

Society of Actuaries Middle Market Life Insurance Segmentation Program (Phase 1: Young Families)

September 2012

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SOA Marketing and Distribution Section
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SOA Committee on Life Insurance Research

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Mathew Greenwald & Associates, Inc.



RESEARCH + CONSULTING, LLC
where research meets strategy

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METHODOLOGY

- This report presents the results of research conducted by Mathew Greenwald & Associates, Inc.
- The purpose of this study is to better understand the middle market for life insurance and to identify segments that would allow the industry to better target customer needs. The questionnaire addressed issues such as:
 - How confident they are in their insurance and finances and how knowledgeable they are about financial and insurance products
 - What types of insurance they have and where they purchased it
 - How they purchased their insurance and how they would be likely to purchase it in the future
 - How much importance they place on having insurance
 - An extensive battery of attitudes towards insurance that would be used to design the segmentation
- Scales vary but often give respondents a choice between “very” and “somewhat” categories.
- To qualify for the study, respondents or their spouses had to be between 25 and 40 years old, have a household income of \$35,000-\$125,000, and have life insurance or financial dependents.
- Information for this study was gathered through 18-minute interviews with a total of 1,000 respondents using the Research Now online panel.
- Interviewing took place August 6 - 13, 2012.
- A similarly-sized random sample of 1,000 respondents would have a margin of error at the 95% confidence level of plus or minus 3.1 percentage points. Subgroups will have larger margins of error, depending on their size: the smaller the group, the larger the margin of error.
- Key findings, a discussion of the survey findings, and a demographic profile of survey respondents follow this section. Percentages in the tables and charts may not total to 100 due to rounding or missing categories.



SUMMARY OF RESULTS – FULL SAMPLE STORY

In this survey of younger, middle income Americans with life insurance or financial dependents, most feel at least somewhat secure in their financial situation, although few feel very secure. In this current environment, middle-income consumers appear to have low awareness and comfort with investing. In contrast, they feel more knowledgeable about insurance, health and auto in particular, somewhat less for life insurance. Although, not confident in the level of retirement assets they have, consumers are moderately content in the level of life insurance coverage they have.

Nonetheless, there is a significant potential market for life insurance. Consumers have a strong belief in the importance of life insurance. Despite the drop in ownership, this is not that different from the beliefs of their parents. While most do not believe they or their spouse (if married) will likely die before age 65, most believe that this occurrence would have very serious or devastating consequences.

Respondents are split between those who feel they need more coverage and those that don't, although many of those needing more coverage only report needing a little more. On average, consumers have over \$550K in coverage but report that they have about 27% less coverage than they would like to have. The small number who say they are very likely to purchase would want an average of over \$600K in coverage.* Affordability is the biggest obstacle to purchase – concerns about qualifying are almost negligible.

Two-thirds of those with coverage have term and less than half have permanent life. Affordability is the biggest factor in term purchase and consumers feel somewhat more knowledgeable about term than whole life, and far less knowledgeable about other types of life insurance or annuity products.

Respondents are equally likely to buy from an agent or through work and far more so from these channels than any other channel. They are more likely to seek information online than through a life insurance agent, but also likely to seek information from the company through direct contact and written or online material. Most believe that buying through an agent costs the same as other approaches, and are not willing to pay more for an agent's services. The biggest concern about agents is the belief that they look out for their own self interest.

About half are aware of simplified underwriting, although few are very aware of the concept. While most have at least some interest in simplified underwriting, few are willing to pay more for it.

These results summarize a marketplace that can be better tackled with the segmentation outcomes this study found.

**Author's note. Asking consumers about the coverage they would like traditionally understates the gap. In fact, in a publicly available New York Life study, consumers have about half the coverage they need to take care of the finances and goals they would like life insurance to cover.*

SUMMARY OF RESULTS – THE SEGMENTS

Using statistical analyses on six critical attitudinal variables relating to interest in life insurance, this study found three compelling segments in the data that can help the industry better understand and target the middle market:

- **Planners** – characterized by those who purchase life insurance as part of a broader lifetime plan
- **Protectors** – characterized by those who buy life insurance to handle a life event, more often than not, the birth of a child
- **Opportunistic buyers** – characterized by those who buy life insurance because it becomes available, often through work

One interesting aspect of this study is the way that these segments are similar. There is little difference in belief in adequacy of coverage or in health or mortality expectations. Groups are also similar in income, education, and employment level, although protectors rate themselves as somewhat higher when it comes to economic class. While they have very different levels of interest in using an agent, their general views toward agents are similar. These findings suggests that there is something more profound behind these segments than simple demographics or need for coverage.

Understanding the Planner Segment

Planners are more likely than other groups to appreciate the value of life insurance and its role throughout life. They are more likely than other groups to intend to buy life insurance in the future, worry about the impact of a catastrophic event, and buy life insurance for general peace of mind. They are also more likely to purchase the product as part of a financial plan and to save for retirement. They are willing to spend more on premiums than the other two segments. The planner also tends to be the more traditional purchaser and value the role of the agent to get the right type of coverage. Planners are more apt to buy simply because they think it is something they should do. Planners are somewhat more likely to be female.



SUMMARY OF RESULTS – THE SEGMENTS

Understanding the Protector Segment

The protector segments' motivation for buying life insurance is based on the occurrence of a need rather than on a strong belief in the product. Relative to others, they buy to meet this need rather than purchase based on what is offered to them. Far more often than others, they buy due to the birth of a child or, somewhat more often than others, due to a marriage. Because purchase is more often a reaction to an event, they tend to see life insurance as temporary rather part of a lifelong plan. They are far more likely to be interested in term insurance and far less likely to believe in the concept of permanent life insurance. They are more likely to buy term due to affordability. Protectors fall in the middle of the three segments when it comes to valuing life insurance, the amount they have, the amount they are willing to spend on it and interest in an agent.

Understanding the Opportunistic Buyer Segment

The opportunistic buyer purchases life insurance because it is offered to them, often through work. They are less likely to buy life insurance because they strongly believe in it. However, they tend to feel less confident in the adequacy of their coverage and actually have less coverage. They are the least likely to buy life insurance to plan for the future and tend to want smaller premium amounts than others. They are the least likely to seek the advice of an agent or advisor. Opportunistic buyers are less likely to be the principal breadwinner and to have children.

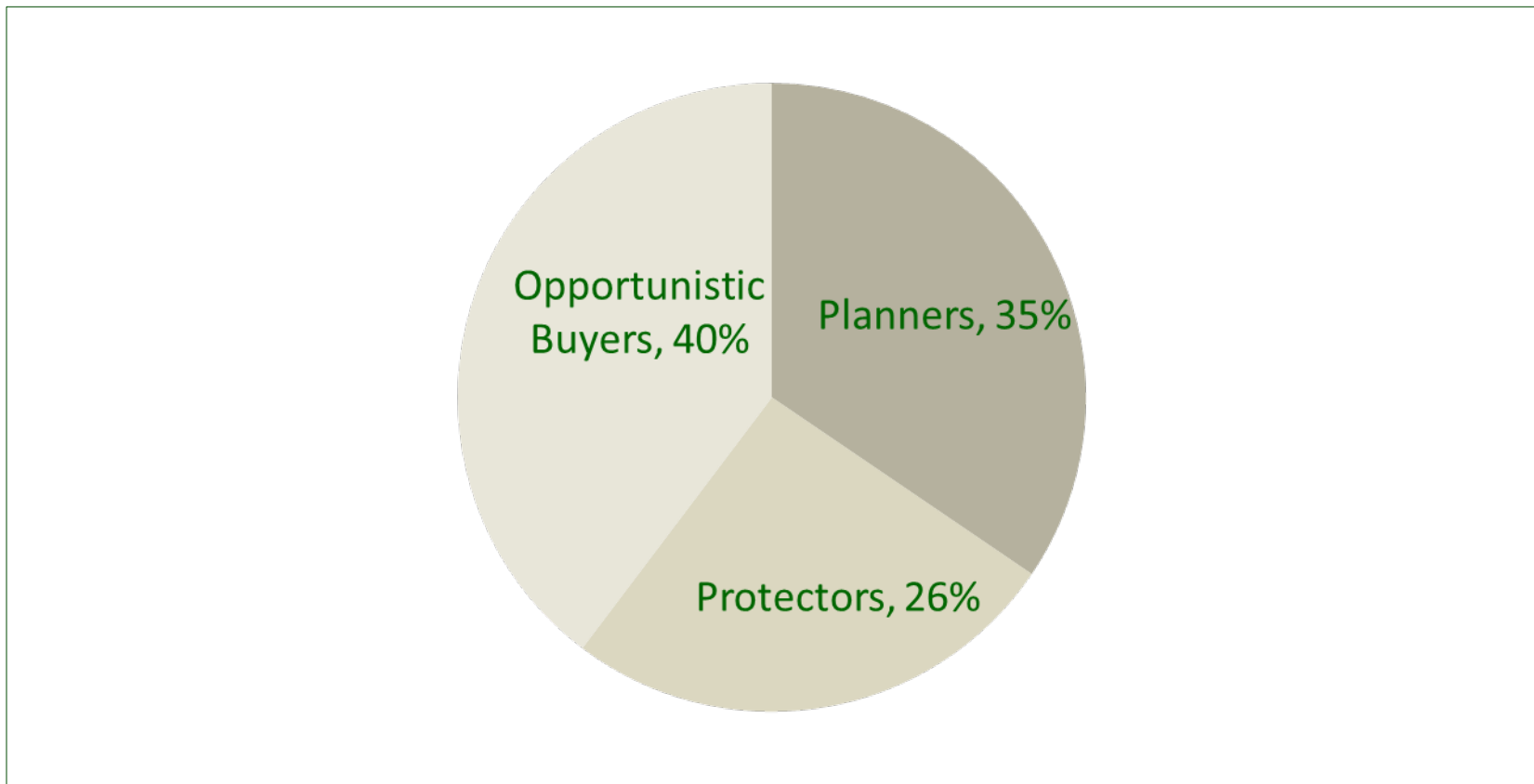
These segments are a first step to better understand the middle market for life insurance and to come up with differentiated strategies to approach it.



Segment split by sample

Total Respondent Breakdown by Segment among 25-40 Year Olds with \$35K to \$125K income Who Own Individual Life Insurance or Have Dependents

(Total n=1,000)

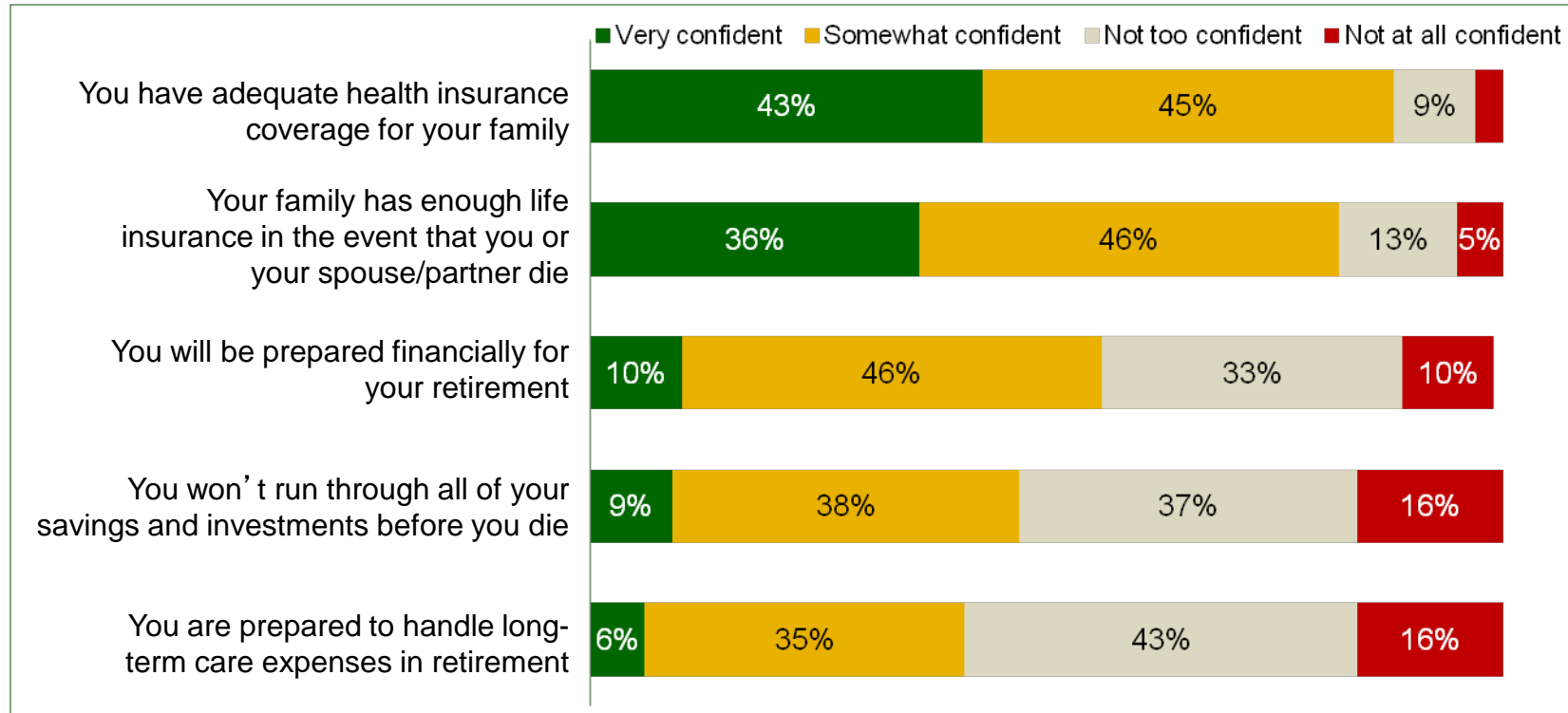


CONSUMER FINANCIAL SITUATION

Large majority of consumers are at least somewhat confident about their insurance coverage.

How confident are you about the following aspect related to your finances?

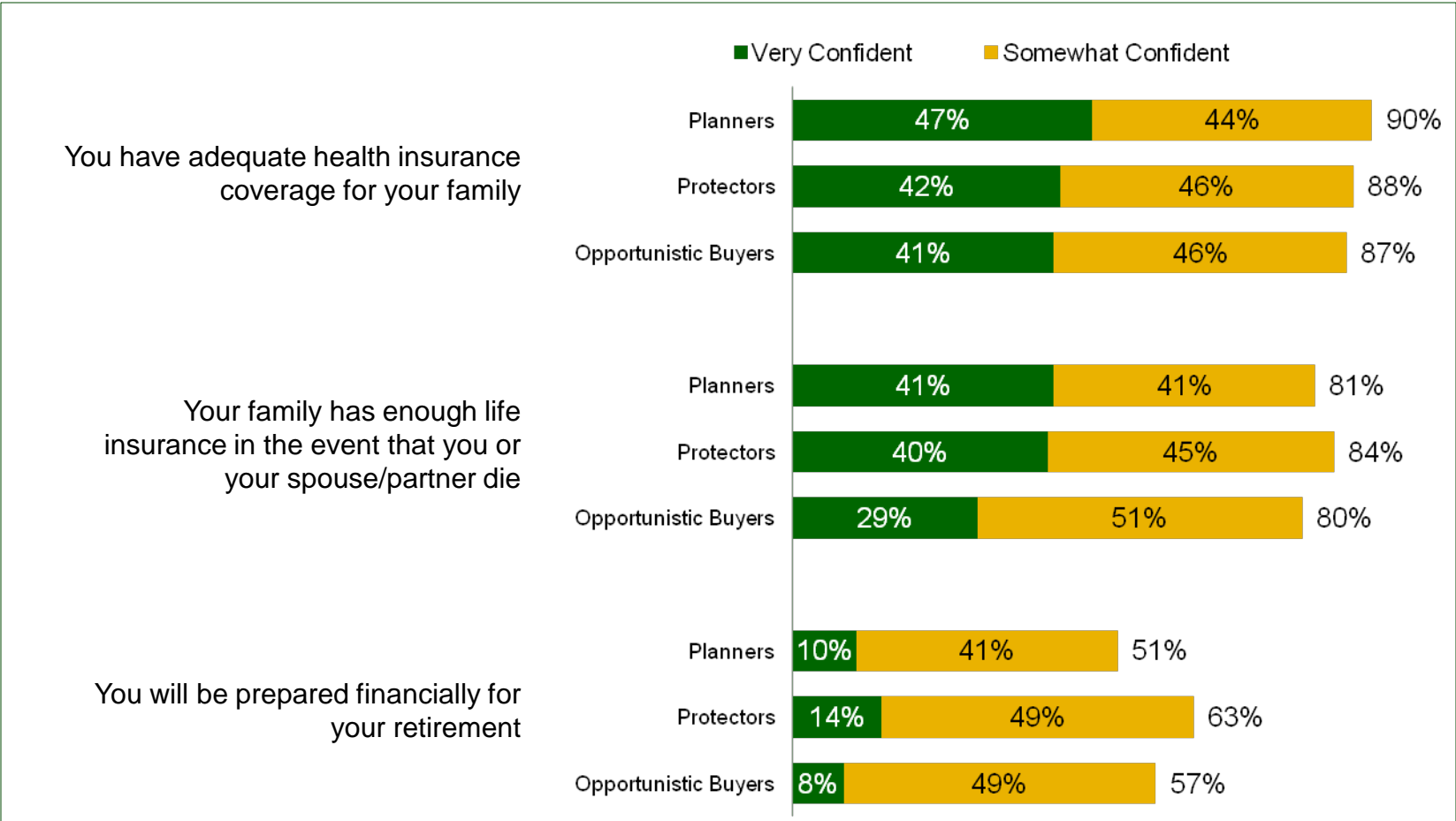
(Total n=1,000)



Opportunistic buyers are less likely to be very confident in their life insurance coverage.

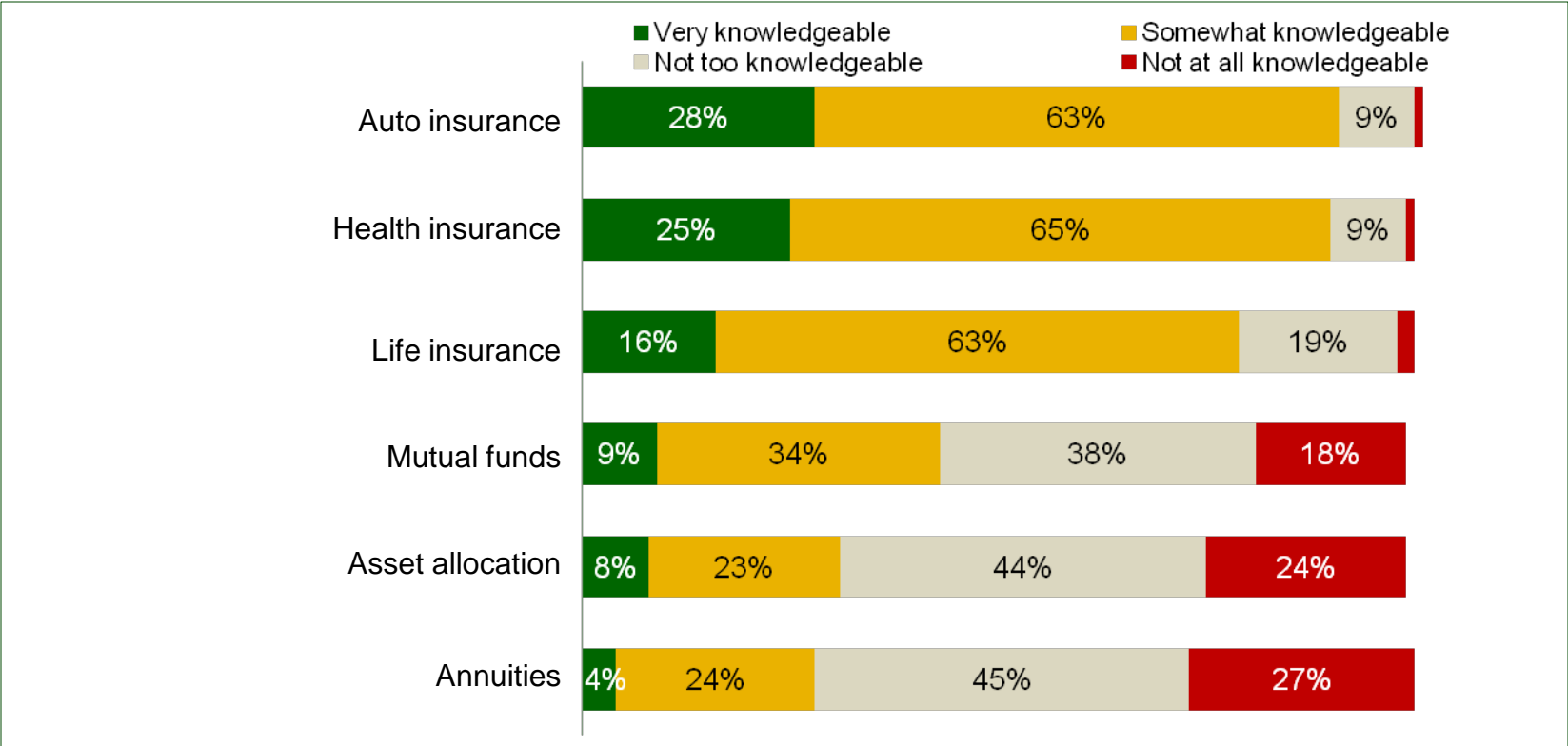
How confident are you about the following aspect related to your finances?

(Planners n=345, Protectors n=258, Opportunistic Buyers n=397)



Consumers feel more knowledgeable about insurance than investments with a significant drop-off in those who are somewhat knowledgeable.

