Canada Life (UK)	Standard Life Int. (Ire) Old Mutual Wealth (UK)
Product design and management	Transact (UK)	Utmost (IoM)	HSBC Life (UK)
Reporting	HSBC Life (UK)	Utmost (IoM)	Canada Life (UK)
Online services	Transact (UK)	Standard Life (UK)	Old Mutual Wealth (UK)

Table 3: Best performing bond providers by category

The top three positions for satisfaction this time are again dominated by Transact for onshore business and Utmost for international business, which are the brands that achieved the highest overall satisfaction scores in the study.

Old Mutual Wealth and HSBC are also performing well in terms of service for onshore business according to respondents to the study.



Expectations

Chart 7 plots the ranked order of importance for the seven service categories against the ranked order of satisfaction (unweighted).

Plots to the right of the diagonal line are where satisfaction is high and expectations are therefore being exceeded; plots to the left are where satisfaction is lower than that warranted by the level of importance.

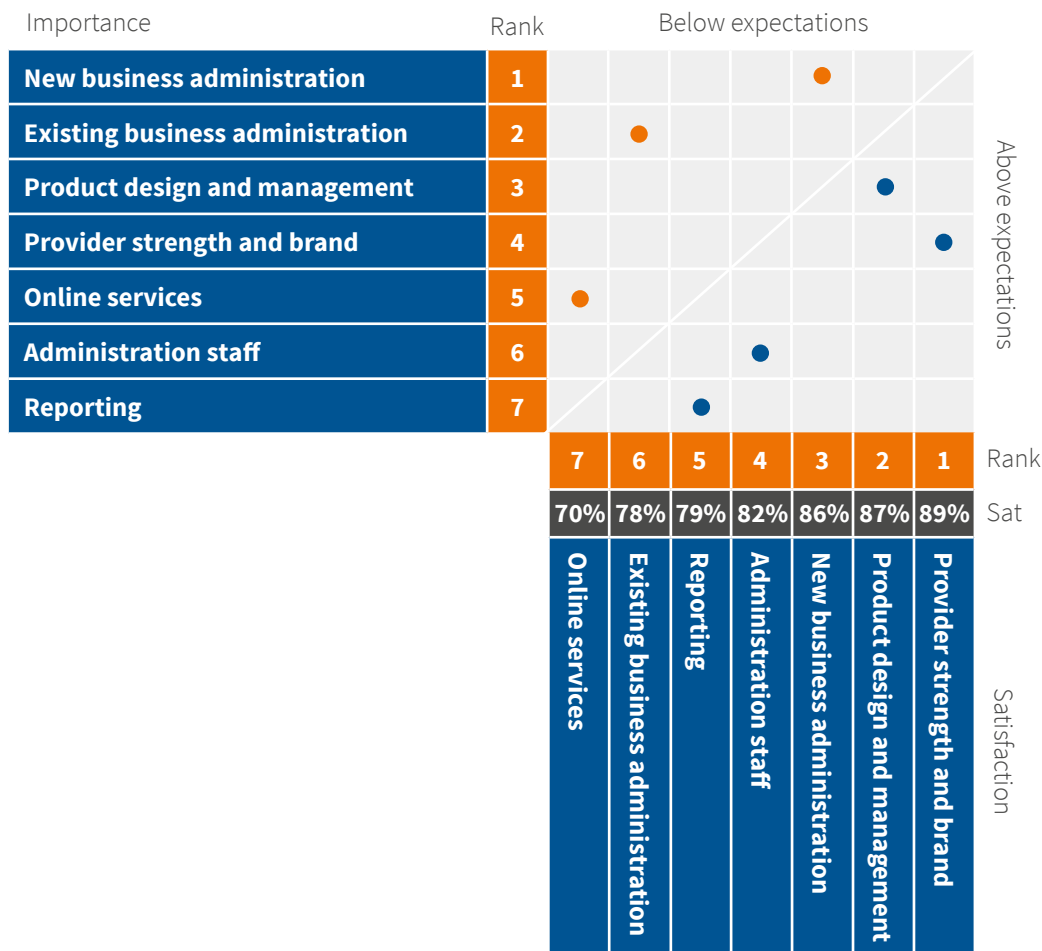


Chart 7: Expectations – cross-match of satisfaction versus importance

The plot of unweighted satisfaction scores versus ranked order of importance reveals a poor correlation; four out of the seven categories are exceeding expectations, but the remaining three are underperforming by some considerable degree.

