2018

Insurance Barometer Study

LIFE HAPPENS®
A NONPROFIT ORGANIZATION

LIMRA®

2018
Insurance Barometer

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Key Findings

Financial Concerns

- The Financial Concern Index (FCI) dropped to 0.92, down 9 points from 2017. This suggests the average consumer feels better about their economic situation and has a more positive financial outlook — good news for both consumers and the life insurance industry.

- Concern levels for disabilities (DI) and long-term care (LTC) are as high as for medical expenses. Yet, ownership rates for these coverages are very different. Ownership of medical coverage is nearly universal (91 percent), with only a minority of consumers owning either DI (20 percent) or LTC (15 percent) insurance.

Protection Against Loss

- Most adults own life insurance; 3 in 5 consumers (59 percent) own some type of life insurance (e.g., individual or group coverage).

- Almost everyone (90 percent) believes a family's primary wage earner needs to own life insurance.

- Over a third (35 percent) of all households would feel adverse financial impacts **within one month** if a primary wage earner died.

Feelings About Coverage

- Among those <u>with</u> life insurance, about 1 in 5 say that they do not have enough.

- Among those <u>without</u> life insurance, about 1 in 5 say they do not have enough.

- Two in 5 Millennials say they wish their spouse/partner would buy more life insurance; much higher than among Gen X or Boomers.

- Millennials need life insurance information and education, as they are the most likely to be uncertain about product types, coverage amounts, and qualifying for coverage.

Shopping for Coverage

- Millennials prefer to buy life insurance in person; over half (55 percent) would research life insurance online, but purchase from a financial professional.

- About half of all adult consumers visited a life company website and/or sought life insurance information online. Almost 1 in 3 purchased or attempted to purchase life insurance online — about the same as in 2017.

- Almost 3 in 10 (29 percent) of all consumers say they would research and buy life insurance online, up 7 percentage points from 2016.

Purchase Barriers

- The most common reasons people do not buy (or do not buy more) life insurance are: 1) It is too expensive (63 percent), 2) Other financial priorities (61 percent), or 3) They already have enough coverage (52 percent).

- Misperceptions create purchase barriers. Consumers overestimate the cost of life insurance, especially younger generations; 44 percent of Millennials estimate the cost at over five times the actual amount.

2018 HOT TOPICS

Simplified Underwriting

- Half of all consumers say they are more likely to purchase life insurance if it is priced without a physical examination.

- “Fast and easy” is the benefit that most (72 percent) consumers like about simplified underwriting.

Social Media

- The importance of social media platforms is growing, especially among younger generations. Fifty-four percent of Millennials are likely to ask social media connections for recommendations on financial professional.

- It’s critical for financial professionals to establish and update their presence on social media platforms; 67 percent of all consumers say they would not do business with someone who has an out-of-date website.

Financial Advisors

- Half of all consumers want a primary financial advisor; 37 percent have one, 14 percent are looking for one.

- Over 40 percent of Boomers have a primary financial advisor, but only 1 in 3 of the Gen X and Millennial generations have one.

- Half of the Gen X and Millennial generations indicate they don’t want a primary financial advisor.

Methodology

The *Insurance Barometer* is an annual study that tracks the perceptions, attitudes, and behaviors of consumers in the United States. We seek to understand their financial concerns and how they think and act with regard to financial products, with a particular focus on life insurance.

In January 2018, LIMRA and Life Happens engaged an online panel to survey adult consumers who are financial decision makers in their households. Responses were received from 2,082 individuals.

The data were weighted by age, gender, education, race, region, and income to be representative of the general population. A propensity score adjustment was added to correct for biases inherent in internet panels. The margin of error in this study is +/- 3 percentage points.

Generational categories used in this report are defined as follows:

- Millennials — born between 1981 and 1998 (aged 19–37 years)
- Generation X — born between 1965 and 1980 (aged 38–53 years)
- Baby Boomers — born between 1946 and 1964 (aged 54–72 years)
- Silents — born in or before 1945 (age 73 and older)

The Financial Mindscape

American consumers have competing financial priorities. If we believe that highly ranked financial priorities receive more attention and "share-of-wallet," then understanding which financial concerns are top of mind is critical marketing intelligence.

To understand how consumers view their financial concerns, we need to explore their "financial mindscape" — the intellectual space used to deliberate financial concerns. The *Insurance Barometer* enables us to illuminate this space, allowing the industry to see what consumers are thinking.

FINANCIAL CONCERNS

Most U.S. households share a number of common financial concerns. The 12 items listed in Table 1 address financial matters shared by many. The ability to measure concern on these items and track changes between study periods enables us to reveal the financial priorities of American consumers, and observe shifts in priorities over time.

Table 1 — Financial Concerns

LIFE INSURANCE	HEALTH COVERAGE
Dependent's financial security	Disability
Final expenses	Long-term care
Leaving an inheritance	Medical
LIVING EXPENSES	**SAVINGS GOALS**
Credit card debt	Dependent's education
Monthly expenses	Investments
Mortgage/Rent	Retirement

- The table of concerns includes items of importance to the insurance and financial services industry and broad categories for common financial issues.
- The items are in four general categories, which address normal living expenses, common saving goals, health-related risks, and life insurance.
- The goal is to help the industry assess the relative importance of core protection needs against financial issues that compete for the consumers' attention and money.