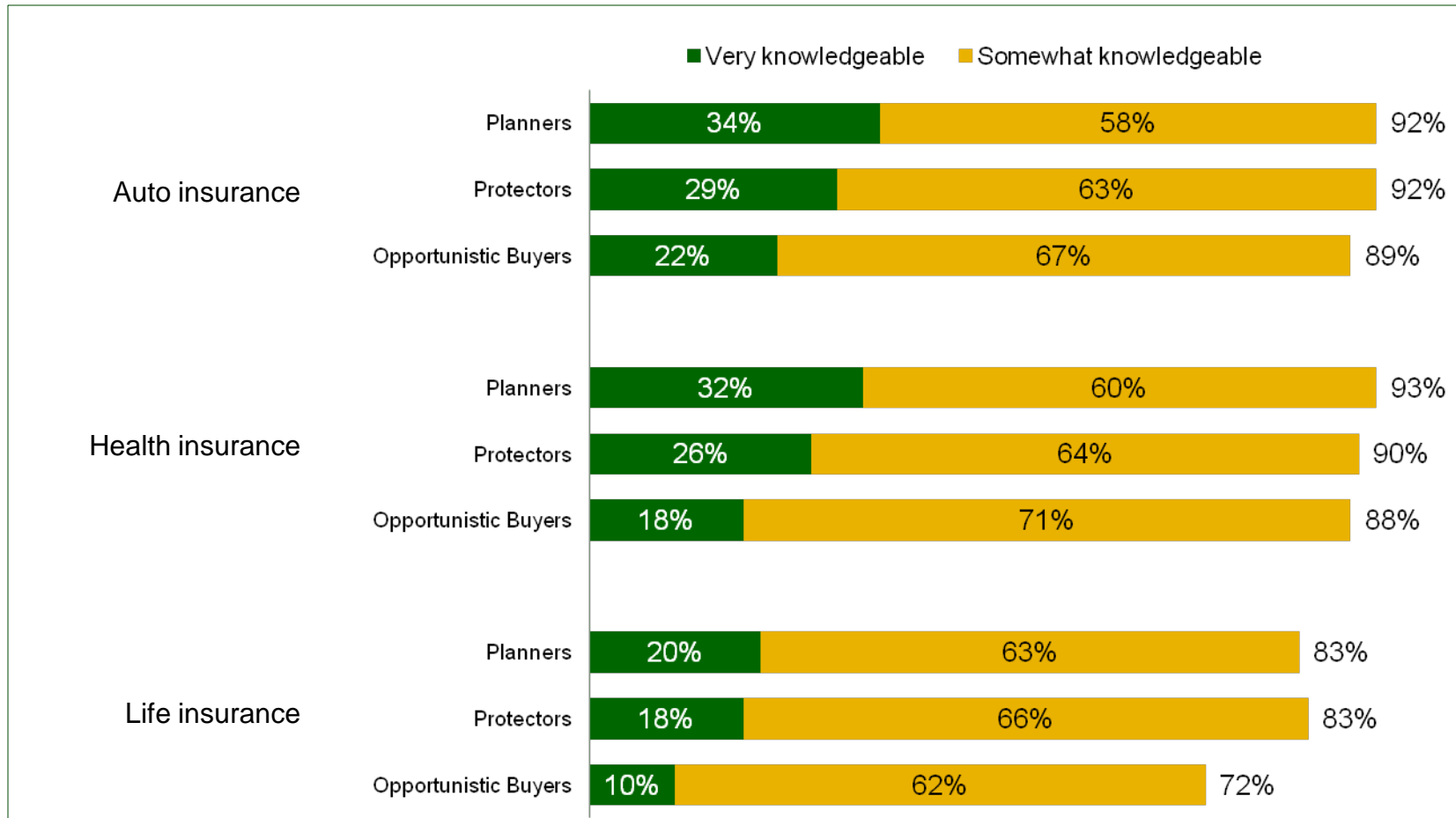
How knowledgeable would you say you are about the following?
(Total n=1,000)



Opportunistic buyers are less likely to feel very knowledgeable about various types of insurance.

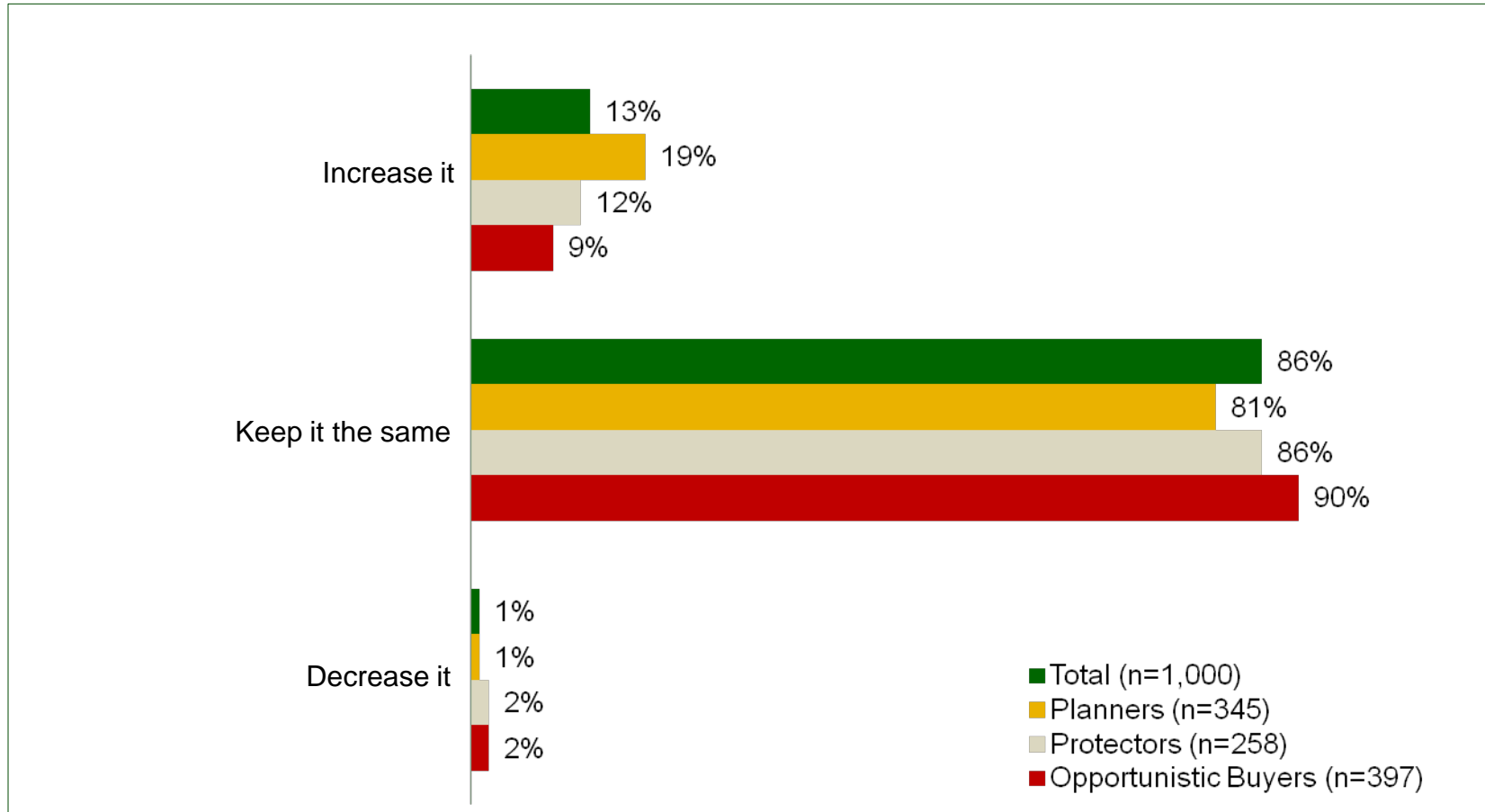
How knowledgeable would you say you are about the following?

(Planners n=345, Protectors n=258, Opportunistic Buyers n=397)



The economy has had little impact on life insurance purchase although planners are more likely to increase it than others.

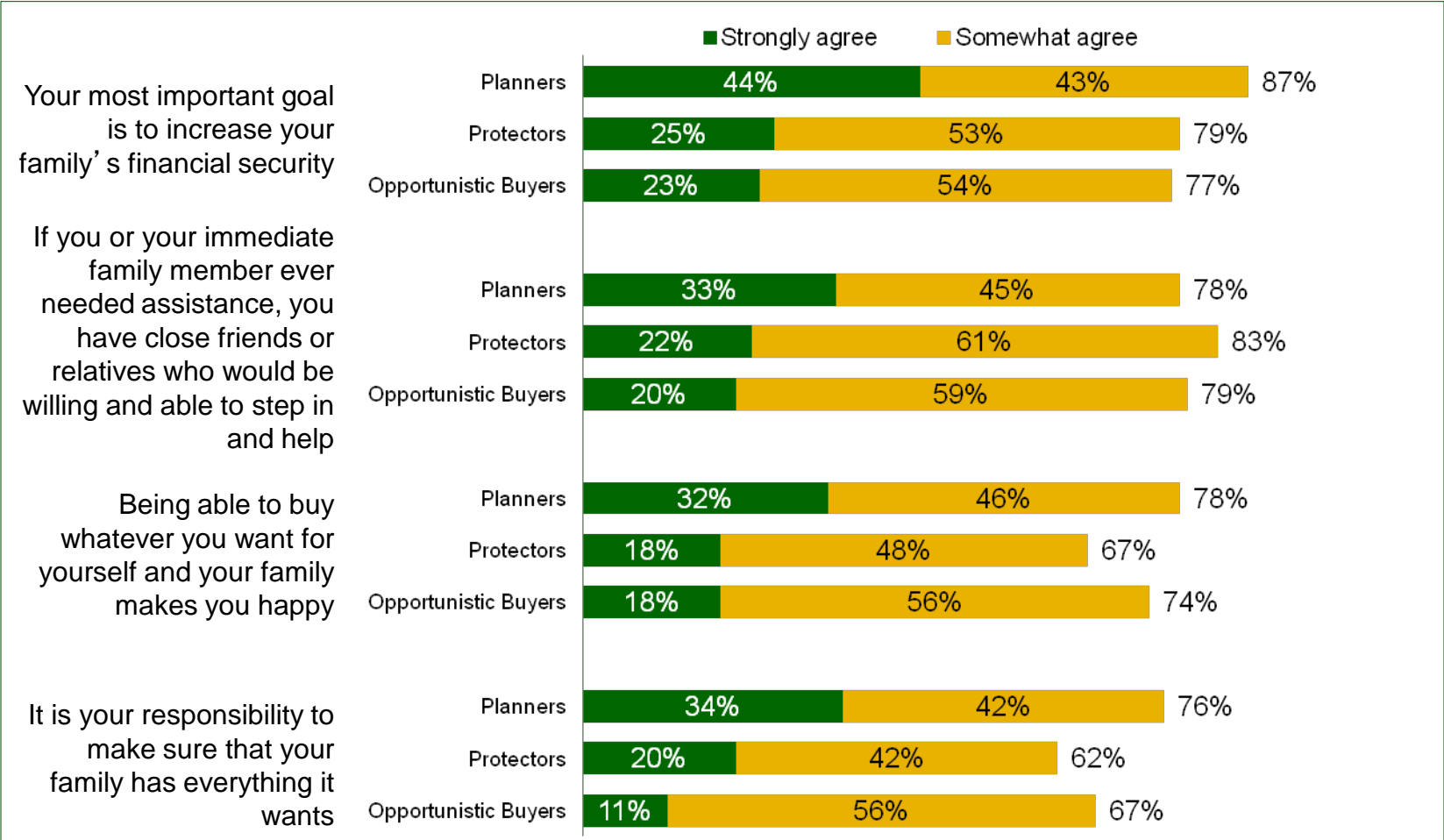
With the downturn of the economy and its impact on the markets, home values, and job security, what will you likely do with the amount of life insurance you have?



Planners feel more responsible for taking care of their families on several dimensions.

Please indicate how much you agree or disagree with the following statement:

(Planners n=345, Protectors n=258, Opportunistic Buyers n=397)

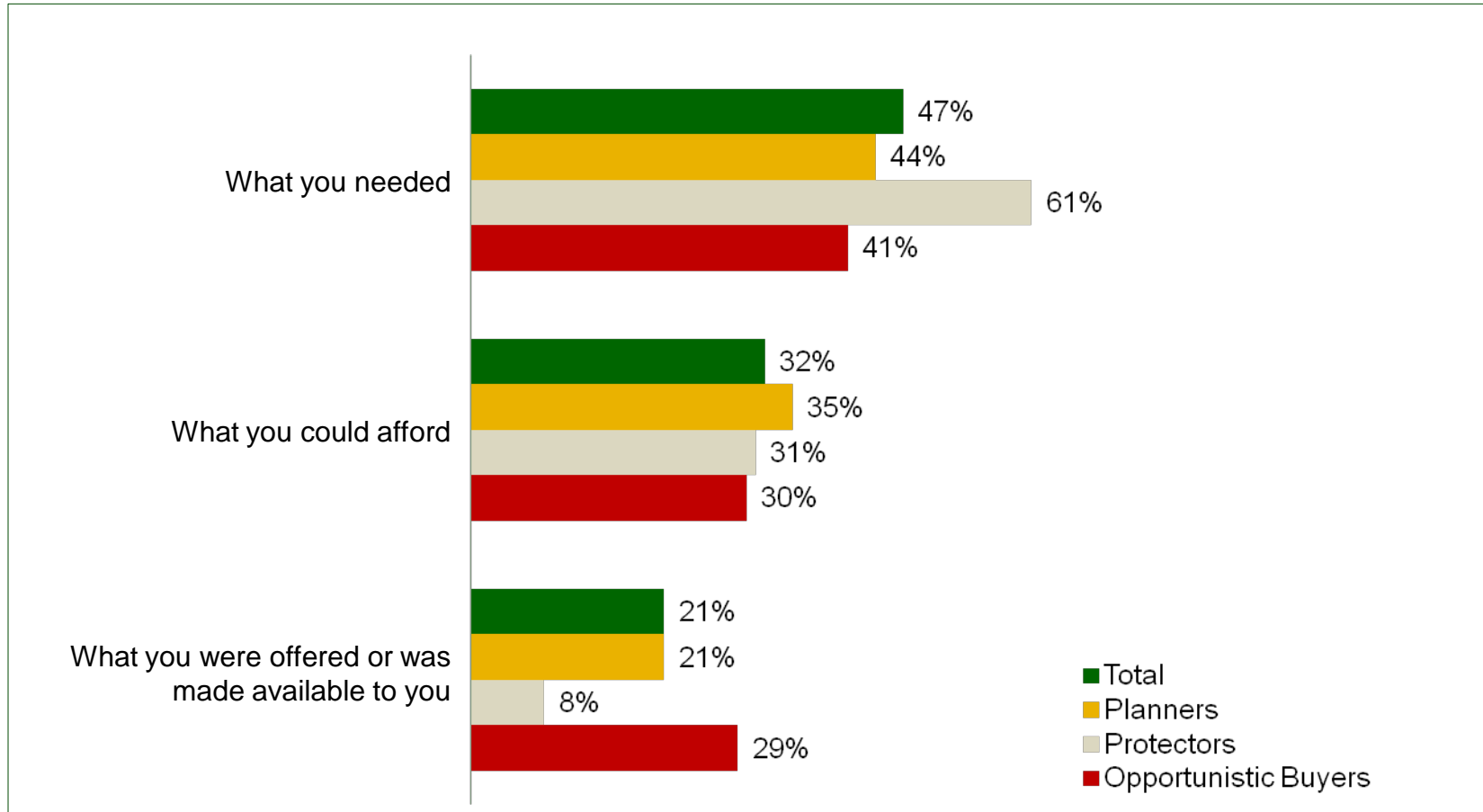


LIFE INSURANCE PURCHASE

Protectors are more likely to base their life insurance purchase on what they feel they need and opportunistic buyers on what is available to them.

Thinking about the last time you purchased life insurance, was the amount you purchased based primarily on...?

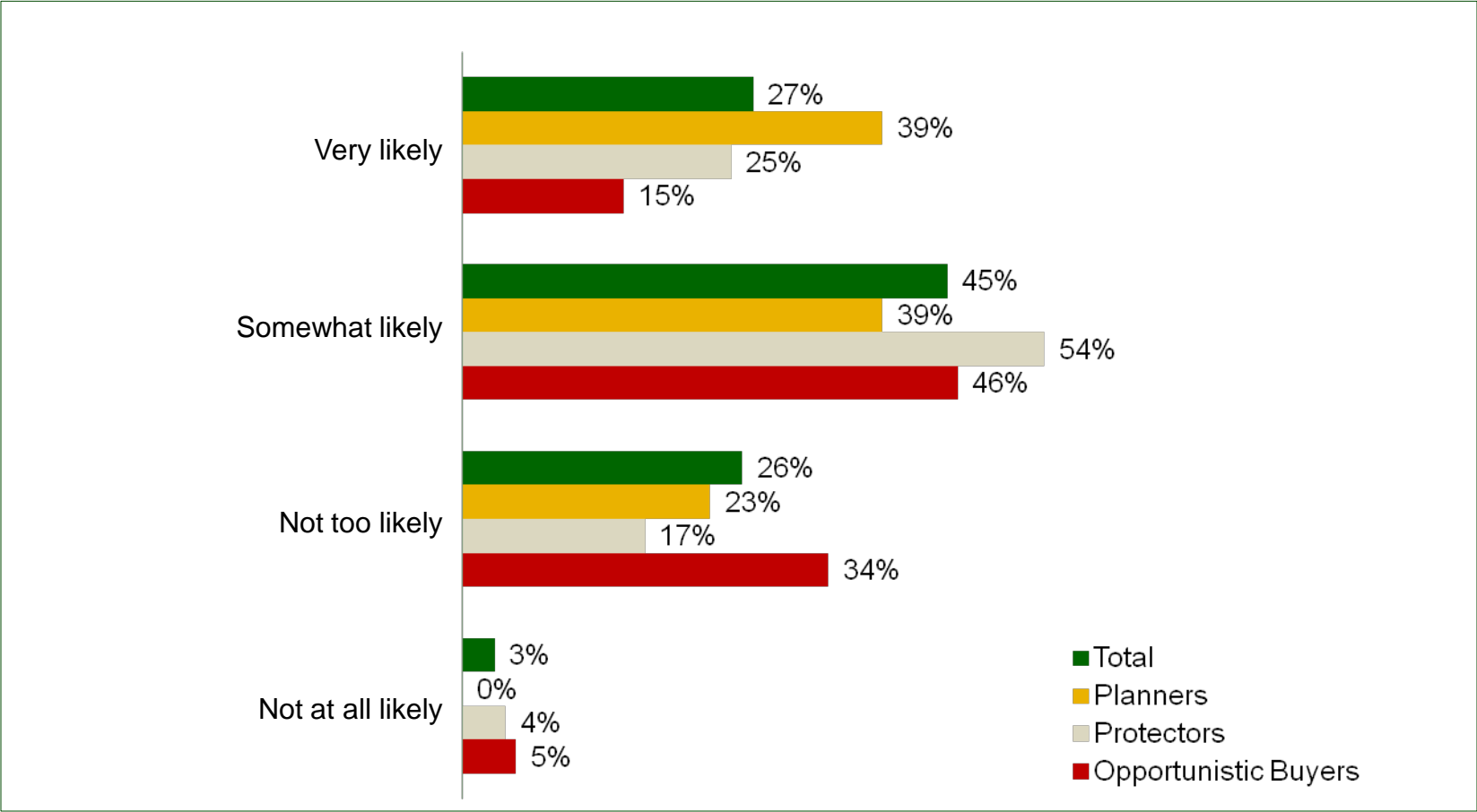
(Filter: Has individual life insurance; Total n=867, Planners n=308, Protectors n=229, Opportunistic Buyers n=330)



Planners are the most likely to be very likely to intend to buy life insurance in the future, and opportunistic buyers are the least likely.