New business administration, the category ranked most important, is some three percentage points of satisfaction below par; and *Existing business administration*, the second most important category this time, is nine percentage points awry. *Online services* was also nine percentage points of satisfaction below expectations.



Response to COVID-19

In this year's study we asked advisers to tell us how their preferred product providers have supported them and their clients during the COVID-19 lockdown.

In response to the question "how supported did you feel", just over half of advisers said they felt at least somewhat supported, with only 5% indicating that they didn't feel supported at all (see Chart 8).

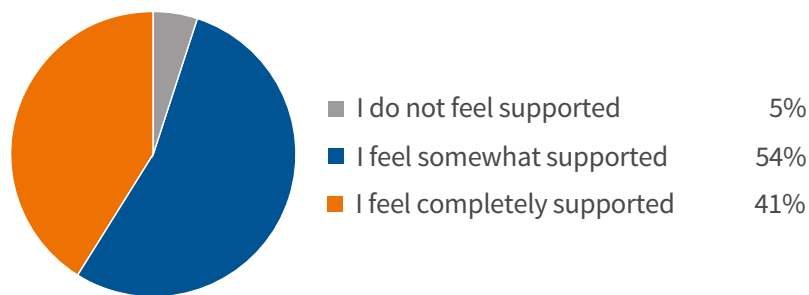


Chart 8: Level of support from providers during the pandemic

Similarly, half felt that their preferred providers had at least adapted somewhat to maintain business continuity under lockdown (see Chart 9).

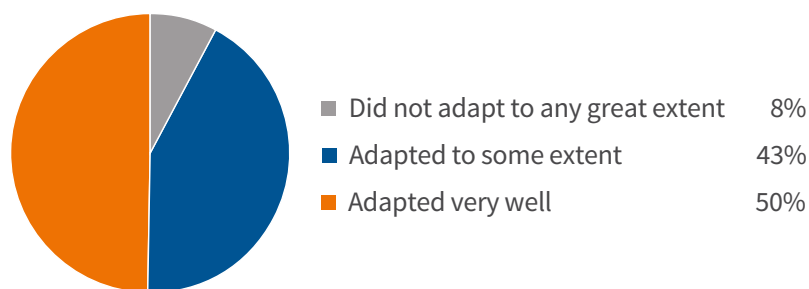


Chart 9: Level of adaptation by providers during the pandemic



Service and due diligence

The results and insights in this document have been collated from a survey among financial advisers and reflect the service and levels of satisfaction those advisers have experienced.

While there is not a direct relationship with the service experience of consumers, there should be a good correlation for clients of adviser firms. It stands to reason that where the adviser is receiving good service, they can be more confident and better equipped to meet client requirements.

This high level commentary is supported by the detailed scores for each provider listed by service satisfaction category in Defaqto Engage. We do not anticipate that advisers use service scores as the sole measure of suitability, but rather that service scores may feature as one of a number of selection criteria. Advisers should continue to conduct their own research and document their findings before recommending any suitable solutions.



Send us your feedback

Your feedback is extremely important to us and we would be grateful if, after completing this publication, you would take a few minutes to complete a [short survey](#). Your answers will be treated in the strictest confidence and the results of this will help the development of future publications.

The survey can be accessed at:

<https://www.snapsurveys.com/wh/s.asp?k=144610976149>

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In response to the growing requirement for advisers need to access to ESG data and fund/DFM research, Defaqto ESG Reviews provide an invaluable resource to assist in assessing funds and DFM MPS from an ESG point of view. With a mixture of qualitative and quantitative data provided in a standard format in Defaqto Engage, advisers can cut through the complexity of ESG to ensure suitable advice.



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*2019 Defaqto Adviser survey of 200 advisers, representative of all advisers in the UK

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