ILLUMINATING THE FINANCIAL MINDSCAPE

Three layers of analysis shed light on the inside of the financial mindscape and reveal what consumers are thinking:

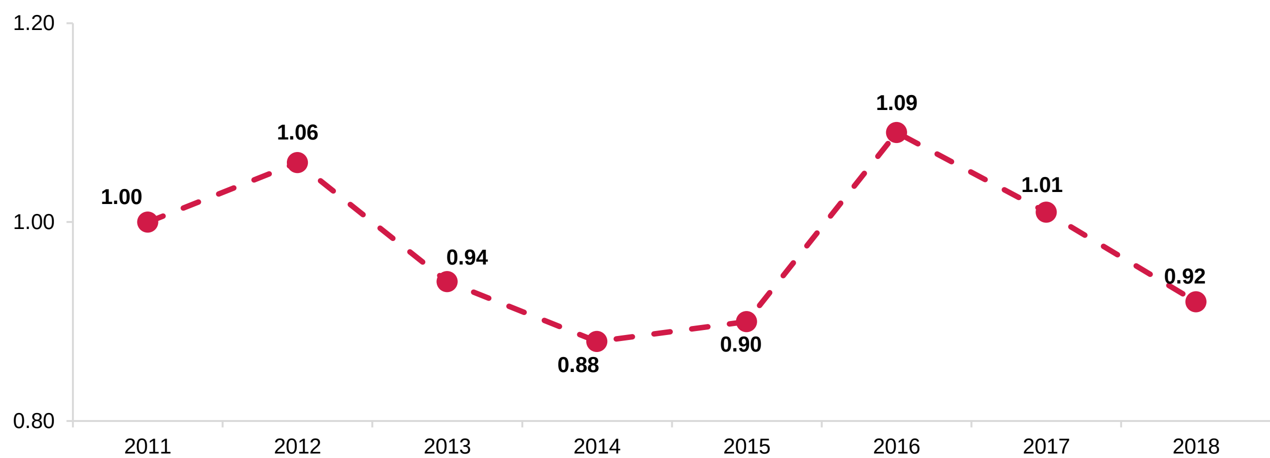
- The financial concern index — an overall measure of financial pressure
- The financial concern hierarchy — a component view of financial priorities
- Individual financial concerns — the details related to each item

The Financial Concern Index (FCI)

The FCI equals the average level of concern expressed on all financial items. It represents the level of pressure inside the financial mindscape. The base year of the FCI is 2011, the first year of the survey. At that time, 3 in 10 respondents were "very concerned" or "extremely concerned" about these 12 financial issues. The FCI is set to 1.0 in the base year so changes can be easily tracked from that point.

Currently the FCI = 0.92, a decline of 9 points in the past 12 months (Figure 1).

Figure 1 — Financial Concern Index



- The FCI has dropped noticeably in each of the last two years, which suggests consumers are feeling less financial pressure. That is great news for the financial services industry because it indicates consumers may have more disposable income.
- In 2016, the FCI spiked to 1.09, the highest level recorded. That spike in financial pressure was influenced by election year politics, uncertainty surrounding healthcare policy, and volatility in equity markets at the beginning of the calendar year.
- The decline of the FCI in consecutive years suggests many consumers have adjusted to changes in the political and economic environments and are better able to address their financial issues.

Is there independent data that supports the FCI findings?

One well-known index for tracking consumer attitudes in the U.S. is the Index of Consumer Sentiment (ICS) conducted by the Survey Research Center at The University of Michigan. In February 2018 the ICS increased to 99.9 from a level of 96.3 in of 2017. An increase in the ICS indicates confidence in the U.S. economy has increased.

Table 2 illustrates the inverse relationship between the ICS and the FCI since 2015. The 2017 and 2018 data from both indices suggest consumers are in better financial condition and have more positive economic outlooks.

Table 2 — The Index of Consumer Sentiment* Versus the Financial Concern Index

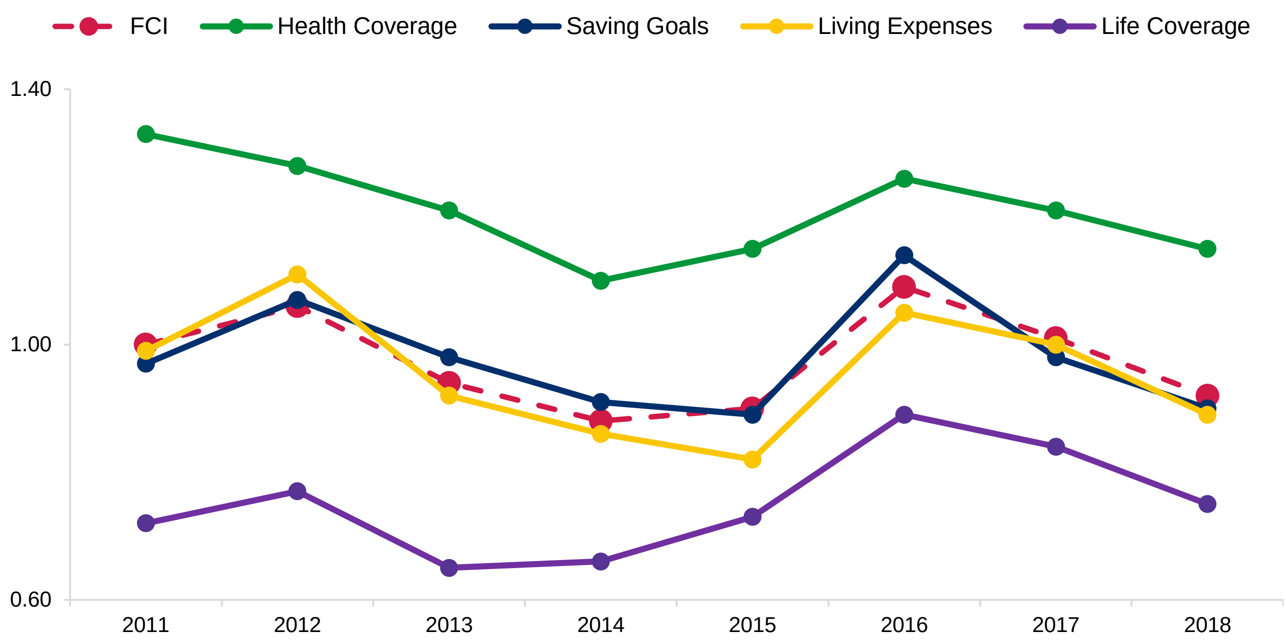
Year	2015	2016	2017	2018
Financial Concern Index	0.90	1.09	1.01	0.92
Index of Consumer Sentiment	92.9	91.9	96.3	99.9