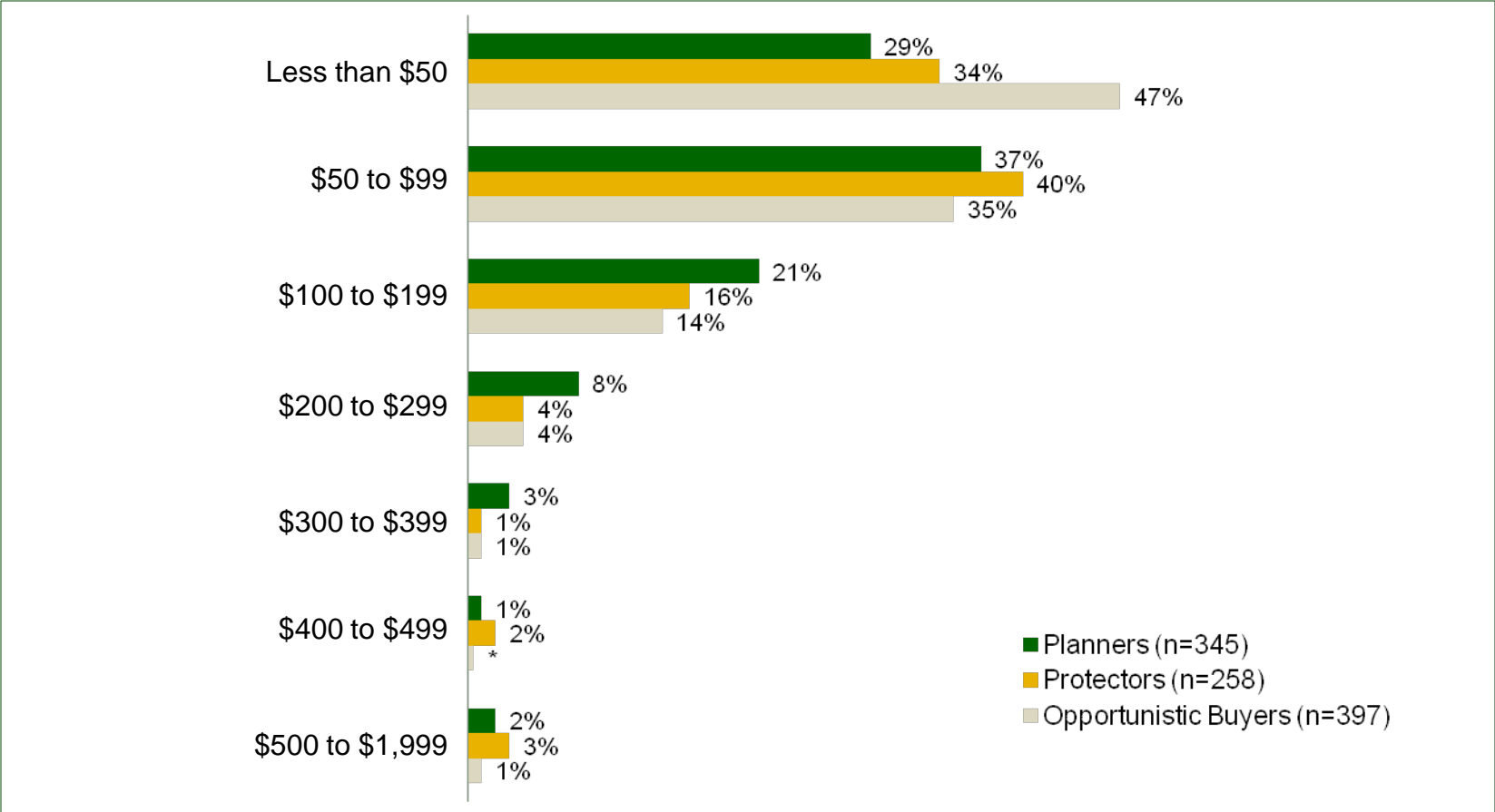
How likely are you to purchase more life insurance coverage in the near future?

(Filter: Has financial advisor and would like more coverage; Total n=109, Planners n=44, Protectors n=24, Opportunistic Buyers n=41)



Consumers are willing to spend up to \$100 per month for life insurance, with opportunistic buyers the least likely to want to spend significant amounts.

How much per month are you willing to allocate to purchase life insurance for your family?



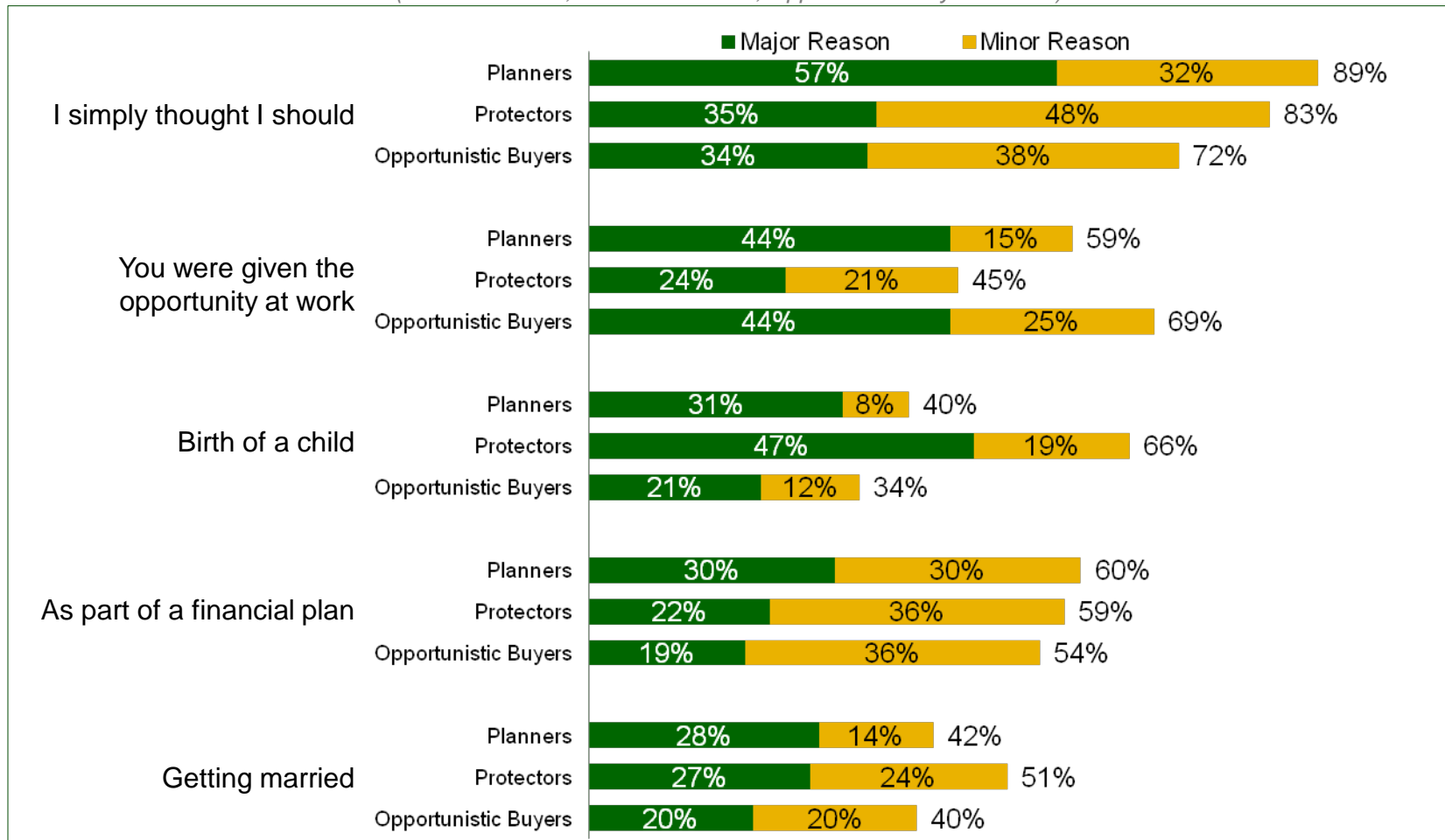
* <.5%



Protectors are more likely to purchase due to a specific event like the birth of a child, opportunistic buyers are more likely to have purchased life insurance because of opportunities at work, and planners because they thought they should.

To what extent was the following ever a reason that motivated you to purchase life insurance?

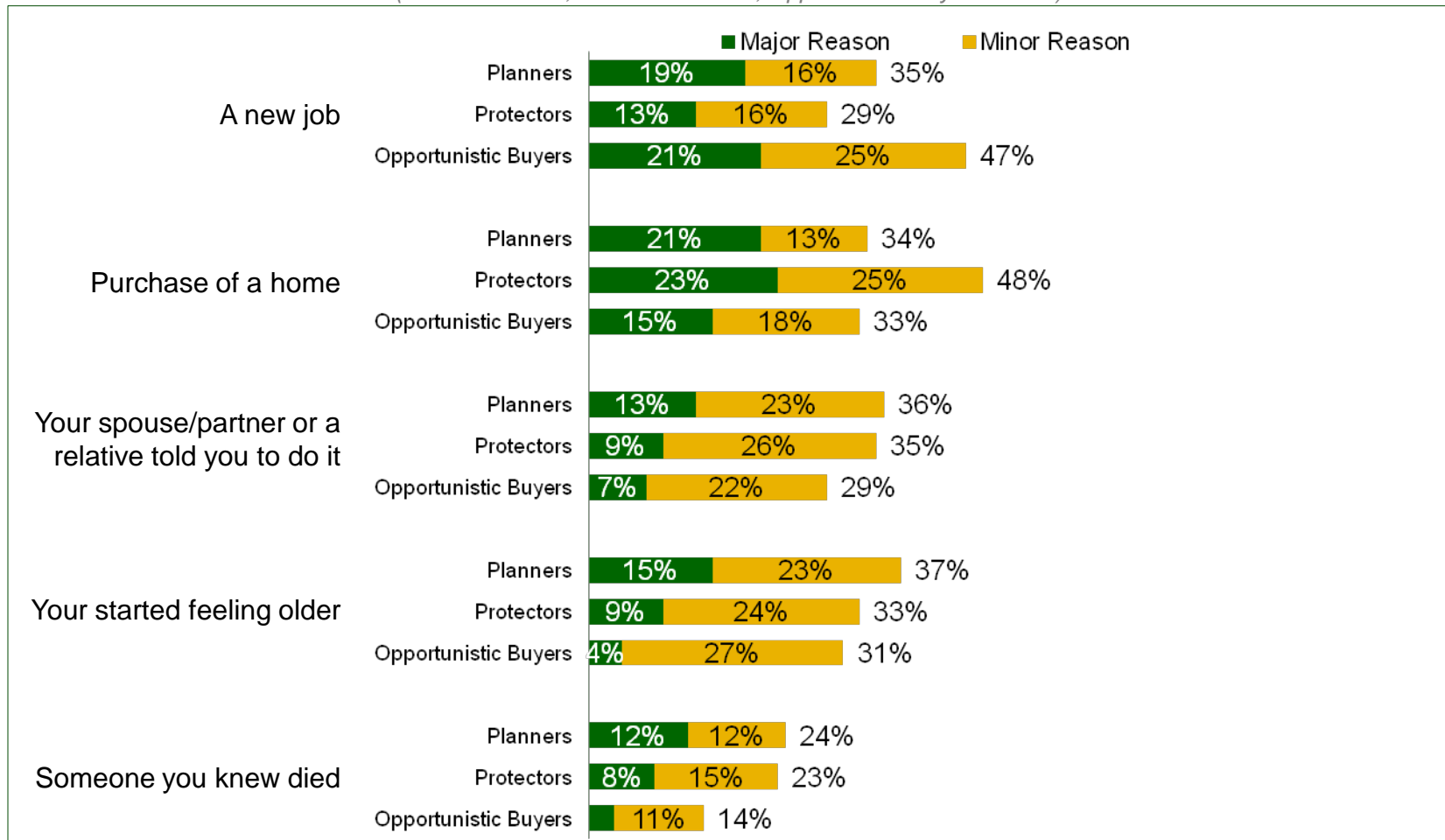
(Planners n=345, Protectors n=258, Opportunistic Buyers n=397)



Protectors are more likely to purchase due to a specific event like the birth of a child, opportunistic buyers are more likely to have purchased life insurance because of opportunities at work, and planners because they thought they should.

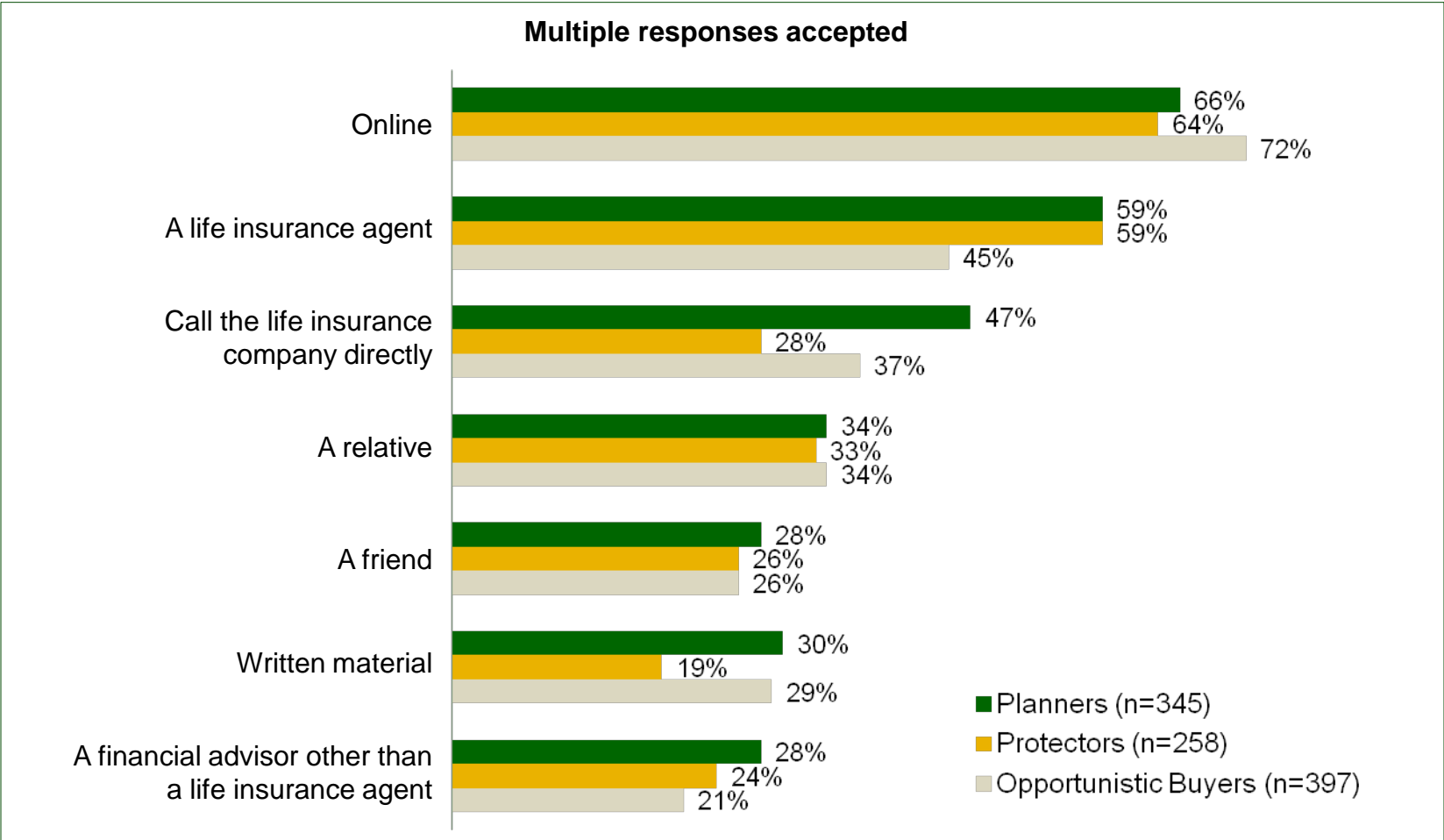
To what extent was the following ever a reason that motivated you to purchase life insurance?

(Planners n=345, Protectors n=258, Opportunistic Buyers n=397)



Overall consumers are most likely to seek information on life insurance online. Opportunistic buyers are least likely to seek advice from an agent or advisor.

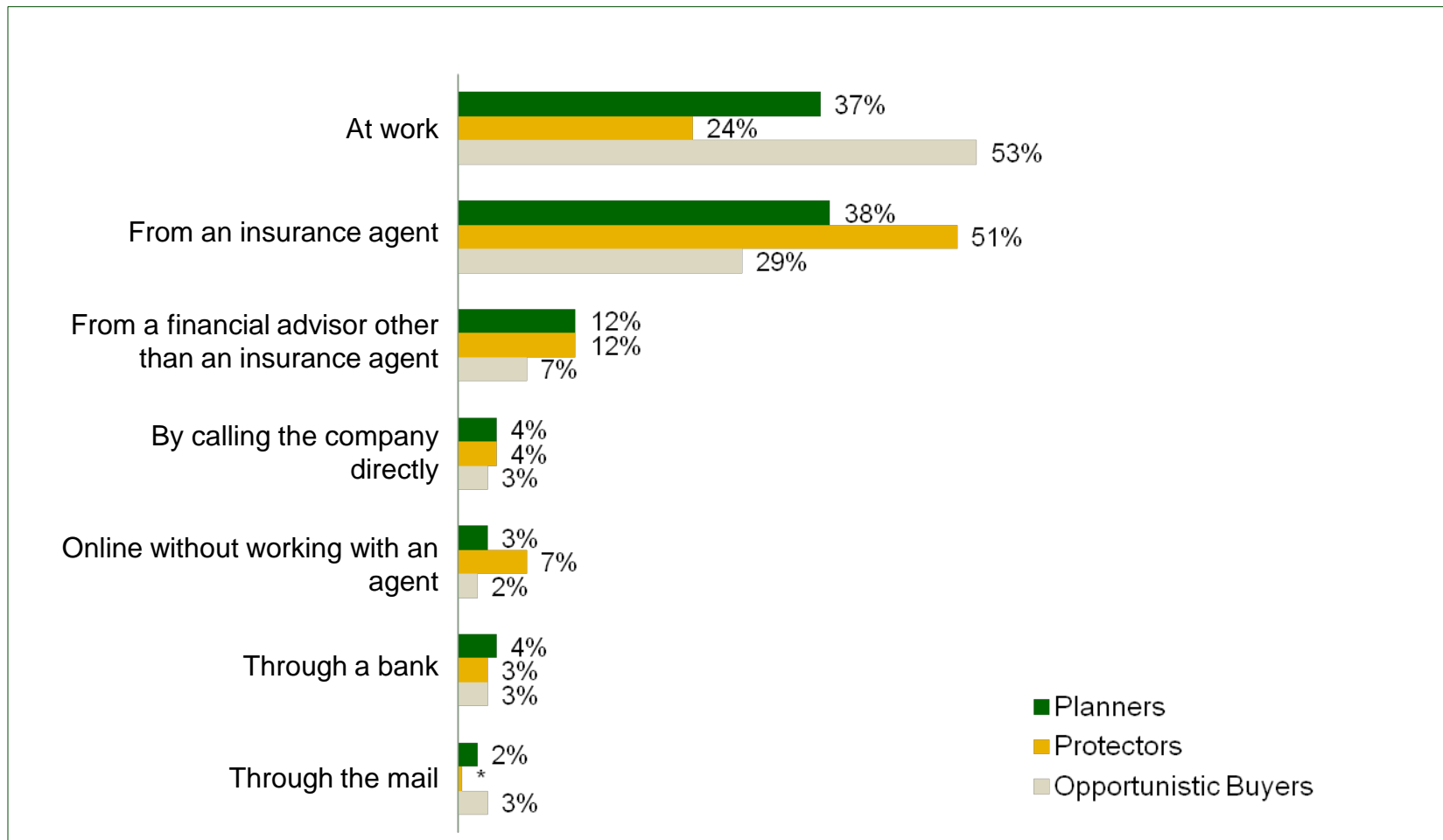
Where would you go to get information regarding life insurance products and costs?



Opportunistic buyers are far more likely to have bought life insurance at work and protectors far more likely to use an agent. Few of any segment frequently used other sources.

Thinking about the most recent life insurance policy you purchased, did you purchase it...?

(Filter: Has individual life insurance; Planners n=308, Protectors n=229, Opportunistic Buyers n=330)

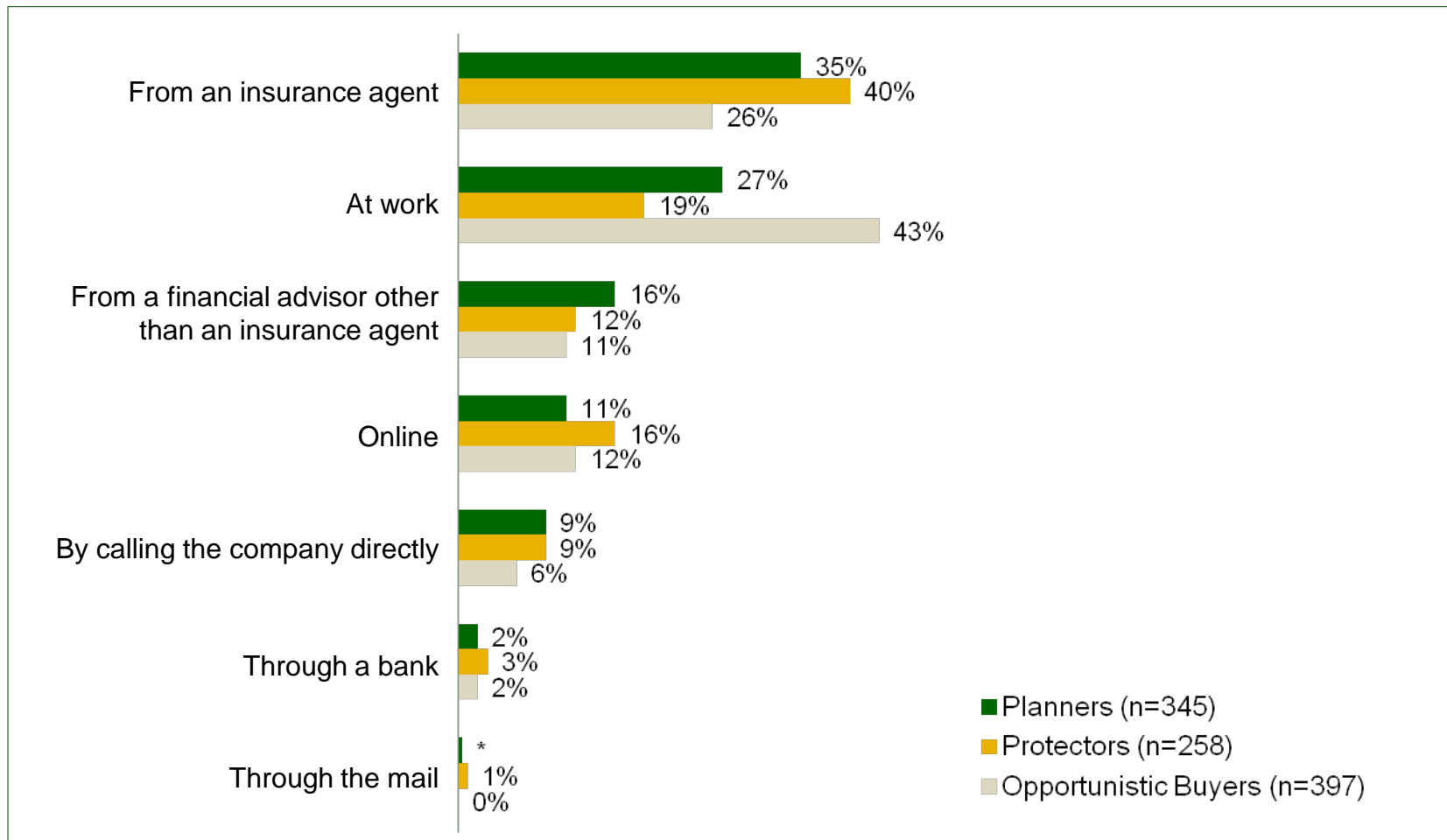


* <.5%



Opportunistic buyers are also far more likely to plan to purchase life insurance through work. Protectors are more likely to make this purchase through an agent.