- LIMRA's Financial Concern Index and the University of Michigan's Index of Consumer Sentiment measure different components of consumer mindsets. The two surveys do not ask the same set of questions. Nonetheless, the year-over-year changes in both indices suggest that U.S. consumers are more comfortable with their financial outlook than they were in 2017.
- When a consumer has lower financial concern, they are less likely to filter out communications on their outstanding financial matters. The two-year decline in the FCI represents a growing amount of available capacity among the industry's consumer base.

The Financial Concern Hierarchy

Figure 2 contains an overlay of the FCI with its four components: health coverage, saving goals, living expenses, and life insurance. This view illustrates the relative importance of each category and the consistency with which they hold their relative positions. It clearly depicts a hierarchy of financial concerns.

Figure 2 — Financial Concern Index Components



- Concern over health-related financial risks are the highest. They are consistently on top and no other components are close to the same level. The trend on health-related items has been declining, but the recent decline is the smallest of the four components.

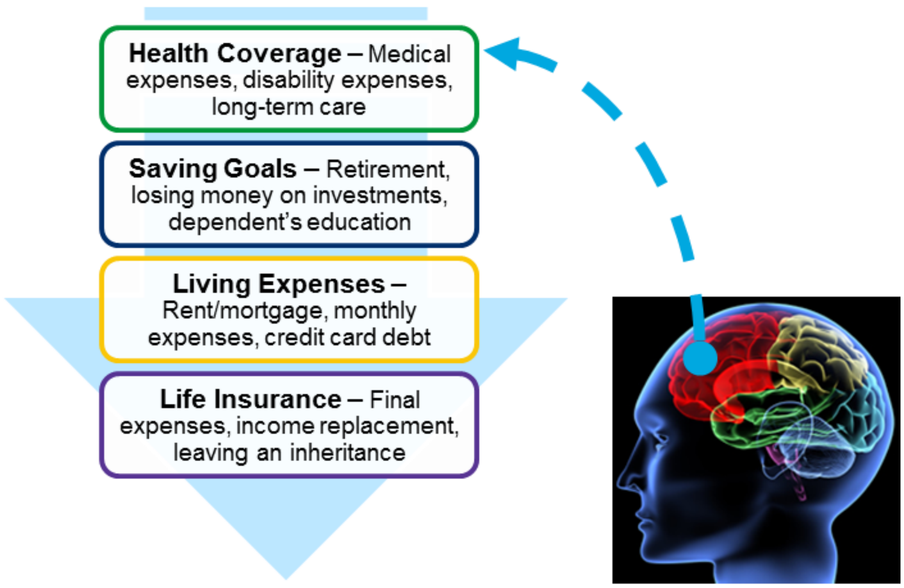
- Savings and living expenses track closely with each other. In 2011, concern over living expenses was much higher due to the economic recession of 2007 – 2009. By 2013, concern for living expenses dropped below savings. In the past two study periods, concern on these categories has been roughly equal, and falling.

- Concern over financial risks related to life insurance are lower than for the other components. This is a consistent pattern and the difference in concern levels is apparent. The level of concern has declined slowly over the past two years.

Figure 3 illustrates the concept of the ***Financial Concern Hierarchy*** of American consumers. It's a simplified view of the data in Figure 2. The picture allows us to see how concern over healthcare-related finances are consistently top of mind.

This implies they hold a dominate place inside the financial mindscape, suggesting that communications on these topics are most likely to attract a consumer's attention. Further, it suggests communications not related to these topics are more easily filtered out.

Figure 3 — Financial Concern Hierarchy



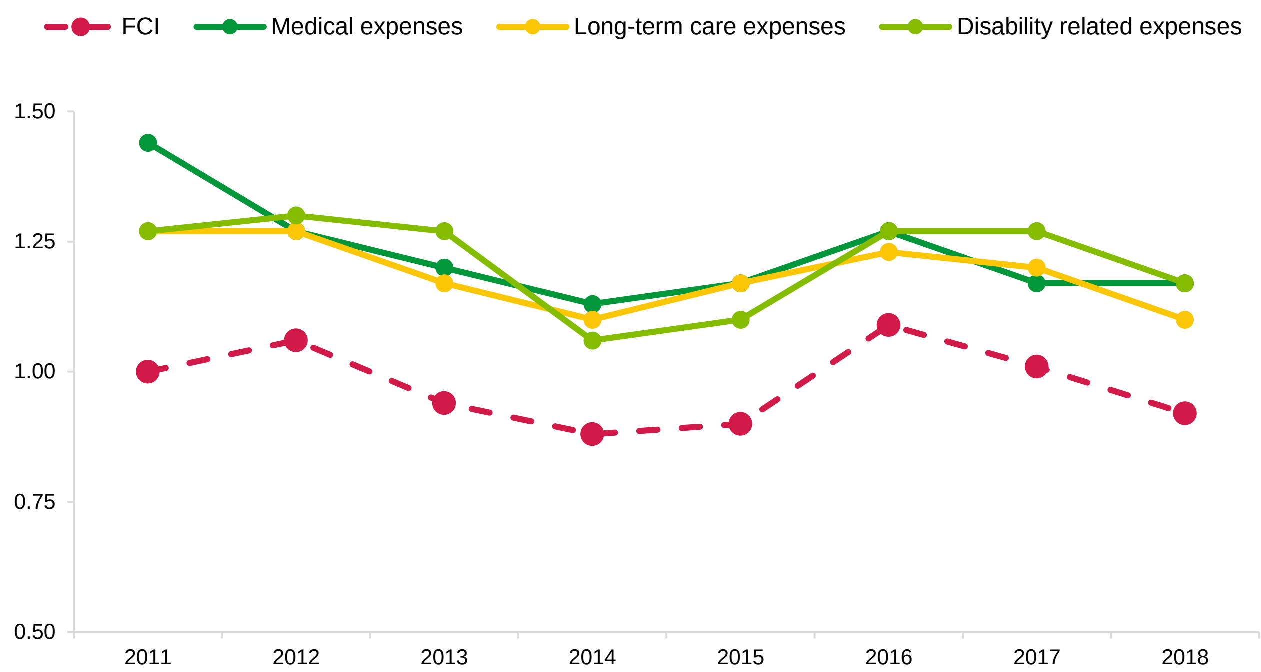
- Concern over saving goals and living expenses occupy the middle tiers in this hierarchy. These components track very closely with one another.
- One of the most important findings from this hierarchy is the position of life insurance issues. Financial concerns related to mortality risks occupy the lowest tier, implying these issues get the least amount of attention and smallest wallet share. This suggests that life industry marketers should associate their product with concerns higher in the hierarchy.
- For families, life insurance is the only product that can secure all of the financial concerns in the hierarchy. Marketers must inform consumers that none of their financial concerns are truly satisfied until their life insurance needs are addressed.

Individual Financial Concerns

In this section, we examine the underlying drivers of financial concerns, beginning at the top of the hierarchy.

Healthcare Coverage
Health coverage concerns consistently rank among consumers' top financial worries (Figure 4).

Figure 4 — Health Coverage Concern Trends

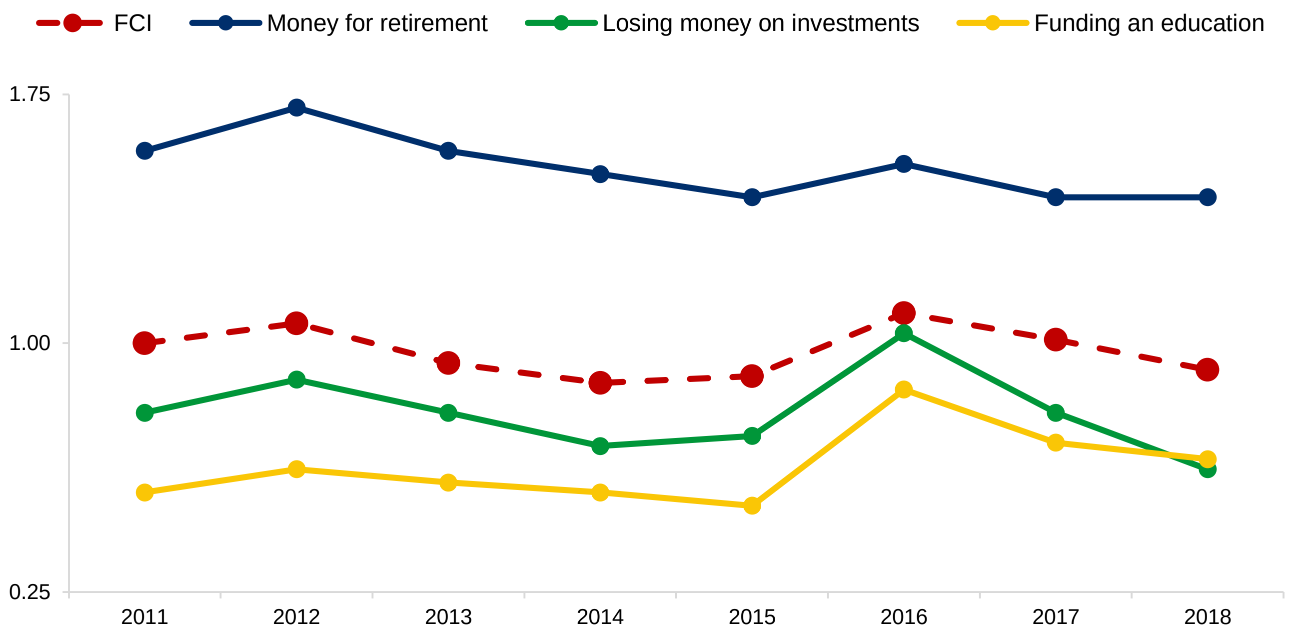


- Concern over medical-related expenses did not change in 2018 after declining significantly last year, which may be related to uncertainty about the future of healthcare regulation.
- Concern over long-term care expenses dropped by 10 points, equaling its lowest level on record, last seen in 2014. The change in concern level is unusual, ratings on long-term care do not usually change this much year-to-year.
- Concern over disability related finances also declined by 10 points. It remains a top ranked concern in healthcare, now tied with medical. This suggests the environment for disability products remains strong.

Saving Goals

As noted above, saving for retirement is a top financial concern for most consumers. This drives the saving component to the top tier of the financial concern hierarchy, but the other two saving components cause much less anxiety (Figure 5).