Thinking about the next time you might purchase life insurance, would you most likely purchase it?



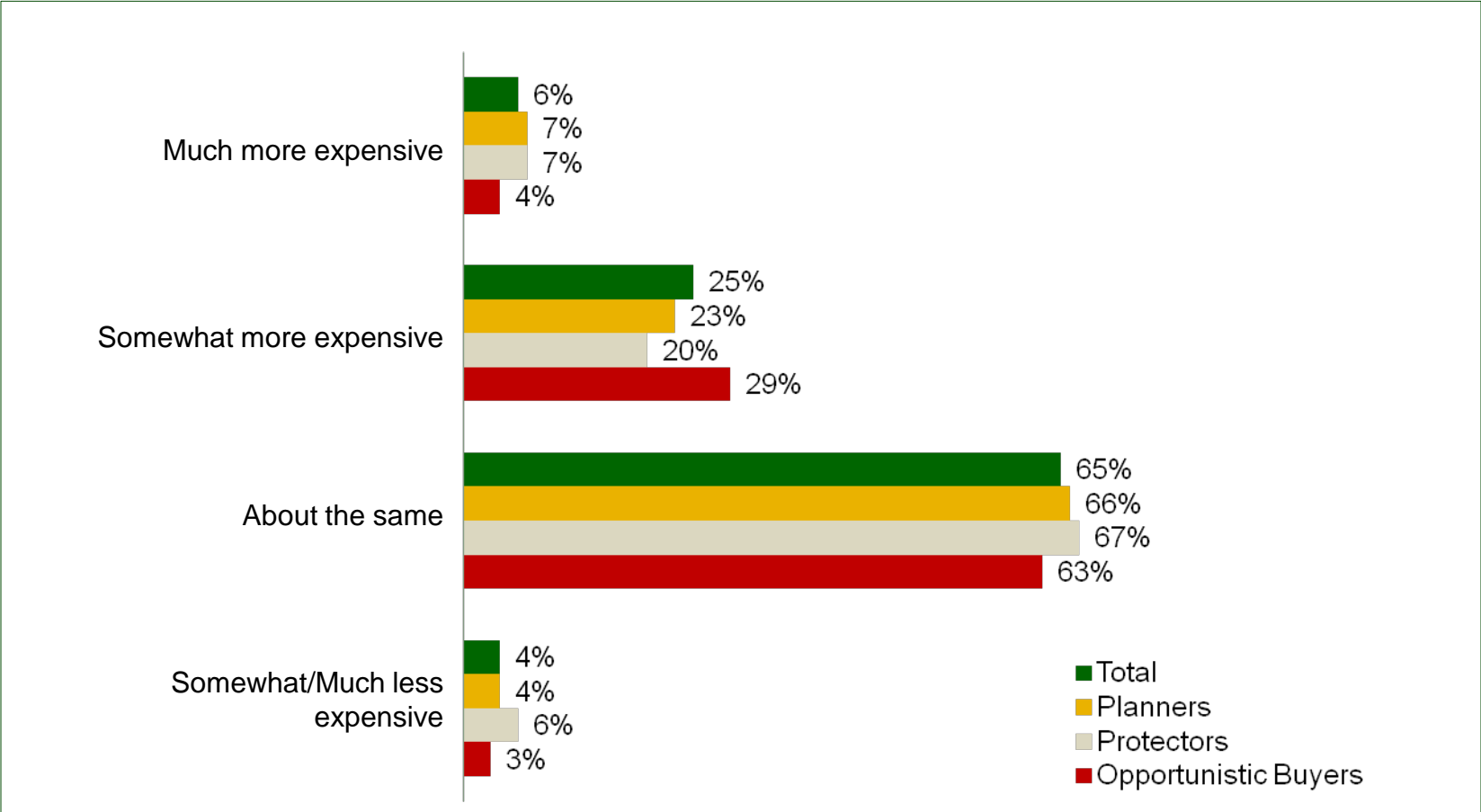
* <.5%



Most feel that life insurance purchased through an agent or advisor costs the same as insurance purchased other ways.

Do you think that purchasing life insurance from an insurance agent or a financial advisor is more or less expensive than other methods that do not involve an insurance agent or advisor?

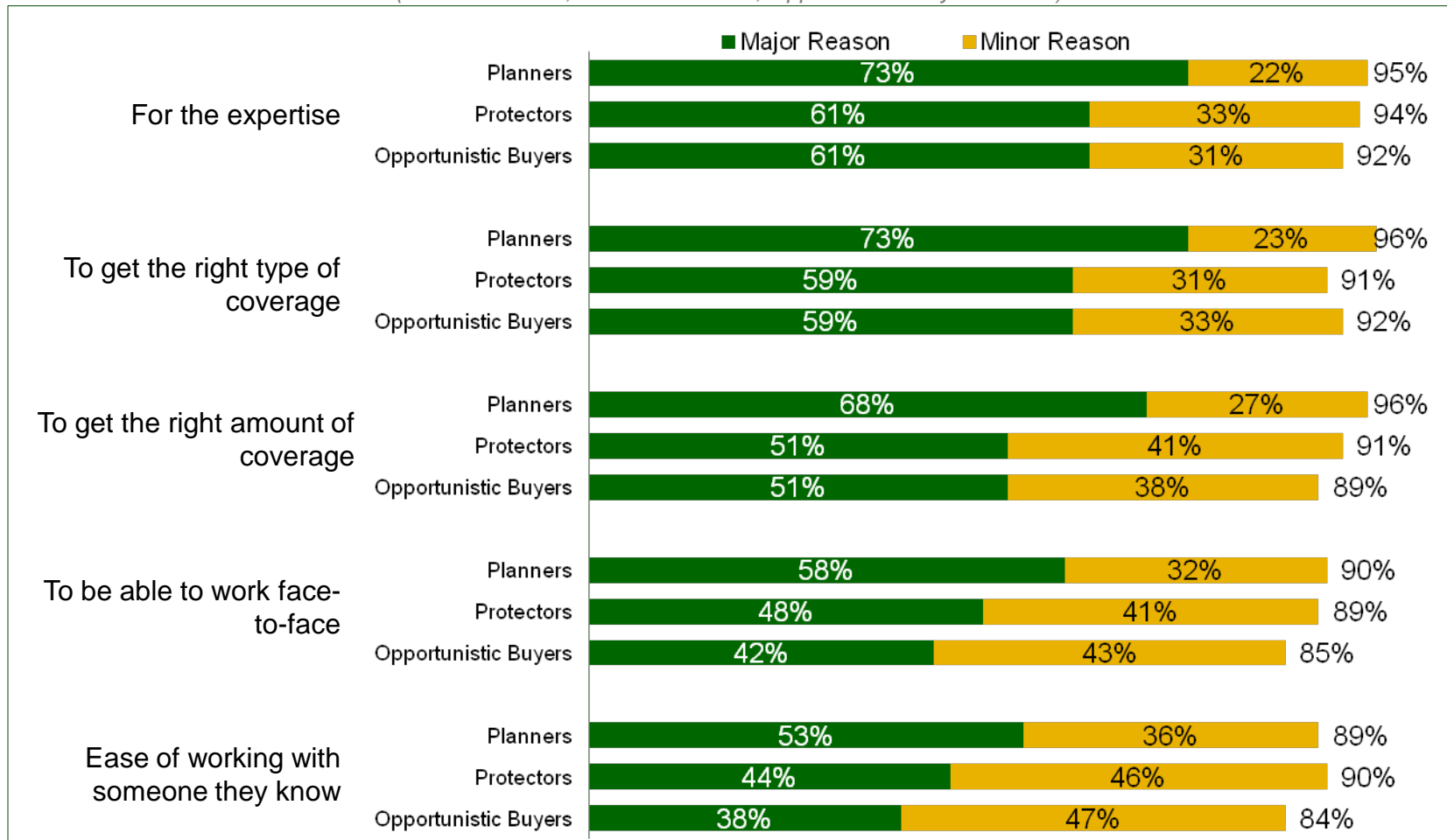
(Filter: Has individual life insurance; Total n=867, Planners n=308, Protectors n=229, Opportunistic Buyers n=330)



Planners are more likely than others to see benefits to working with an agent.

To what extent is the following reasons why someone should purchase from an insurance agent or a financial advisor?

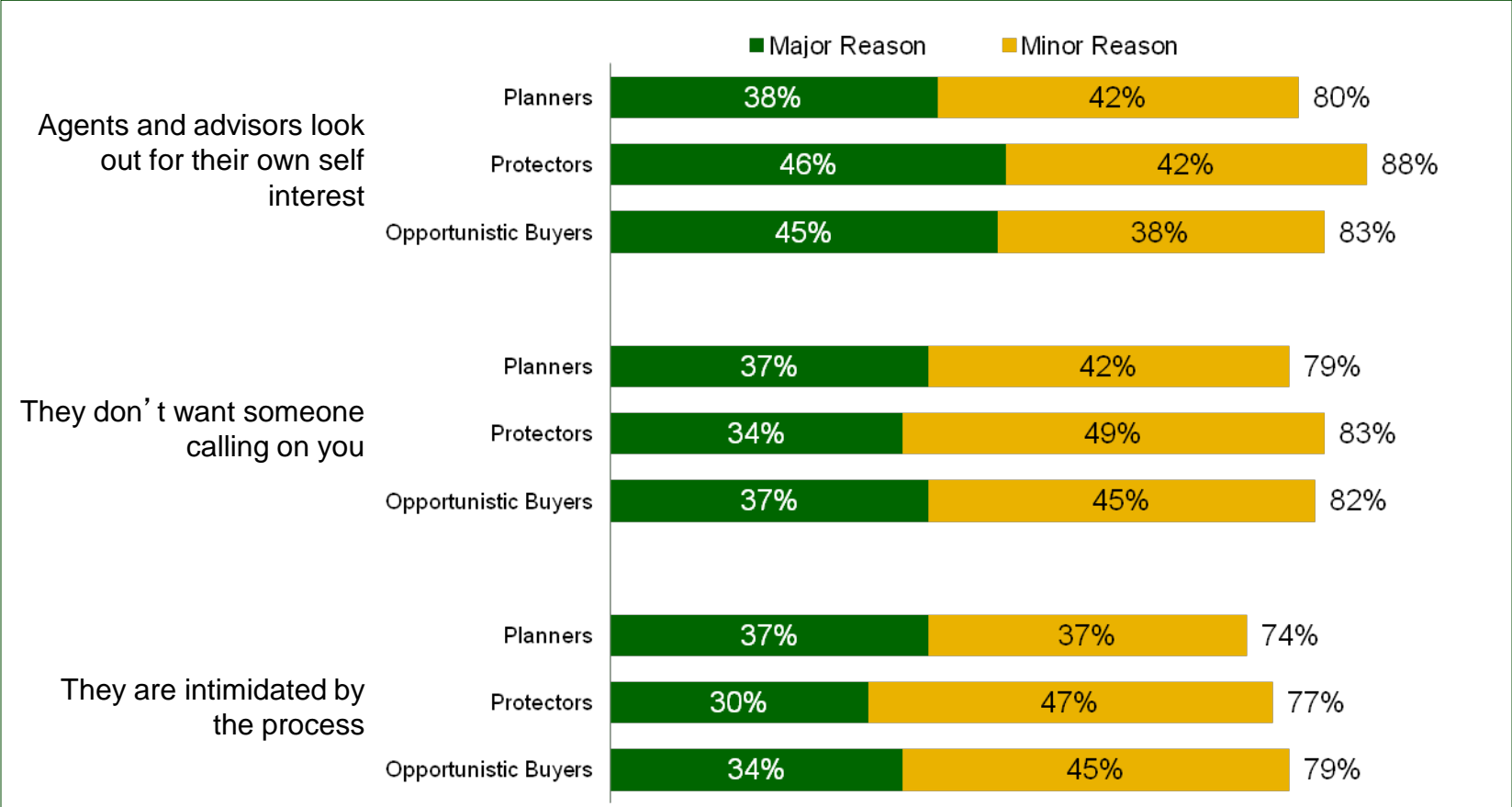
(Planners n=345, Protectors n=258, Opportunistic Buyers n=397)



A significant proportion of the broad population cites several reasons why someone would not purchase from an agent. These do not vary much among the segments.

To what extent are the following reasons why someone would choose not to purchase from an insurance agent or a financial advisor?

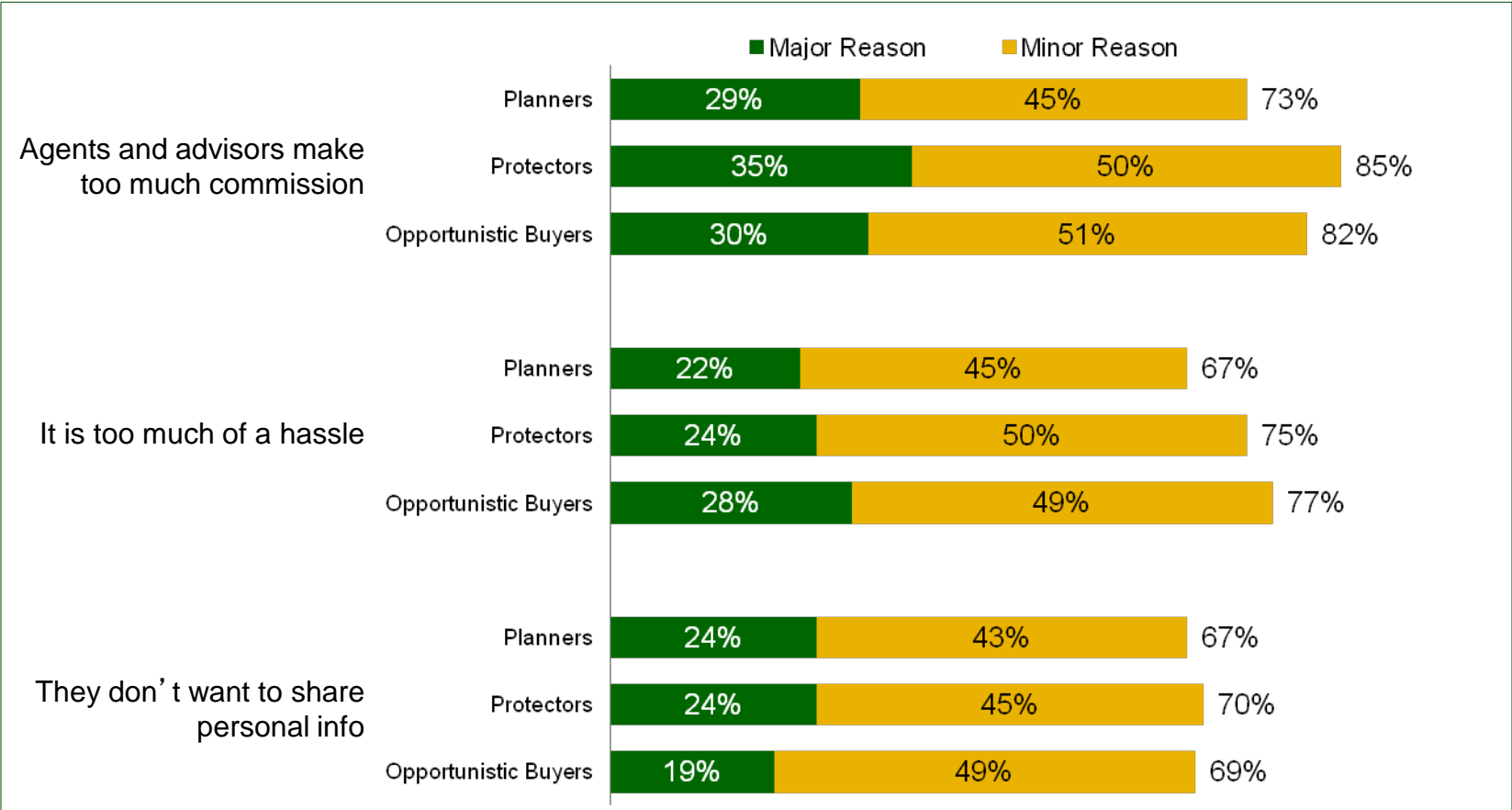
(Planners n=345, Protectors n=258, Opportunistic Buyers n=397)



A significant proportion of the broad population cites several reasons why someone would not purchase from an agent. These do not vary much among the segments. (Continued)

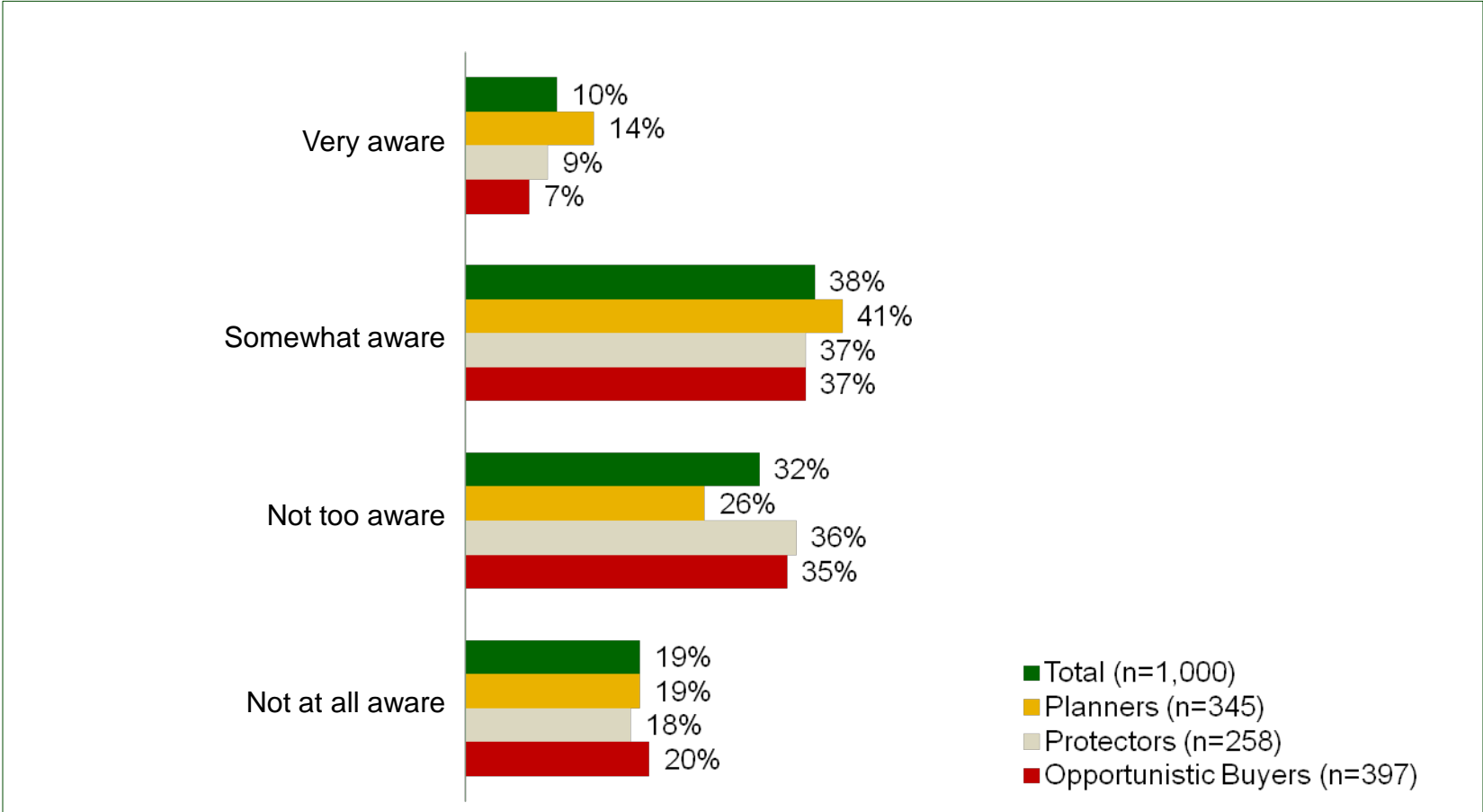
To what extent is the following reasons why someone would choose not to purchase from an insurance agent or a financial advisor?