Figure 5 — Saving Goal Concern Trends

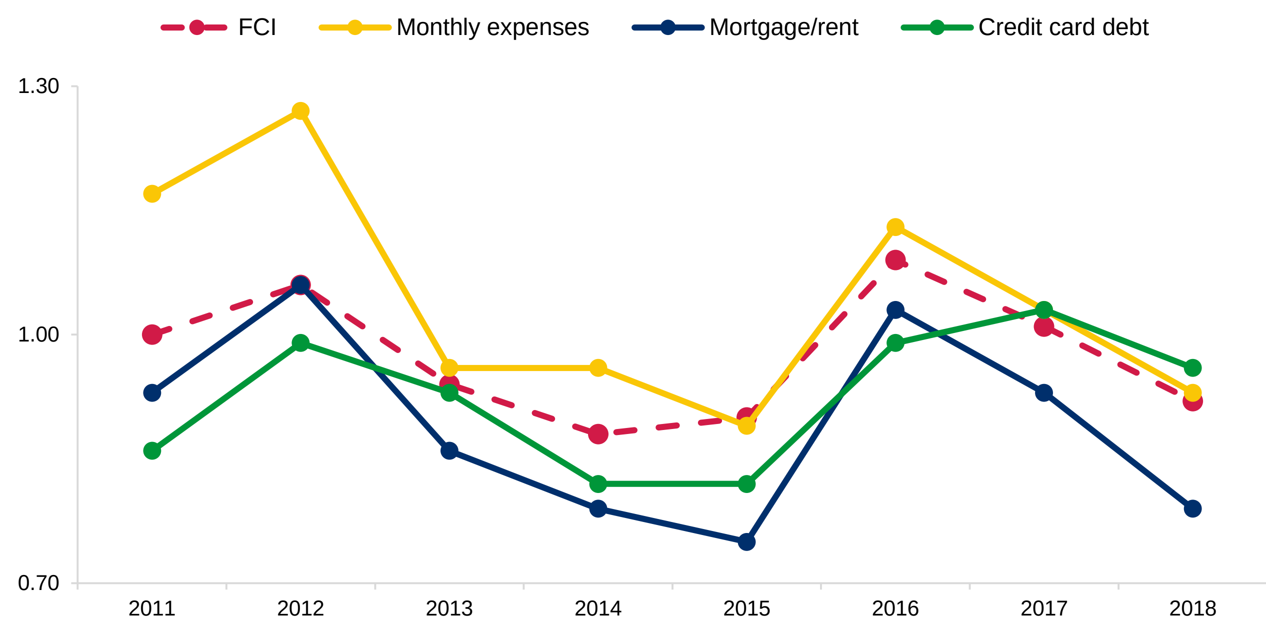


- Concern over retirement savings did not change in 2018. It remains the top concern and commands more attention than any other item.
- Anxiety over investment losses dropped 17 points in the past year, the largest change in any item. The two-year decline in concern on this item is significant, indicating a more positive outlook among investors.
- Concern related to funding a dependent's education declined by 5 points in 2018. This item drew less attention in prior study periods, but has become more prominent since 2015.

Living Expenses

Living expenses have shown a general decline in concern levels since 2012, except for the spike seen in 2016 (Figure 6). These items have returned to a declining trend in concern levels. Lower concern regarding living expenses suggests consumers may have more disposable income.

Figure 6 — Living Expenses Concern Trends

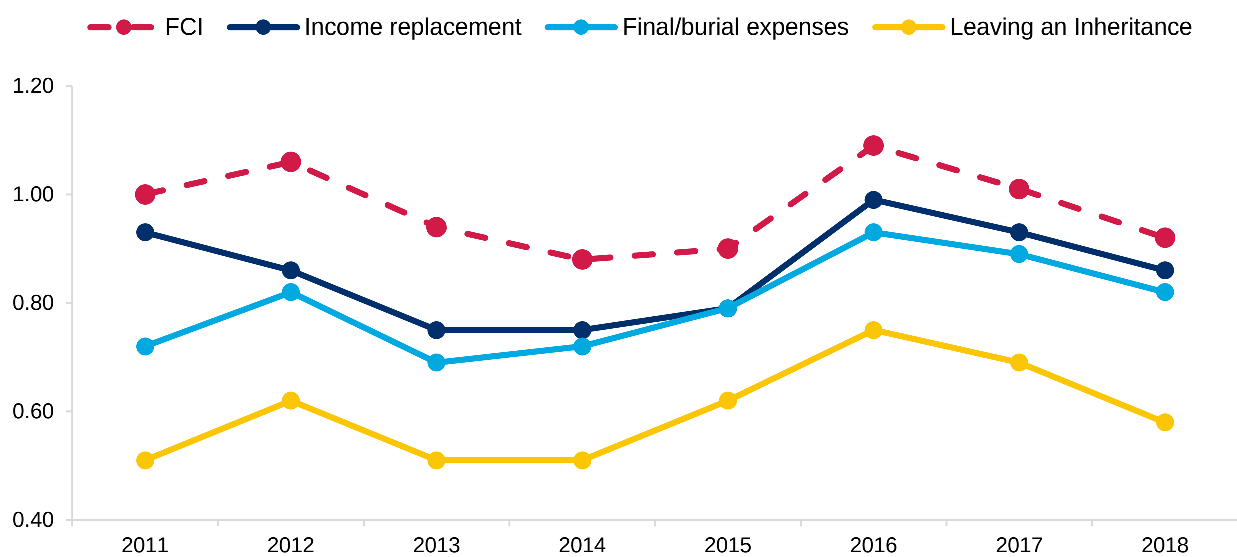


- Concern over credit card debt declined by 7 points this year, but that is the smallest decline among living expense components. Credit card debt is now the top concern in this category.
- Monthly expenses have commanded much less attention in each of the past two years, dropping another 10 points in 2018.
- Concern over rent/mortgage declined by 10 points in each of the last two years, which is the biggest reason that concern over living expenses has been declining.

Life Insurance

Among the four FCI components, concern over life insurance is the lowest. Concern levels continue to drop in this area, but not as fast as concern has dropped on living expenses (Figure 7). This suggests that life insurance increased in relative importance.