(Planners n=345, Protectors n=258, Opportunistic Buyers n=397)



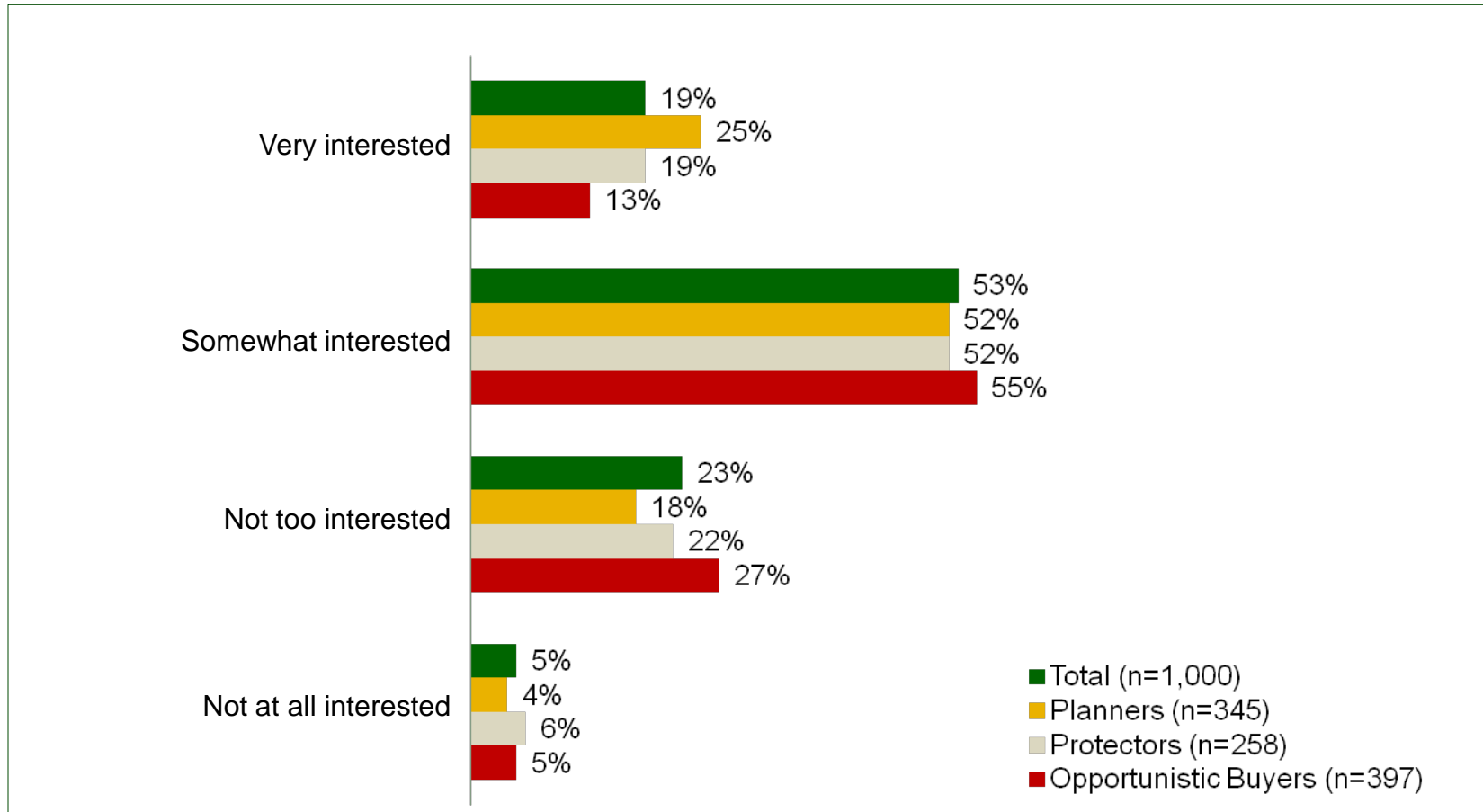
About half are aware of simplified underwriting, but few are *very aware*.

How aware are you of [simplified] underwriting?



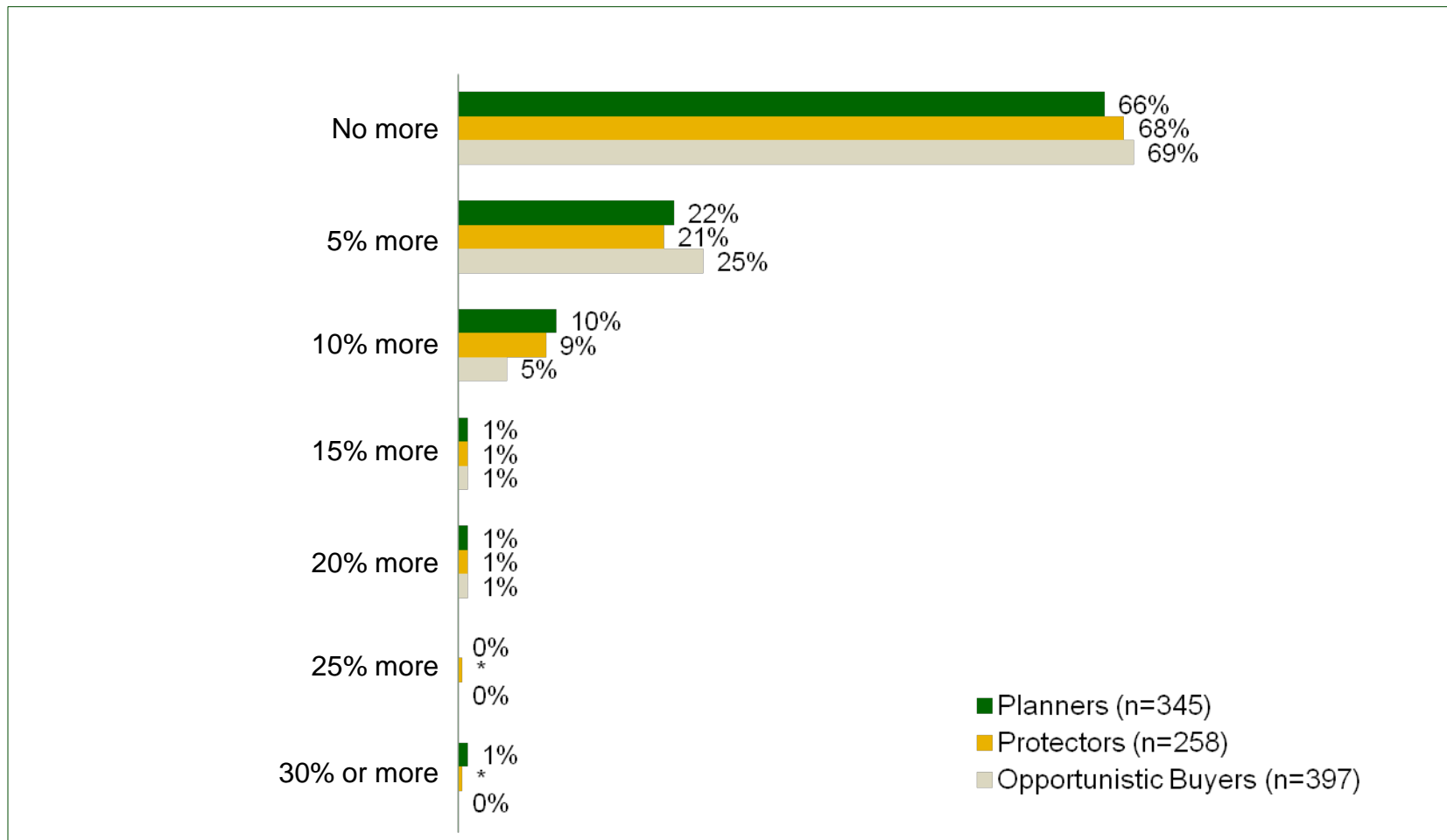
Most have at least some interest in simplified underwriting.

How interested would you be in buying a policy on a simplified issue basis where you did not have to have a medical exam?



Few are willing to pay more for simplified underwriting.

How much more would you be willing to pay for a typical policy you might buy in order to not have to have a medical exam?



* <.5%

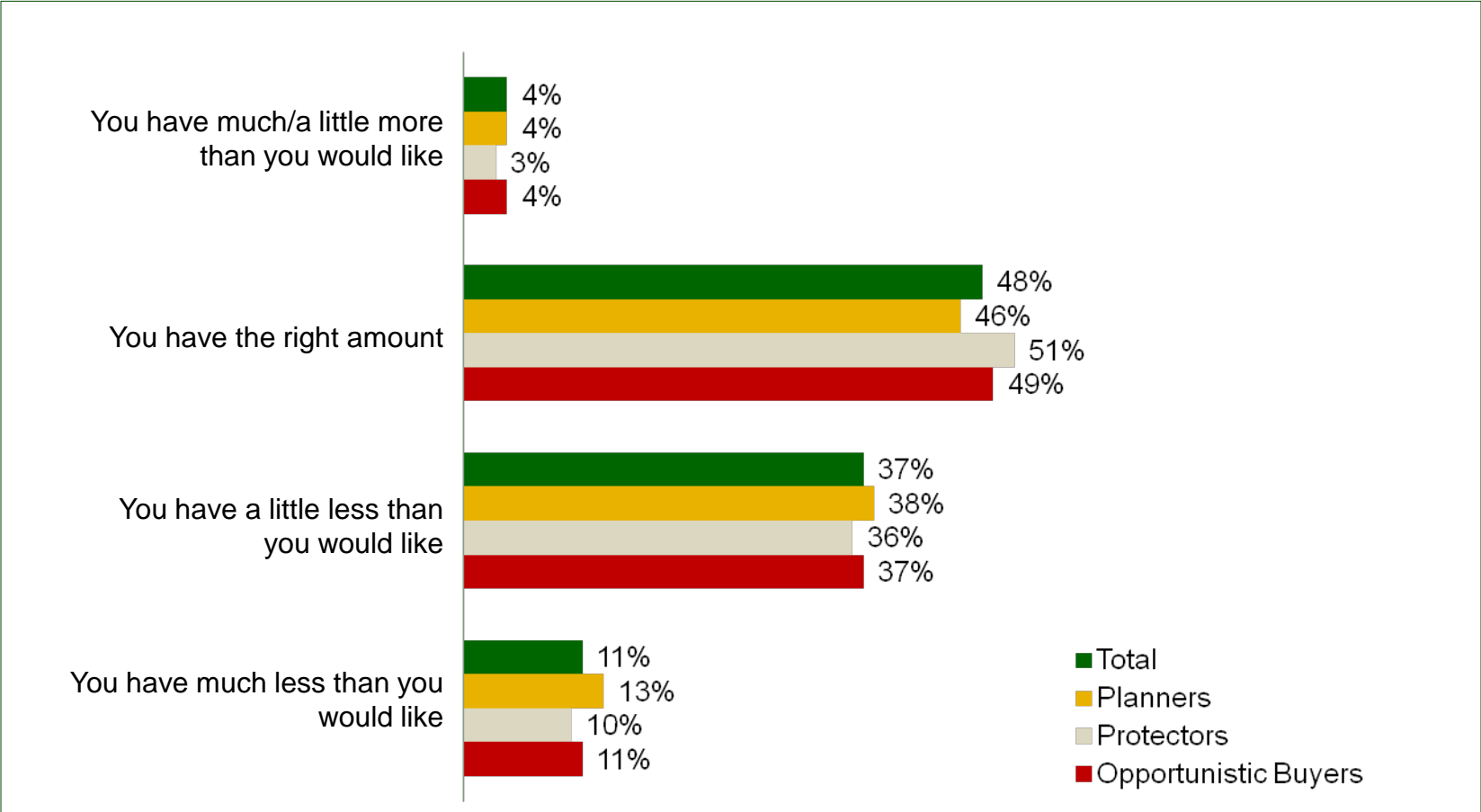


LIFE INSURANCE OWNERSHIP

Consumers are split among those who feel they have the right amount of coverage and those who need more (mostly a little more). There is little difference among the segments.

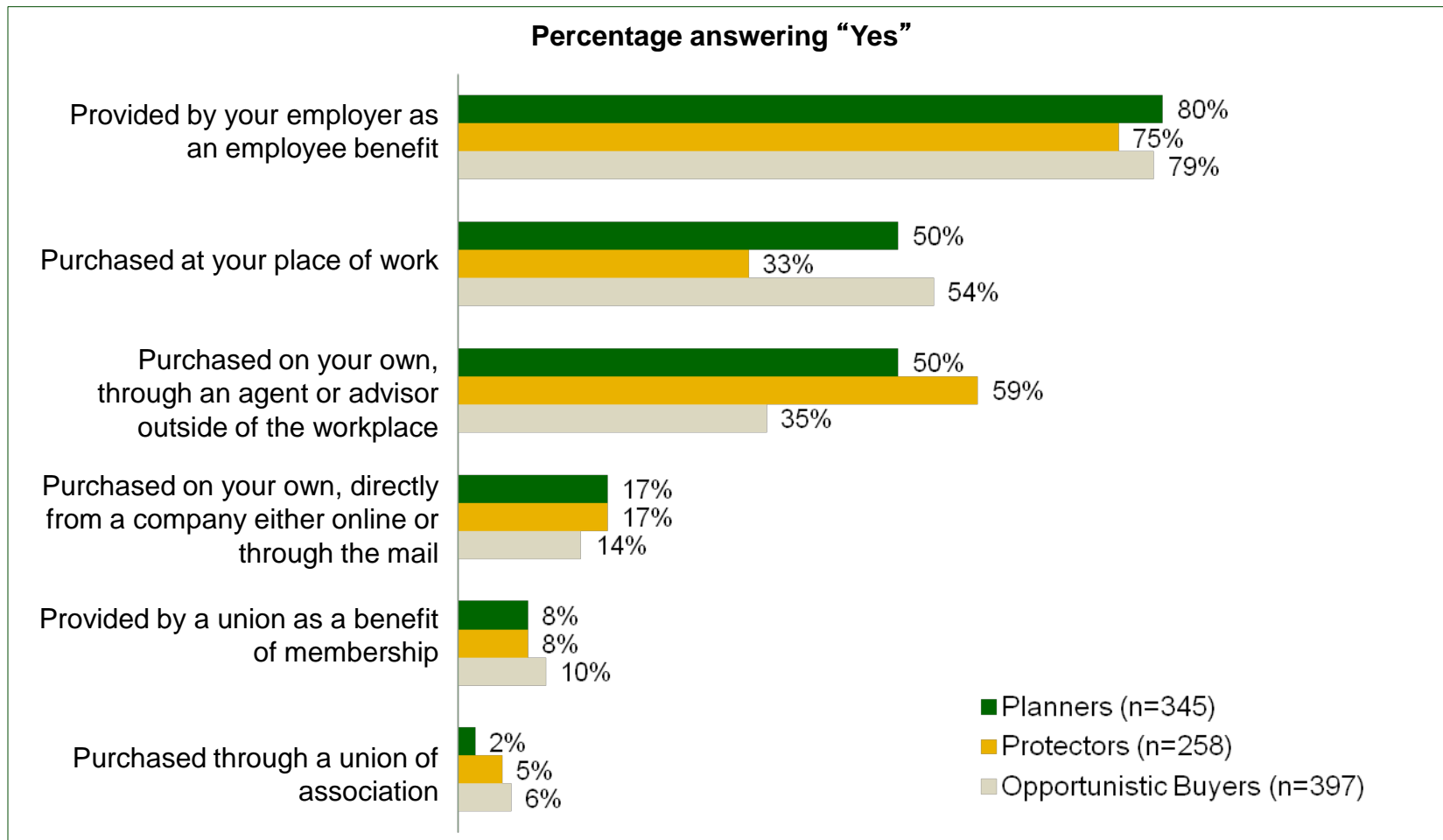
Which of the following best describes how you feel about the total amount of life insurance coverage your household currently has?

(Filter: Has financial advisor; Total n=977, Planners n=338, Protectors n=251, Opportunistic Buyers n=338)



Protectors are more likely to be covered by an insurance purchase from an agent and opportunistic buyers are more likely to have purchased at work than protectors.

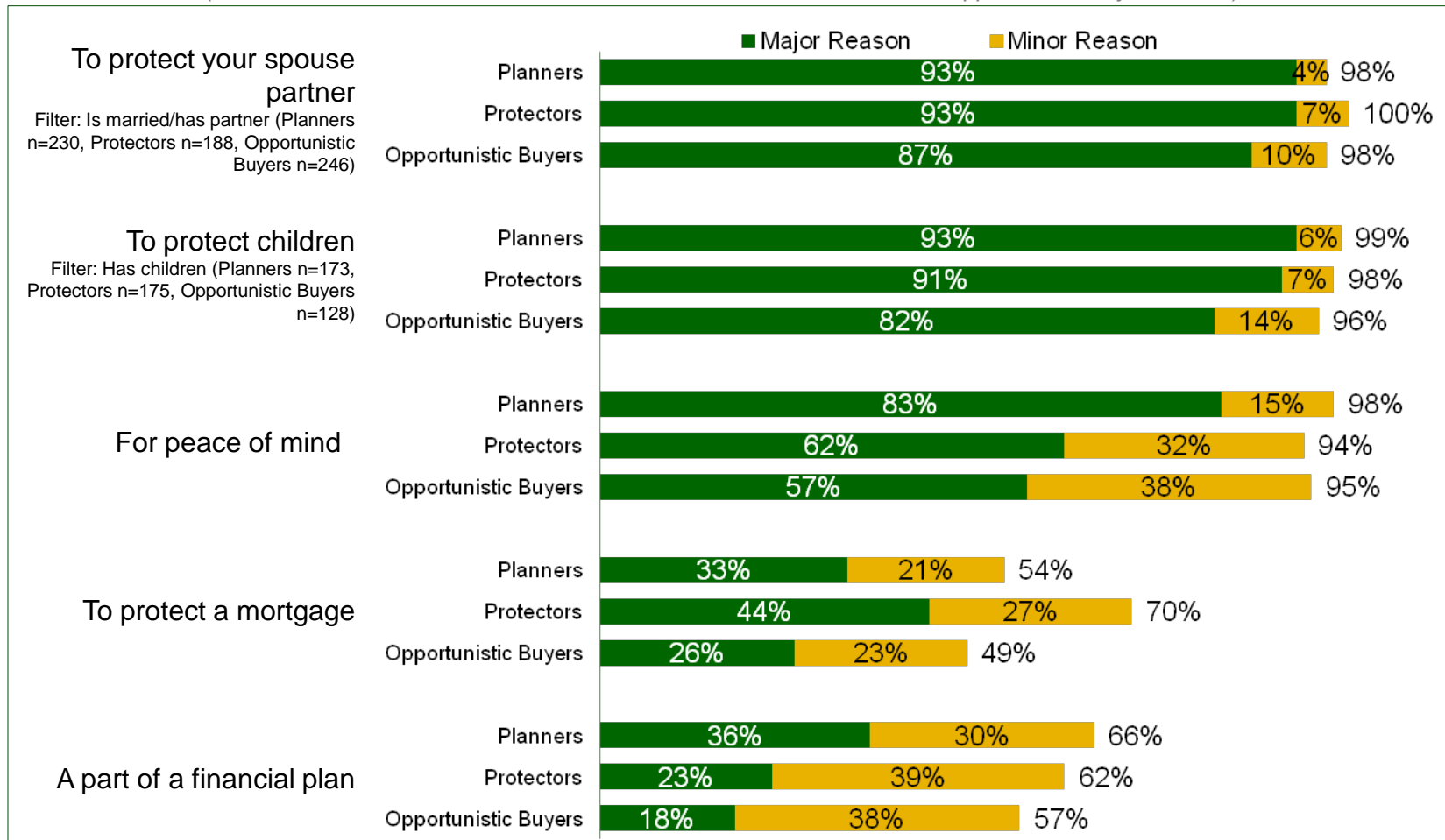
Are you or your spouse/partner covered by one or more life insurance policies that were...?



Protectors more likely to use life insurance for specific protection needs (like mortgage protection) and planners for more general reasons. Most do not value ancillary benefits as much.

To what extent are each of the following reasons why you own life insurance?