Figure 7 — Life Insurance Concern Trends

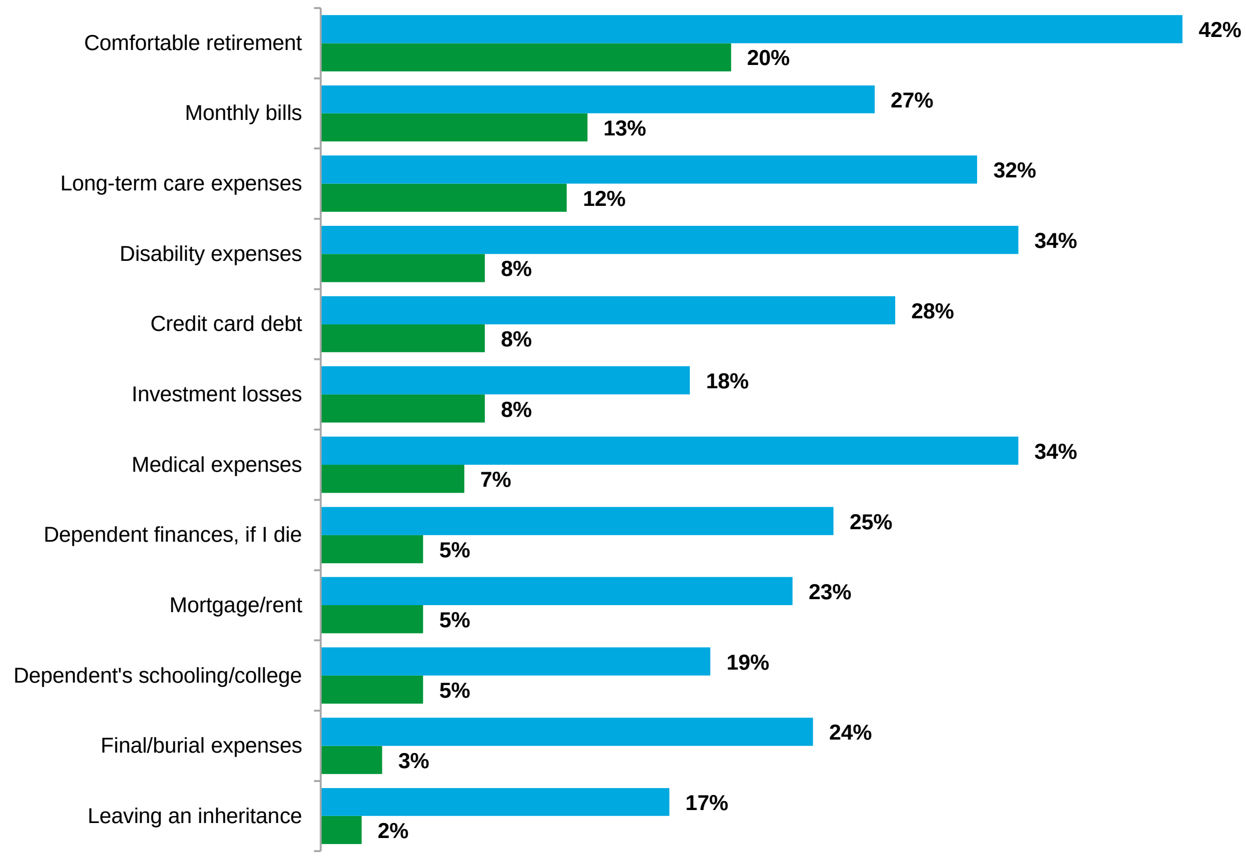


- Consumers are most concerned about leaving dependents in a difficult financial situation should they die prematurely. Concern on this item has declined two years in a row, on par with the overall decline in the FCI.
- Concern over burial and final expenses remains the second most important item in this area. Its concern trends also reflect the overall decline in the FCI.
- The item with the lowest level of concern in the FCI is the desire to leave an inheritance. This item showed strong growth in 2015 and 2016, but has reversed that trend over the past two years. This suggests many consumers have satisfied this concern or have stopped worrying about it, perhaps because they feel it's not realistic.

2018 Top Concerns

Figure 8 illustrates the relative concern across these financial issues and identifies which item is respondents' top financial concern.

Figure 8 — 2018 Top Financial Concerns



*"Extremely" or "Very" concerned.

- A savings item takes the top spot with 1 in 5 (20 percent) consumers indicating retirement as their top concern, significantly more than any other item.
- Living expenses take the second spot, as monthly bills are the top concern for 13 percent of households.
- A health-related item takes the third spot, long-term care expenses are the top financial concern for 12 percent of households.

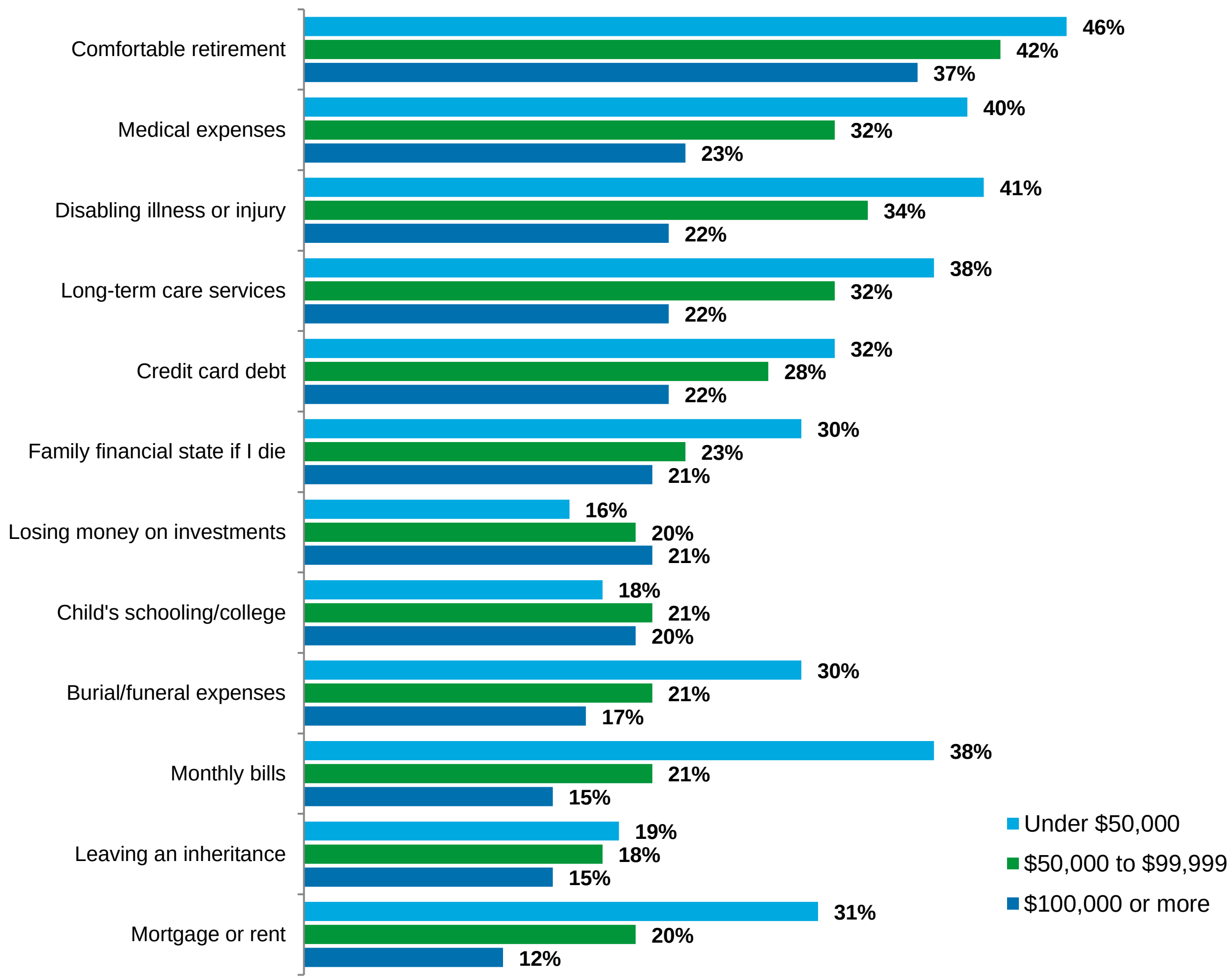
Demographic Differences

Income

Figure 9 illustrates differences in financial concern levels by household income.

- Lower-income (<$50,000) households express more concern on eight items when compared with households earning more. This is most notable on monthly bills, and mortgage/rent.
- Middle-income ($50,000 to $99,999) households express more concern on seven items when compared with households earning more. The biggest differences are on financial support if disabled, and long-term care expenses.
- Higher-income ($100,000+) households express less concern overall, but have more concern over losing money on investments.