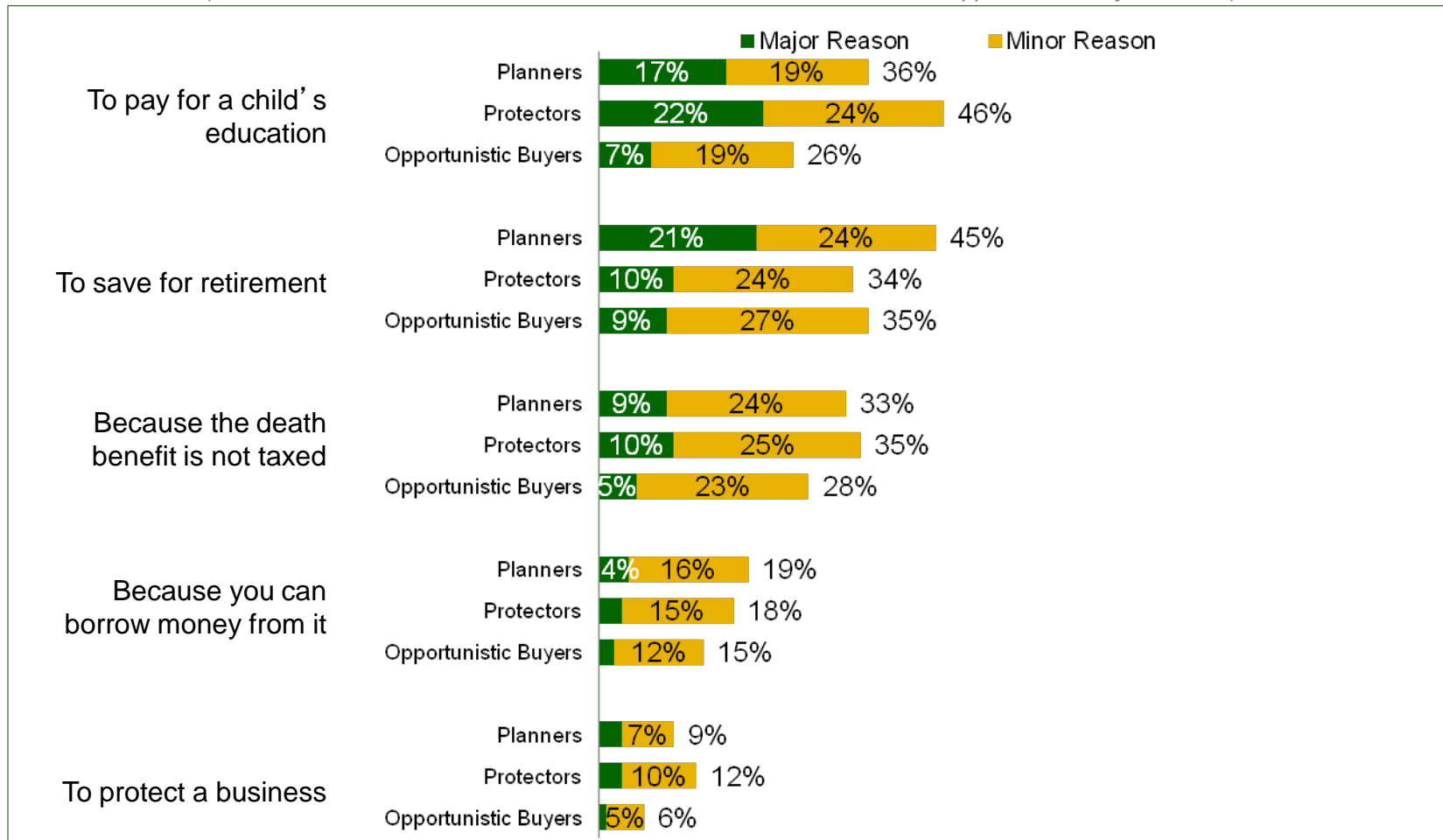
(Filter: Has individual life insurance; Planners n=308, Protectors n=229, Opportunistic Buyers n=330)



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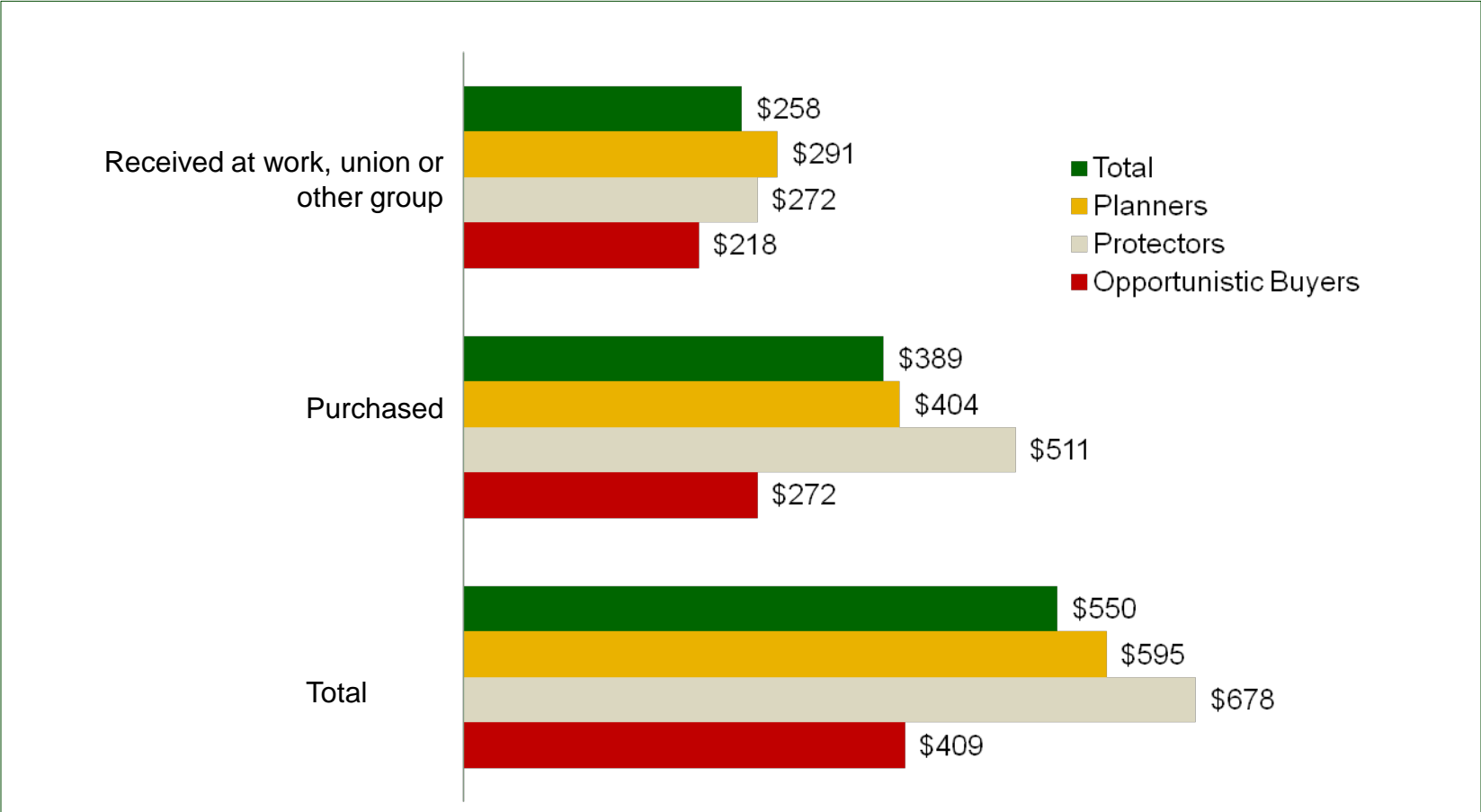
(Filter: Has individual life insurance Planners n=308, Protectors n=229, Opportunistic Buyers n=330)



Protectors have purchased more than others while opportunistic buyers have purchased less coverage than other groups.

What is the total amount of coverage or death benefit from this life insurance (In \$1,000)?

(Filter: Has life insurance as group benefit and reported amount, n=696, has purchased life insurance and reported amount, n=757)



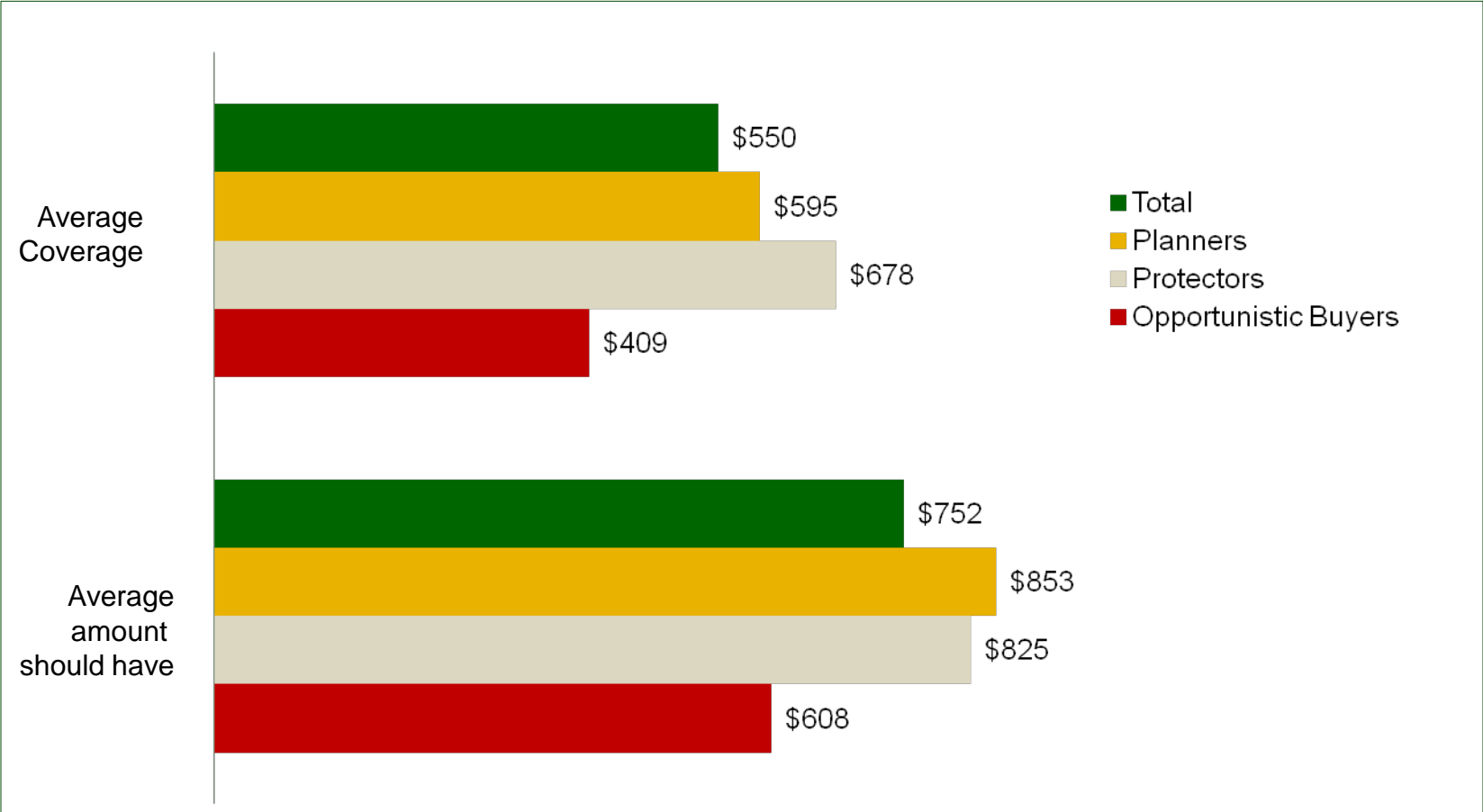
Note: Total eliminates those who did not receive coverage from one source or the other.



All segments have less coverage than they feel they should have, with protectors somewhat closer than others.

What is the total amount of coverage or death benefit from this life insurance and how much to you feel you should have (In \$1,000)?

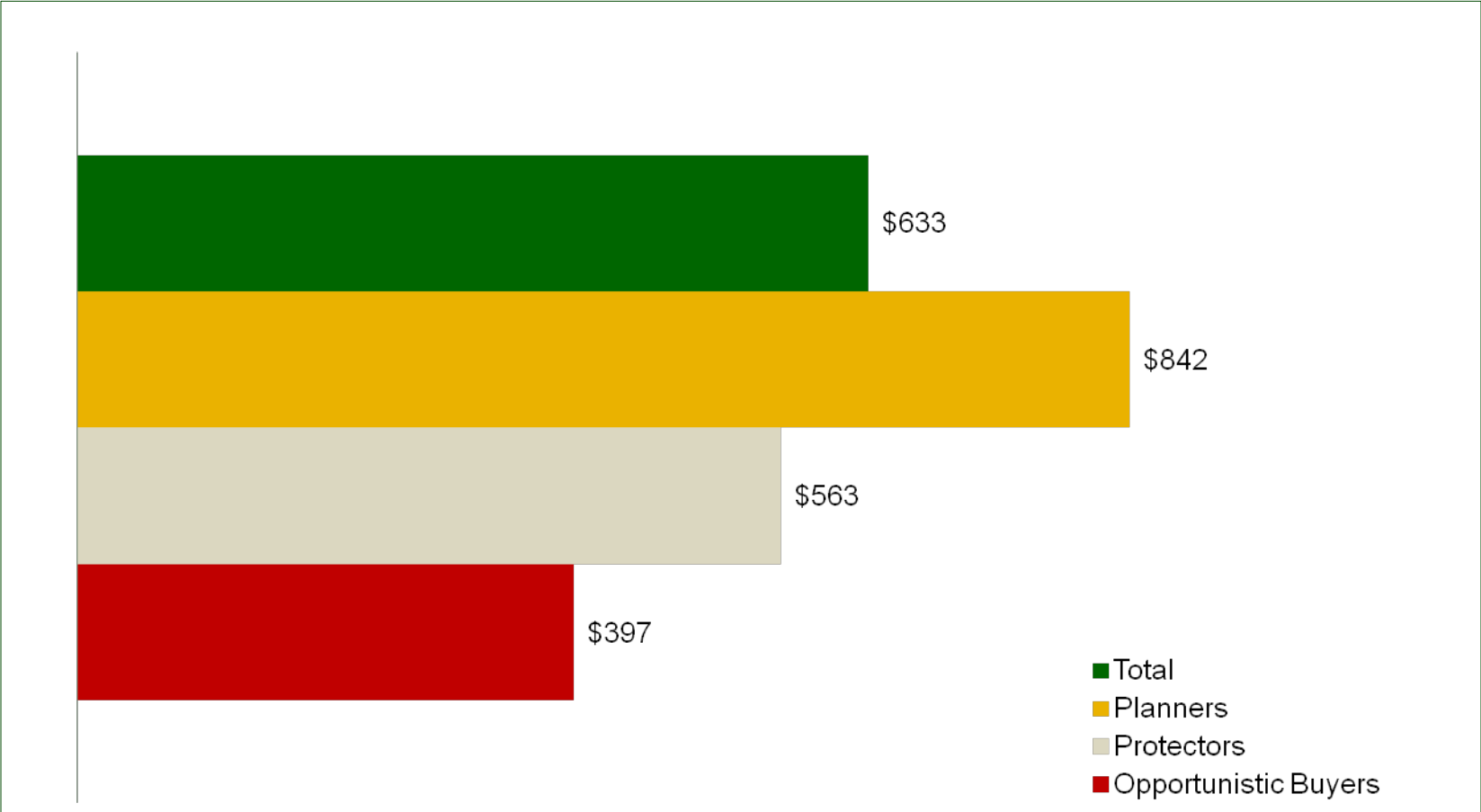
(Filter: Has life insurance and reported amount, n=827; total reporting amount should have, n=924)



Although sample is small, planners anticipate buying larger amounts and opportunistic buyers smaller amounts than others.

What is the total amount of insurance coverage you will likely purchase (in \$1,000)?

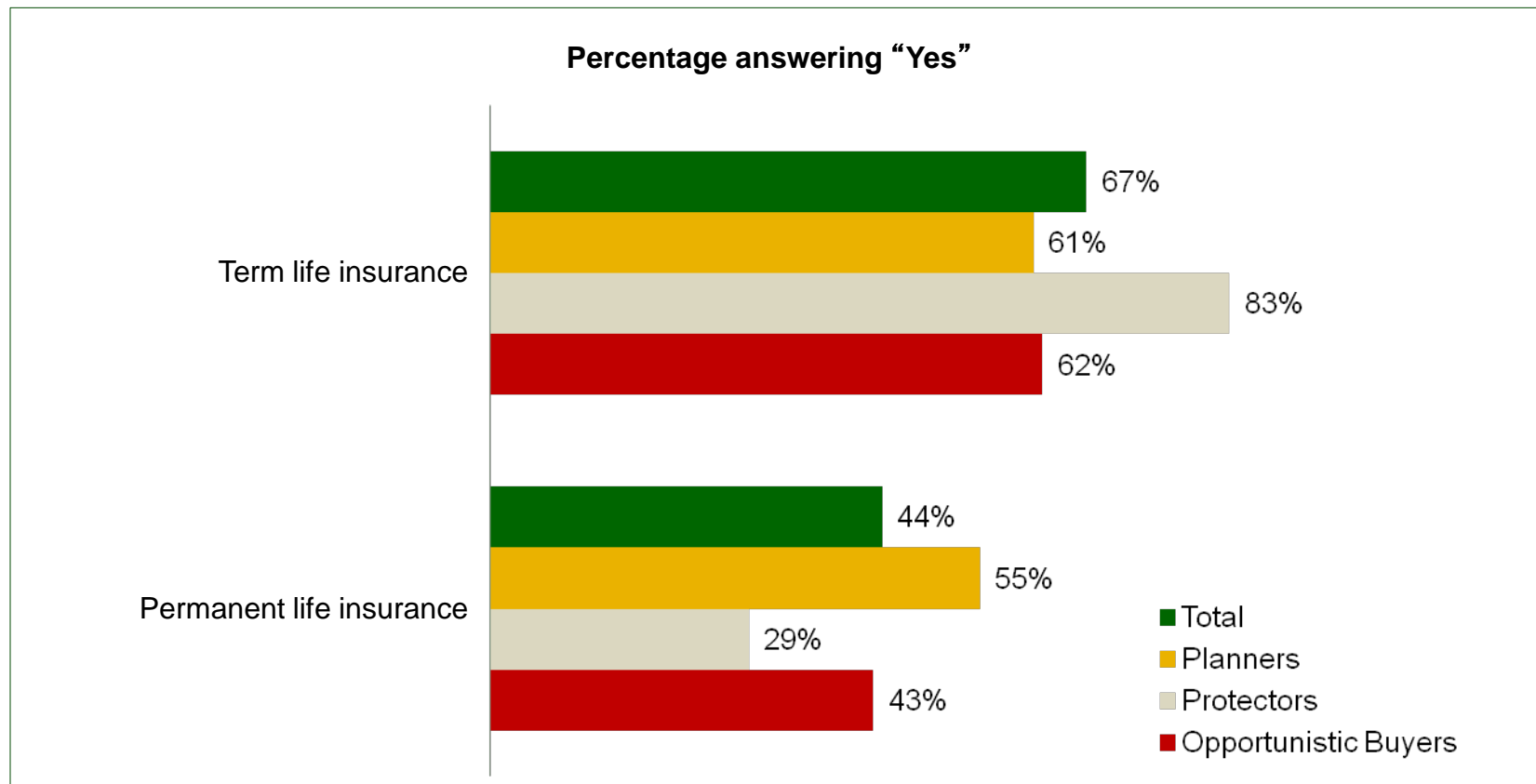
(Filter: Those very likely to buy and reported amount; Total n=73, Planners n=32, Protectors n=18, Opportunistic Buyers n=23)



Protectors are far more likely to have term life insurance.

What type(s) of life insurance do you or your spouse/partner have that you purchased on your own?

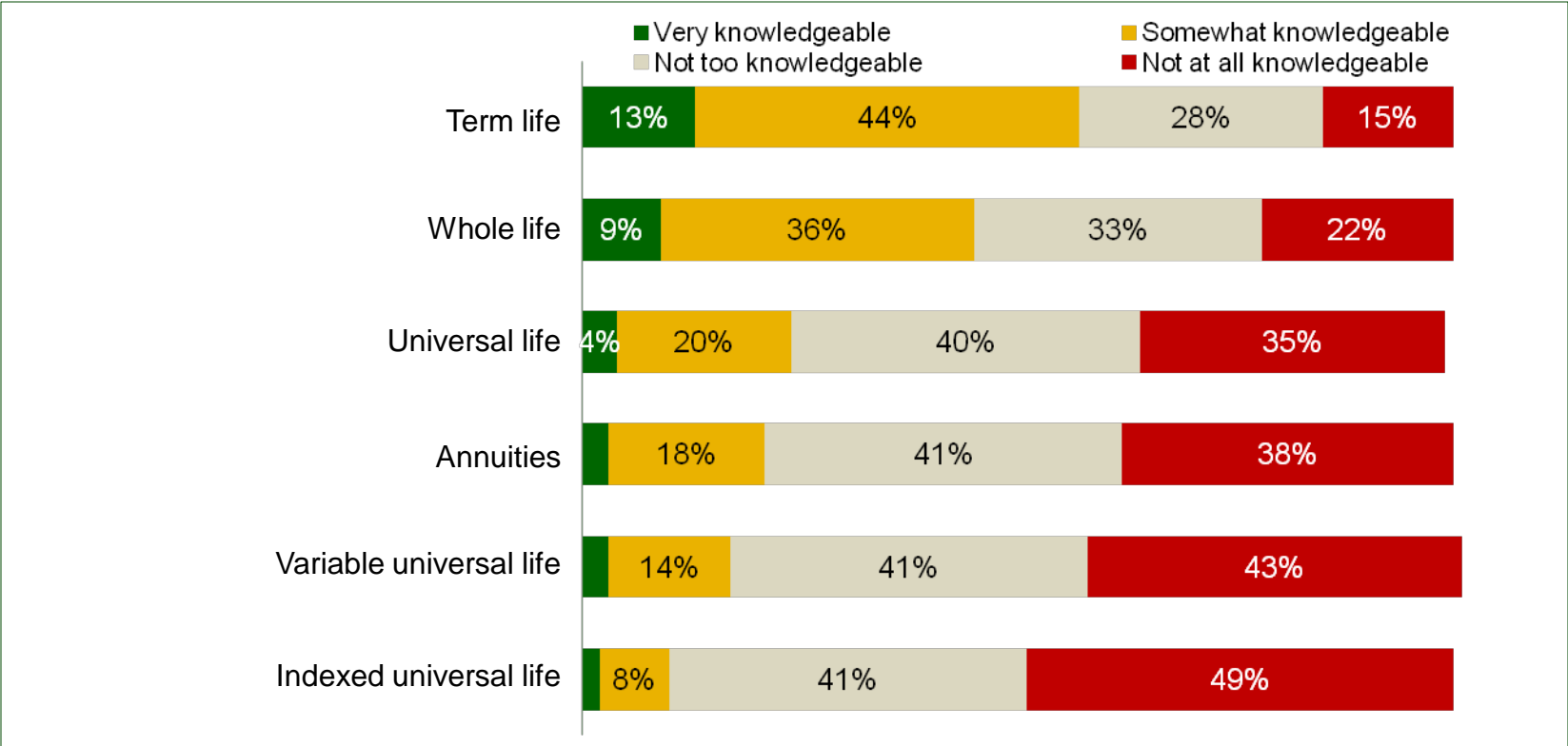
(Filter: Has Individual life insurance; Total n=867, Planners n=308, Protectors n=229, Opportunistic Buyers n=330)



Consumers are much more knowledgeable about term and whole life than other types of life insurance or annuities.

How knowledgeable are you of the following types of insurance products?

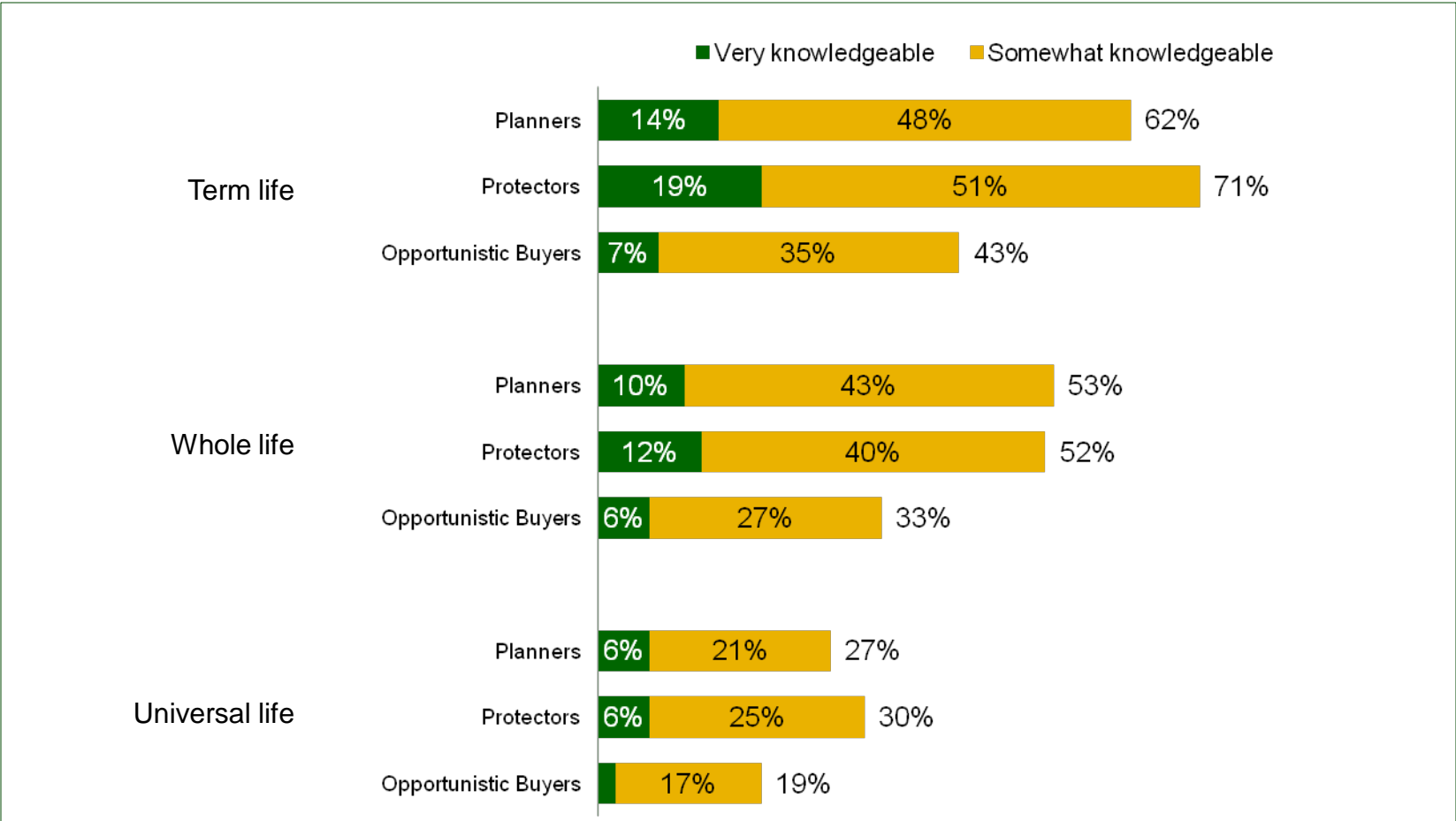
(Filter: Has life insurance; Total n=977)



Opportunistic buyers are the least knowledgeable about insurance products.

How knowledgeable are you of the following types of insurance products?

(Planners n=338, Protectors n=251, Opportunistic Buyers n=388)

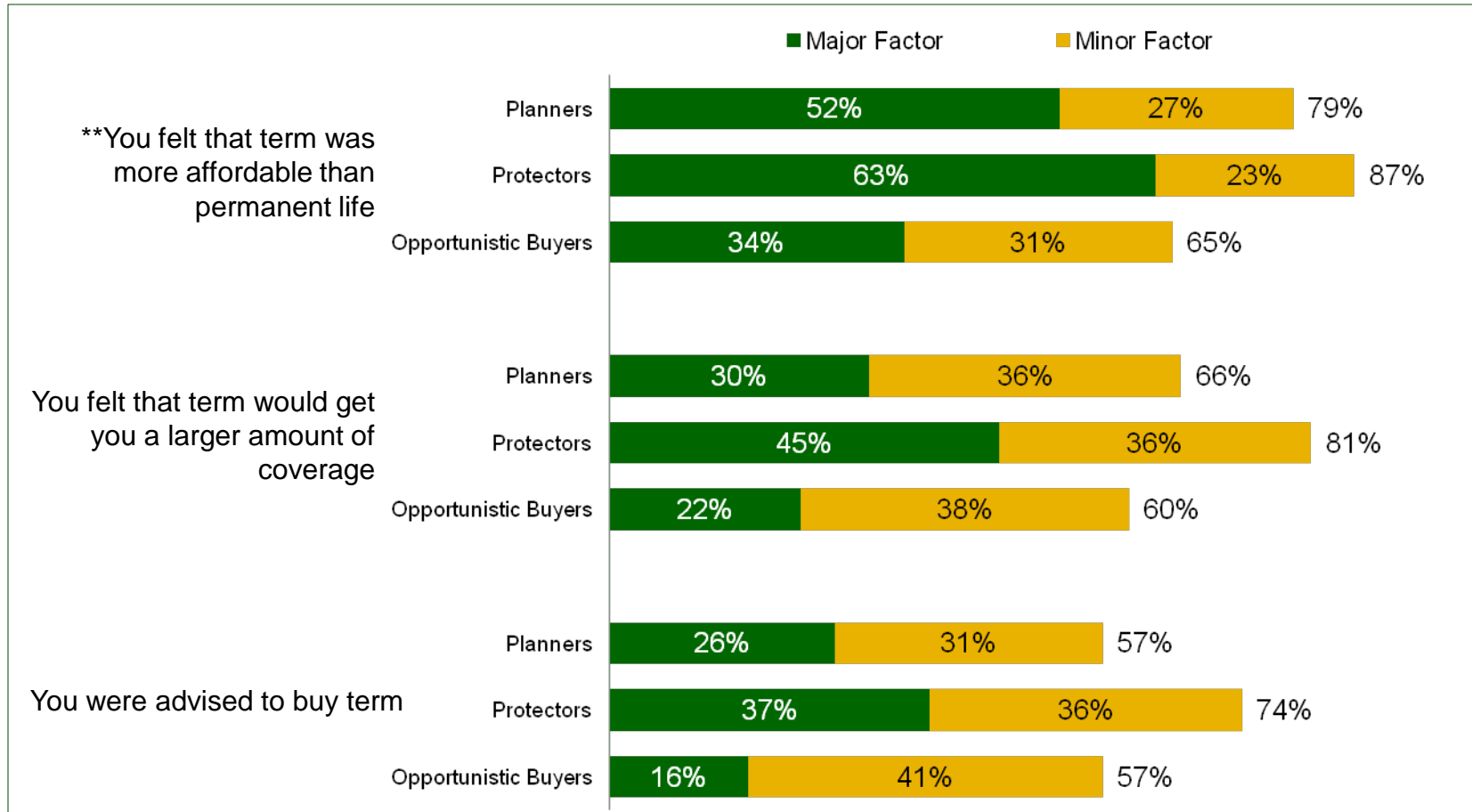


Protectors are most likely to believe that they do not need permanent life insurance. They are also less likely to believe in it and to report they were advised to buy term.

How big of a factor was each of the following in your decision to purchase term life insurance?

(Filter: Has life insurance; Planners n=198, Protectors n=198, Opportunistic Buyers n=225)

** (Filter: Does not have permanent life insurance; Planners n=132, Protectors n=162, Opportunistic Buyers n=173)

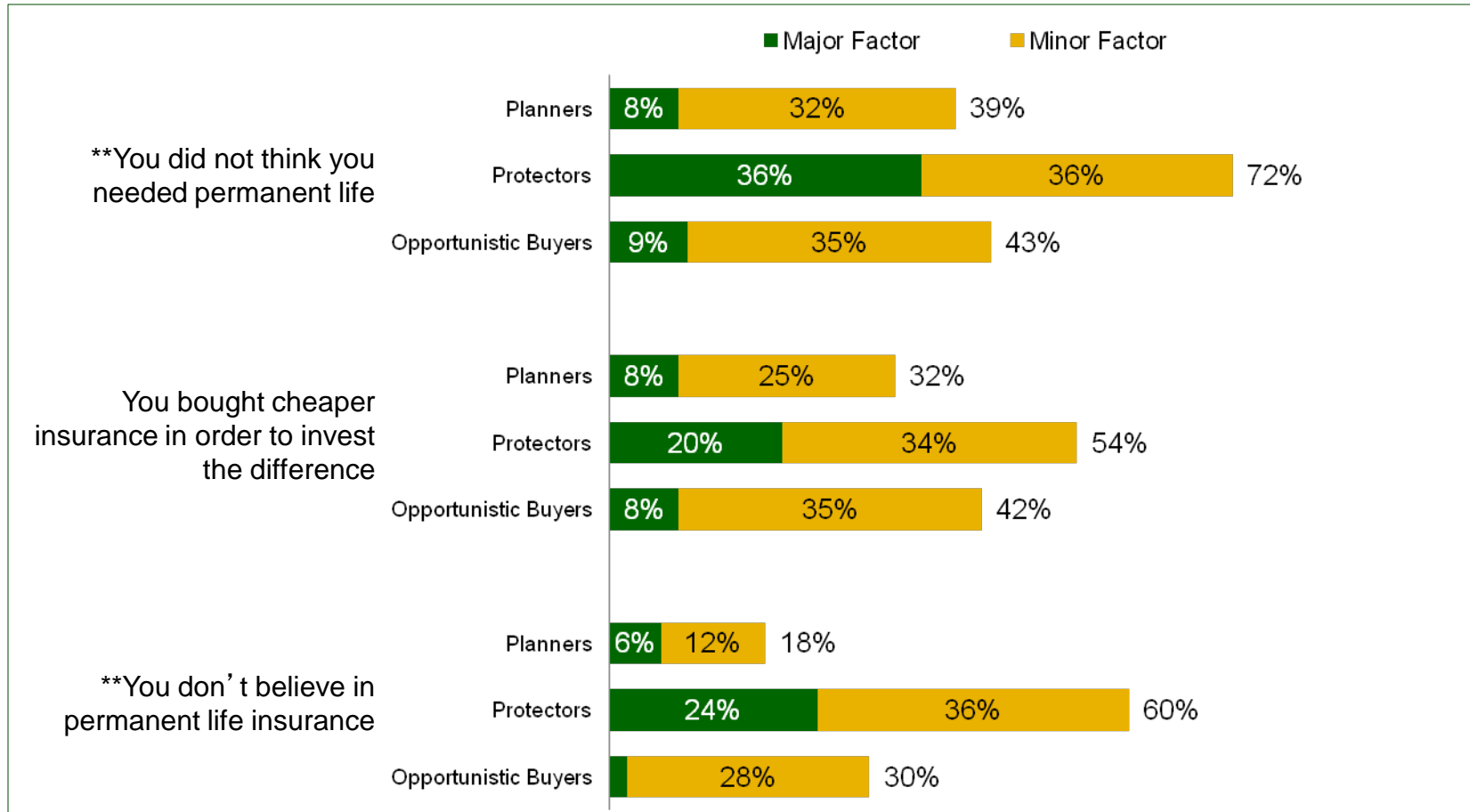


Protectors are most likely to believe that they do not need permanent life insurance. They are also less likely to believe in it and to report they were advised to buy term. (Continued)

How big of a factor was each of the following in your decision to purchase term life insurance?

(Filter: Has life insurance; Planners n=198, Protectors n=198, Opportunistic Buyers n=225)

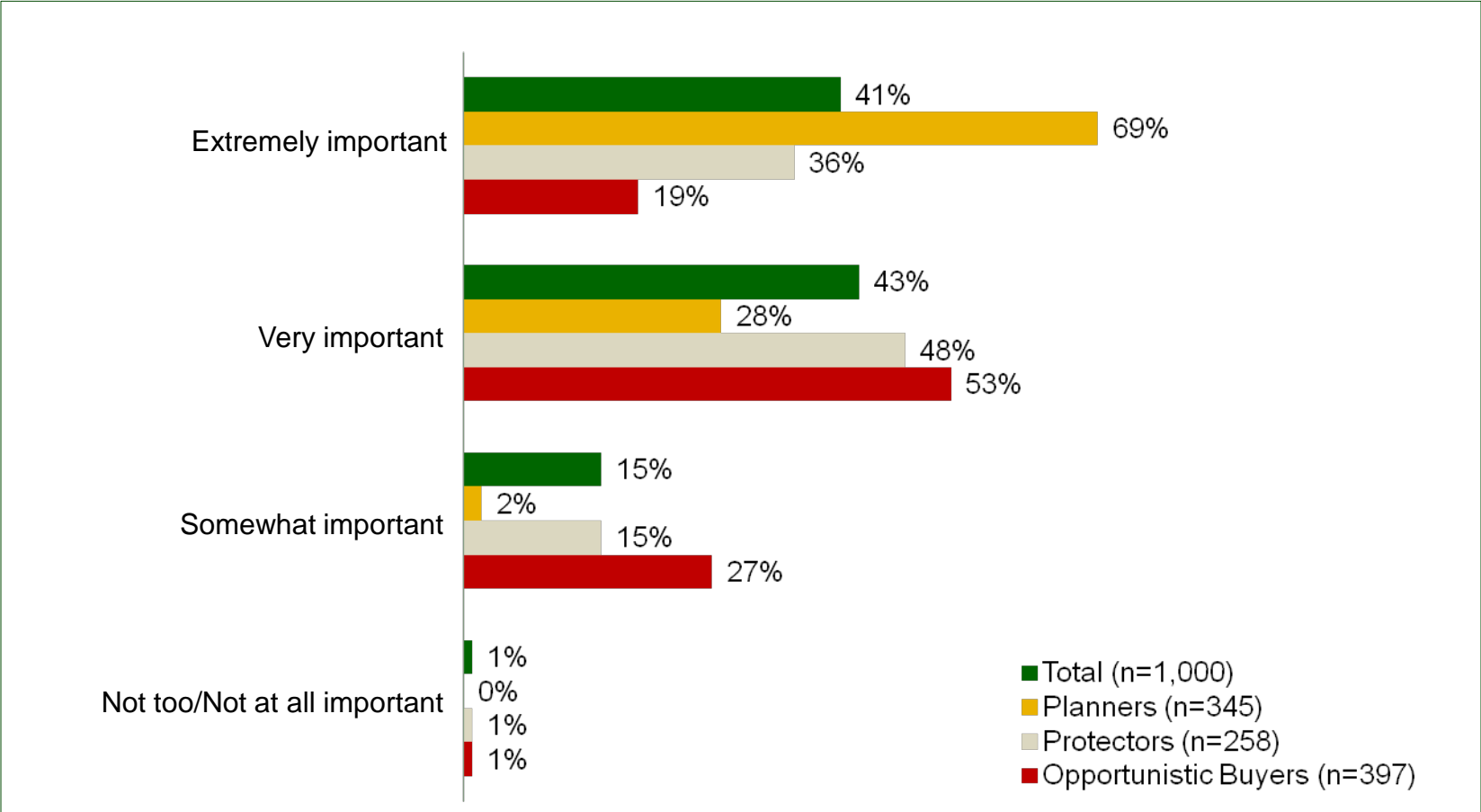
** (Filter: Does not have permanent life insurance; Planners n=132, Protectors n=162, Opportunistic Buyers n=173)



ATTITUDES TOWARDS LIFE INSURANCE

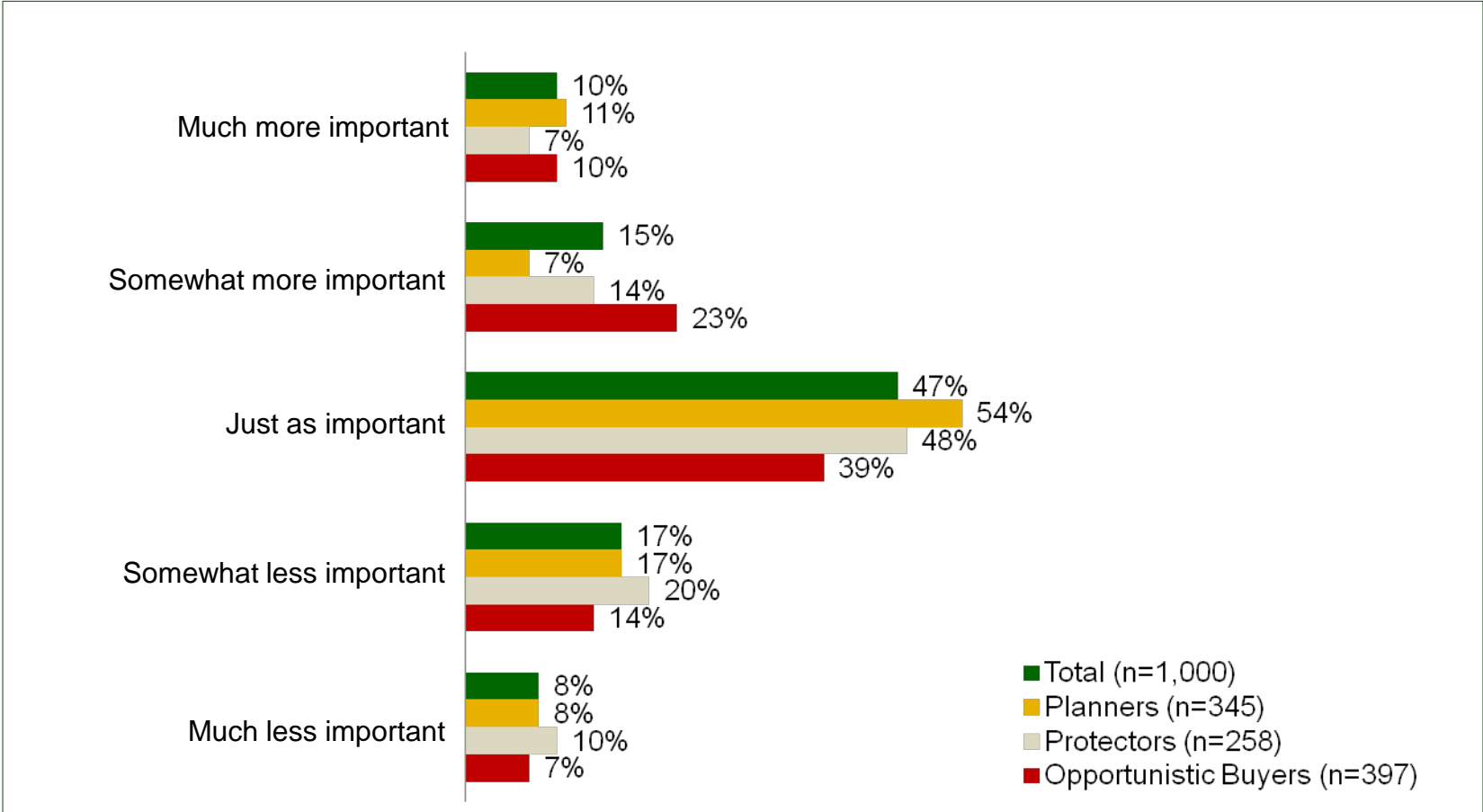
Most believe it is important to by life insurance, planners far more than others and opportunistic buyers far less to believe this strongly.

Overall, how important do you think it is for a family to purchase life insurance?



Most feel that life insurance was as least as important to their parents as to themselves.

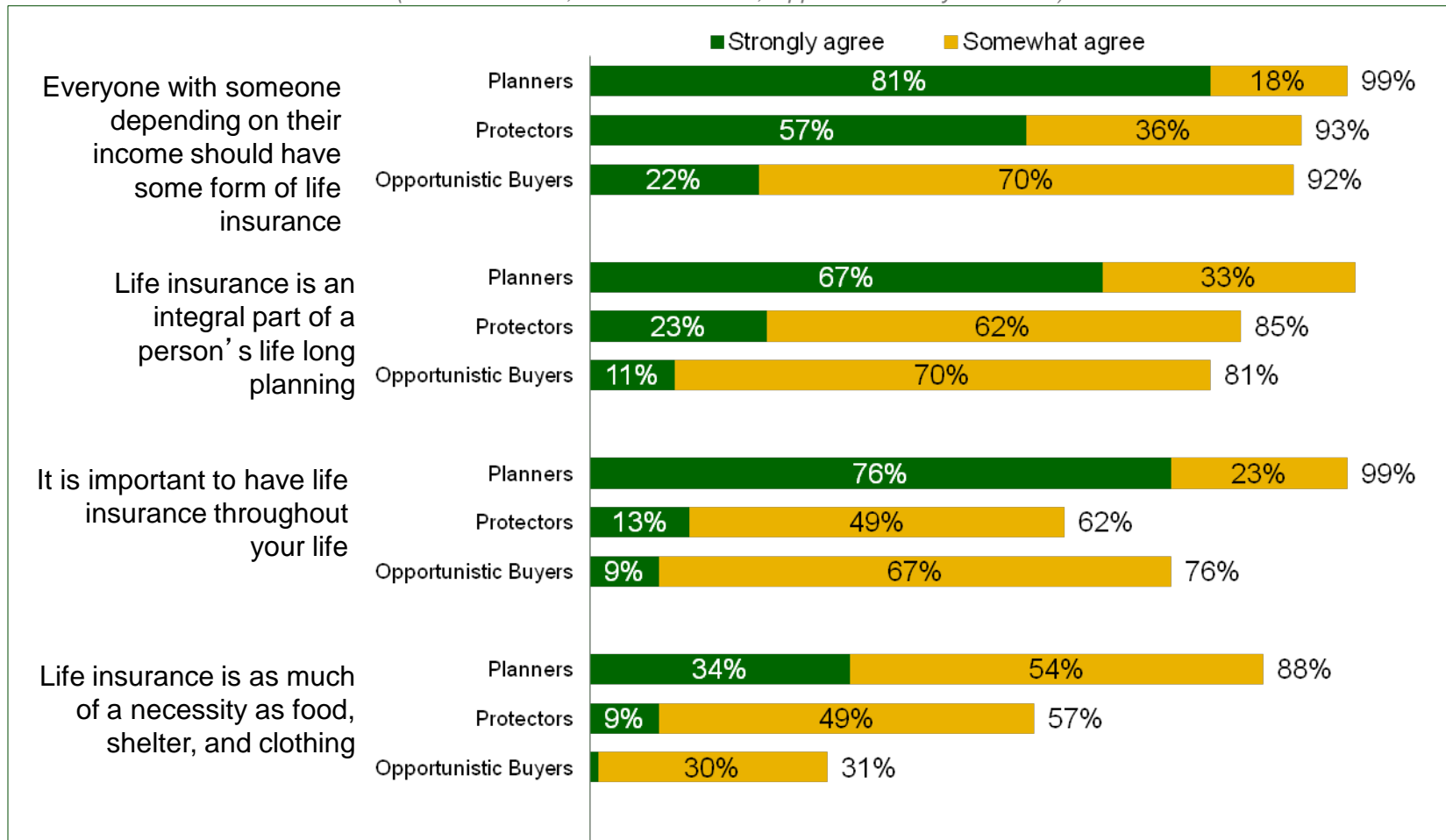
Do you think that your parents believed life insurance to be more or less important than you do?



Planners place far greater value on life insurance and opportunistic buyers far less.

Please indicate how much you agree or disagree with the following statement:

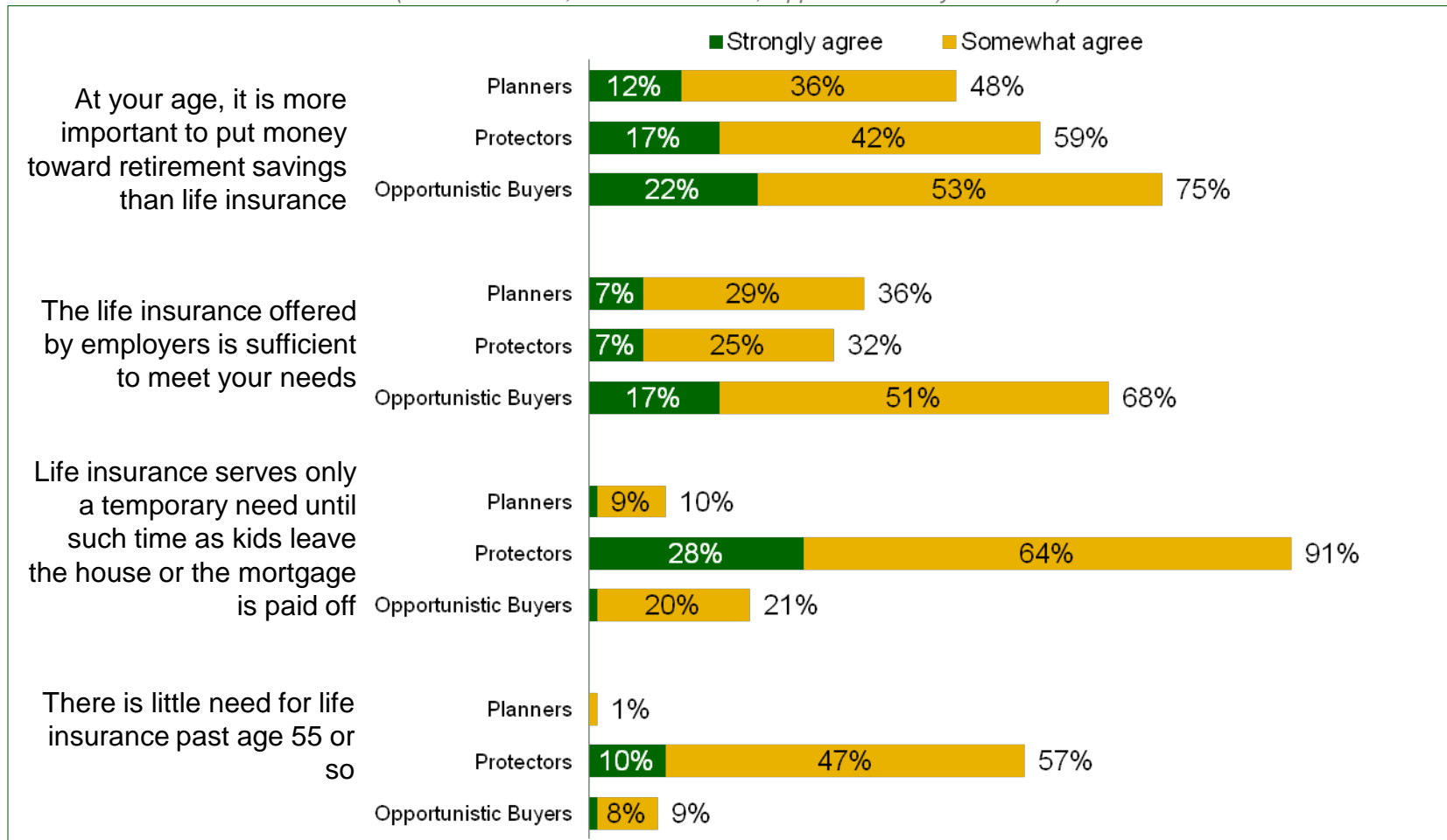
(Planners n=345, Protectors n=258, Opportunistic Buyers n=397)



Protectors are much more likely than others to see life insurance as serving a temporary need or to need it at older ages.

Please indicate how much you agree or disagree with the following statement:

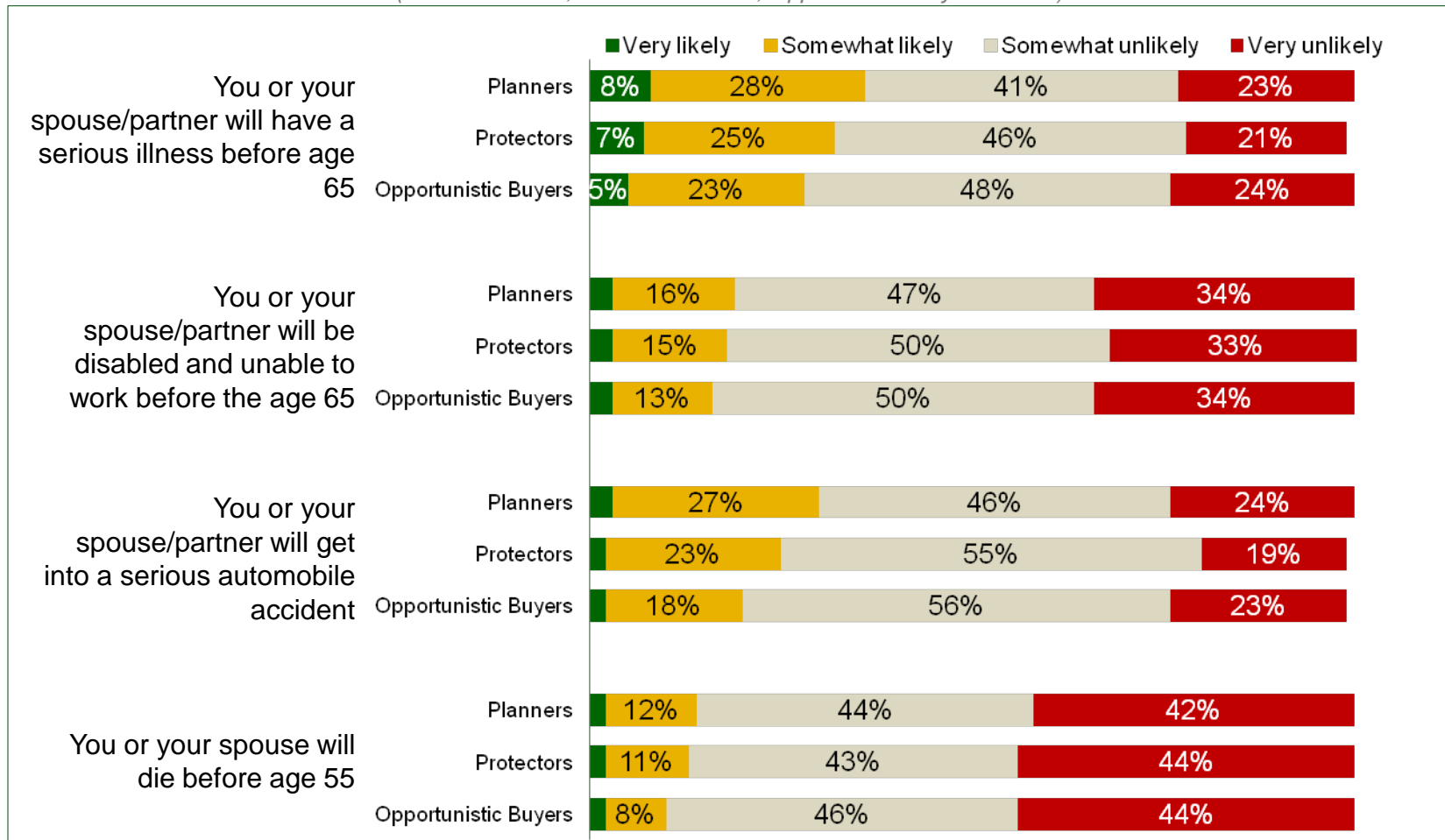
(Planners n=345, Protectors n=258, Opportunistic Buyers n=397)



Few believe that dying young is likely to happen to them. There is little difference among the segments in the belief they will die before age 55, although planners are a little more concerned about having an illness or auto accident.

How likely do you think each of the following is to happen to either you or your spouse?

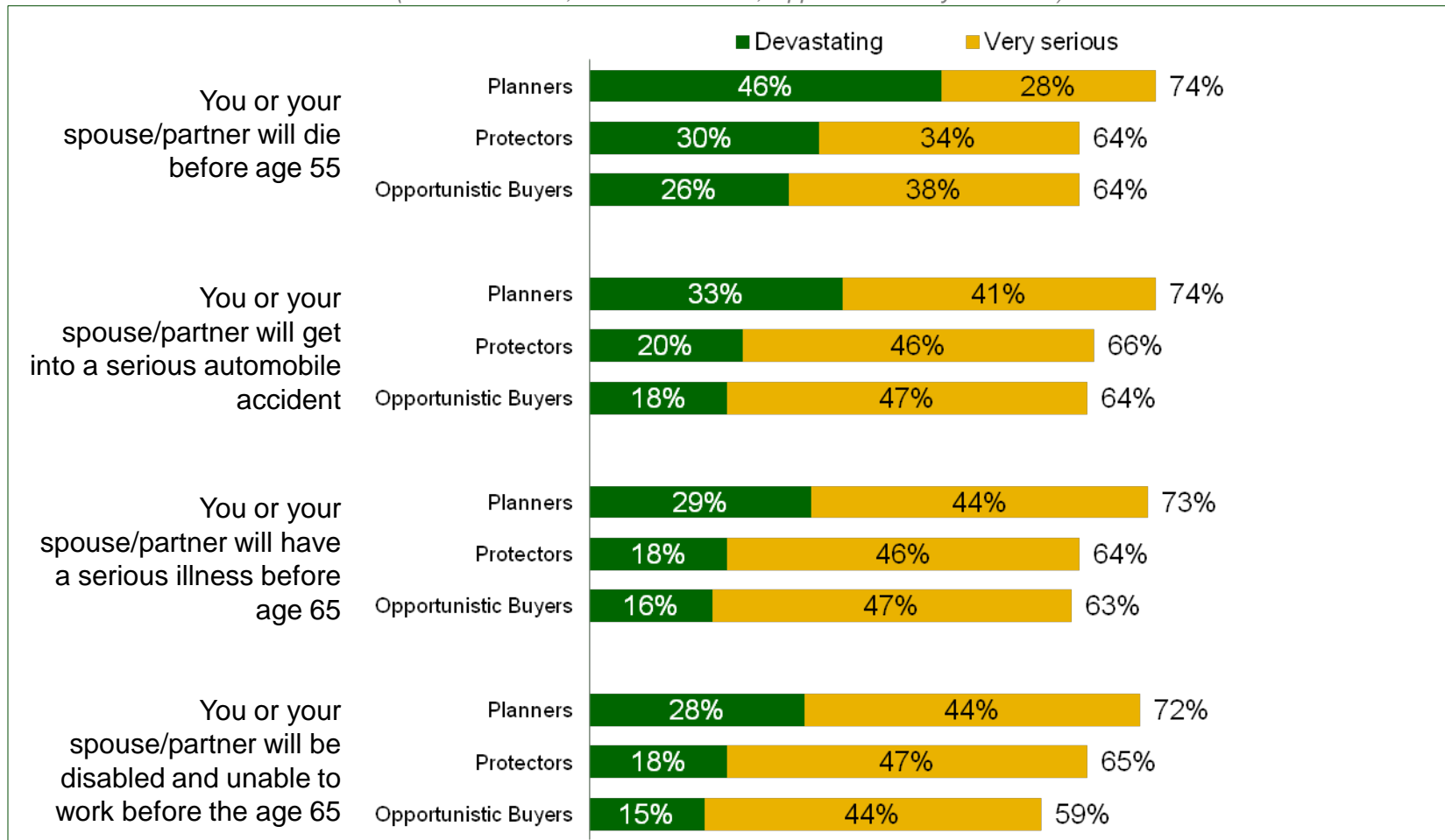
(Planners n=345, Protectors n=258, Opportunistic Buyers n=397)



Planners foresee a greater financial impact from catastrophic events.

What would be the financial impact on your household if each of the following were to happen?

(Planners n=345, Protectors n=258, Opportunistic Buyers n=397)



DEMOGRAPHICS

Planners are more likely to be women; protectors are more likely to be older and married.

	Total (n=1,000)	Planners (n=345)	Protectors (n=258)	Opportunistic Buyers (n=397)
Gender				
Male	50%	41%	56%	54%
Female	50	59	44	46
Marital Status				
Married/Civil union	68%	64%	77%	64%
Single, never married	18	19	13	19
Unmarried, living with partner	10	11	6	12
Divorced or separated	5	6	4	5
Widowed	*	--	*	--
Age				
Under 25	*	--	--	*
25 to 29	22%	23%	17%	23%
30 to 34	35	34	31	40
35 to 40	42	42	50	36
41+	1	1	2	1

* <.5%



There is little difference in income or education among the segments.

	Total (n=1,000)	Planners (n=345)	Protectors (n=258)	Opportunistic Buyers (n=397)
Household Income				
\$35,000 to \$49,999	12%	15%	9%	10%
\$50,000 to \$74,999	36	37	34	38
\$75,000 to \$99,999	35	32	38	37
\$100,000 to \$125,000	17	16	19	16
Education				
High school graduate or less	3%	4%	2%	3%
Trade or technical school	3	3	3	4
Some college	16	18	15	15
Bachelor's degree	43	43	41	44
Master's degree	27	27	29	25
Doctoral degree	4	2	5	4
Professional degree such as medicine, law, or theology	4	2	5	6

* <.5%



There is little difference in health between the segments.

	Total (n=1,000)	Planners (n=345)	Protectors (n=258)	Opportunistic Buyers (n=397)
Current Health				
Excellent	30%	32%	33%	28%
Very good	47	44	46	50
Good	21	21	20	21
Fair	2	3	1	2
Poor	*	--	*	--
Health Compared to Others of the Same Age				
Much healthier	15%	14%	15%	16%
Somewhat healthier	35	33	38	35
About as healthy	40	41	39	41
Somewhat less healthy	9	11	8	8
Much less healthy	1	1	1	*
Likelihood of contracting a serious illness before 55				
Very likely	5%	6%	5%	3%
Somewhat likely	27	34	23	23
Not too likely	54	46	57	58
Not at all likely	15	14	15	16

* <.5%



Protectors are more apt to consider themselves upper middle income; opportunistic buyers are less so.

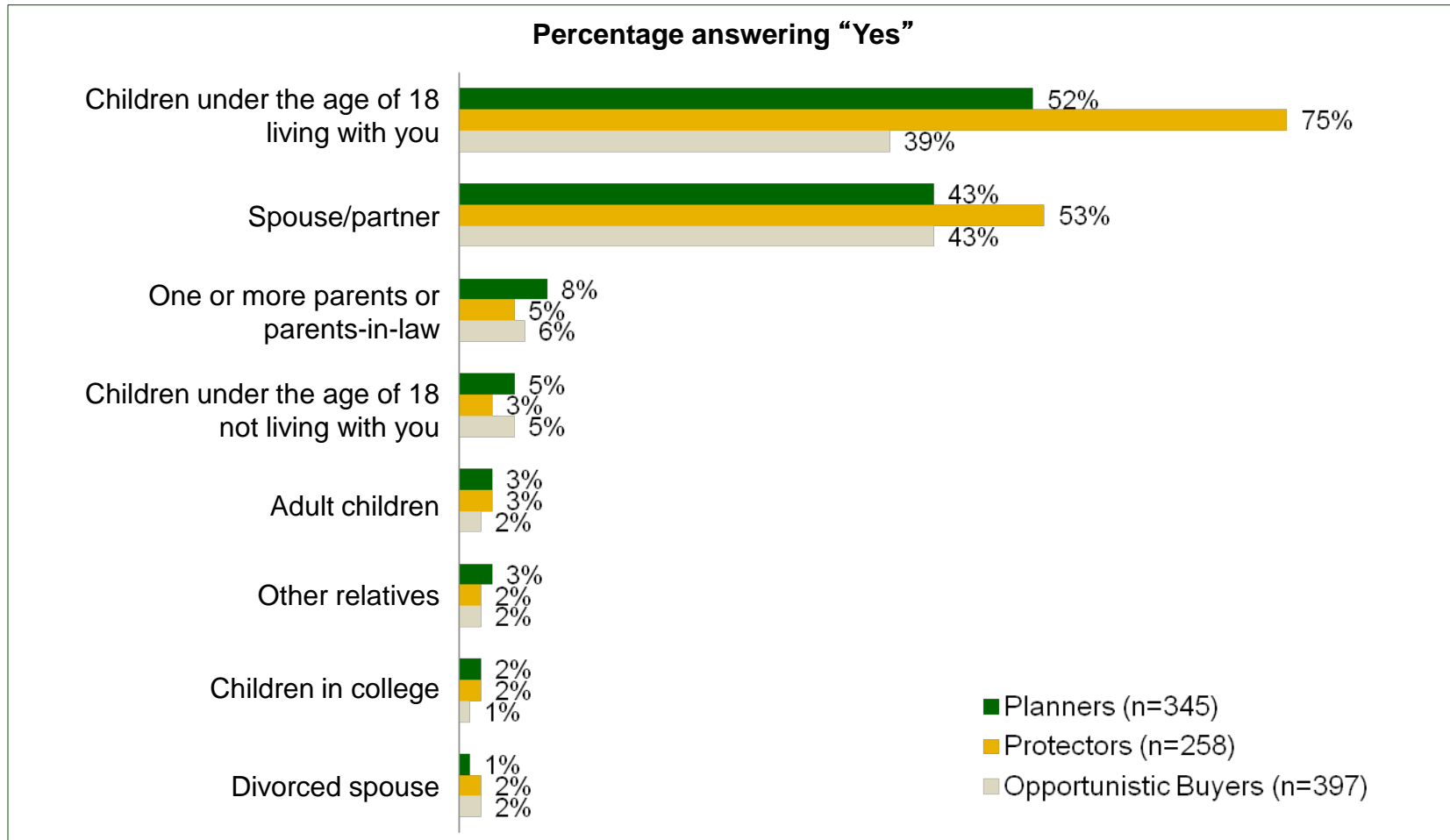
	Total (n=1,000)	Planners (n=345)	Protectors (n=258)	Opportunistic Buyers (n=397)
Financial Classification				
Lower income	2%	2%	3%	2%
Lower middle income	23	25	19	24
Middle income	62	61	59	65
Upper middle income	13	12	19	9
Upper income	*	--	1	--
State of Residence (by region)				
Northeast	17%	14%	18%	18%
South	35	38	29	37
Midwest	28	28	29	28
West	20	20	24	18

* <.5%



Life insurance is used far more often to protect children under 18 and spouse far more often than other beneficiaries.

Are any of the following dependent on you or your spouse/partner for financial support?



Opportunistic buyers are more likely to share wage earner responsibilities.

Who is the primary wage earner in your family?

(Filter: Is married; Total n=776, Planners n=260, Protectors n=213, Opportunistic Buyers n=303)