Figure 9 — Financial Concerns by Household Income

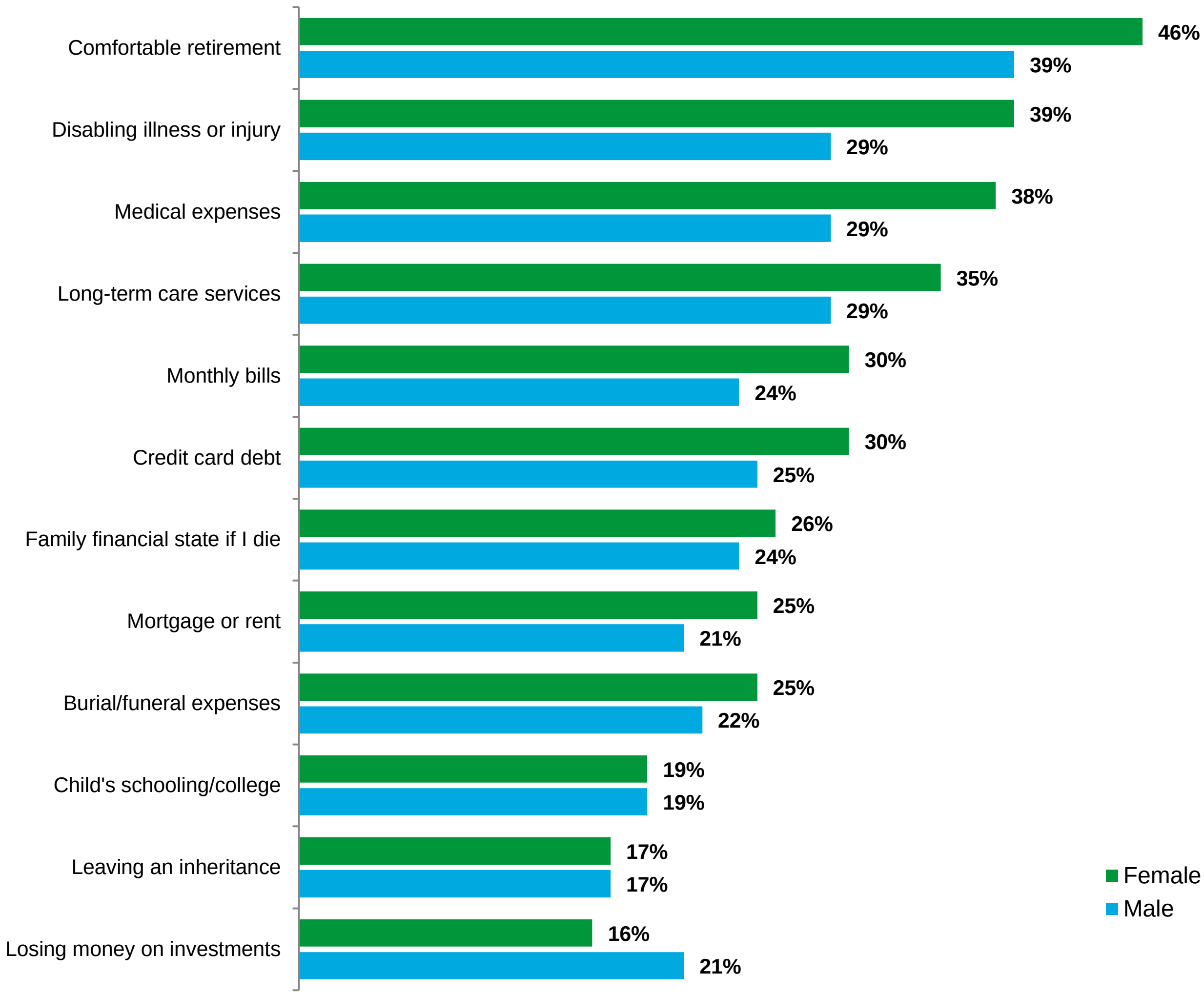


Gender

Figure 10 illustrates differences in financial concern levels by gender.

- Women express more concern on seven financial issues, with the largest differences on financial support if disabled, medical expenses, and long-term care expenses.
- Men express more concern on losing money on investments — the only item where men's concern is higher.

Figure 10 — Financial Concerns by Gender

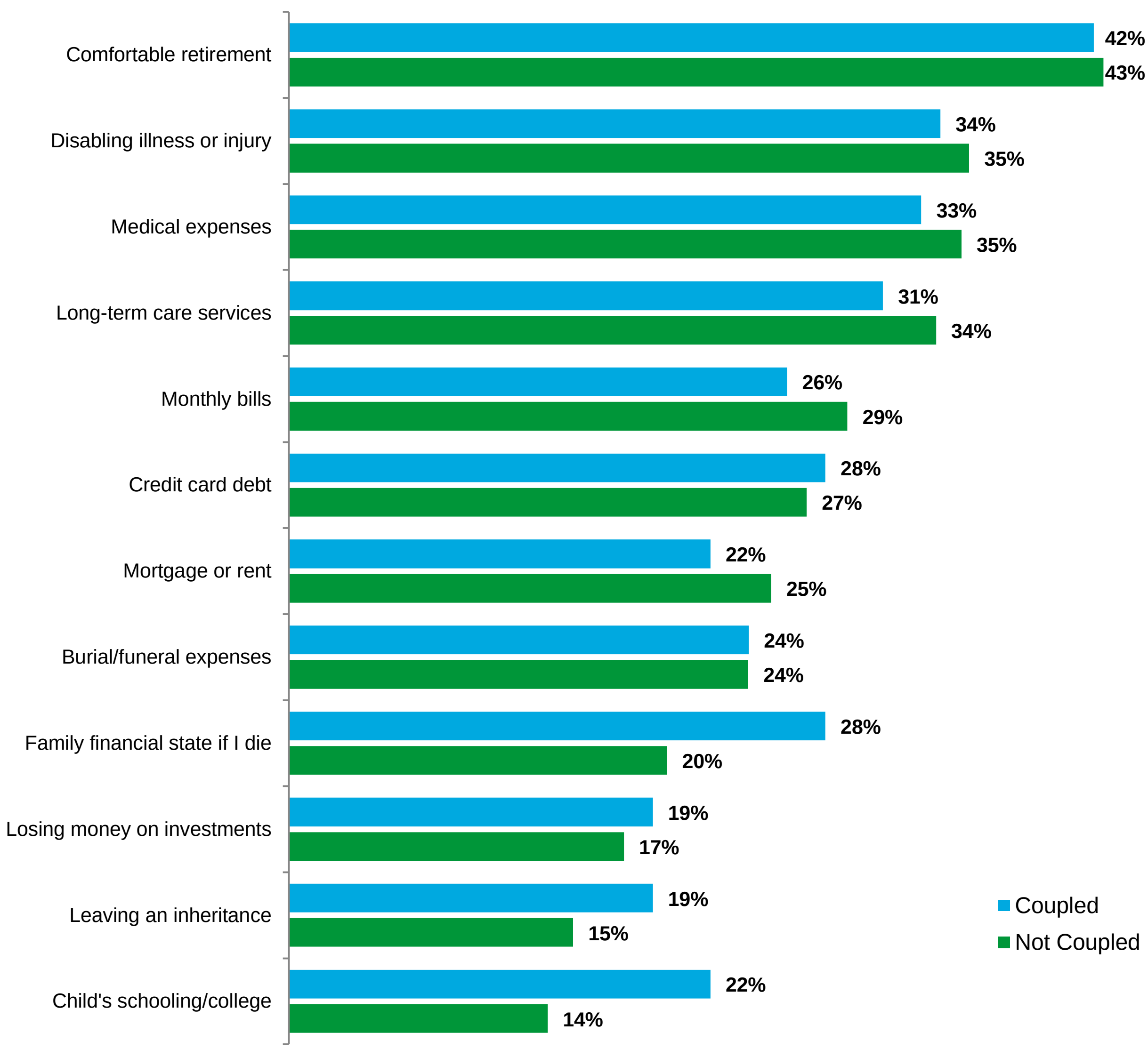


Marital Status

Figure 11 illustrates differences in financial concern levels by marital status.

- Coupled households express more concern over leaving dependents in a difficult financial situation if they die prematurely, paying for a dependent's education, and leaving an inheritance.
- Single (never married) households express more concern over financial support if they become disabled and mortgage/rent.

Figure 11 — Financial Concerns by Marital Status



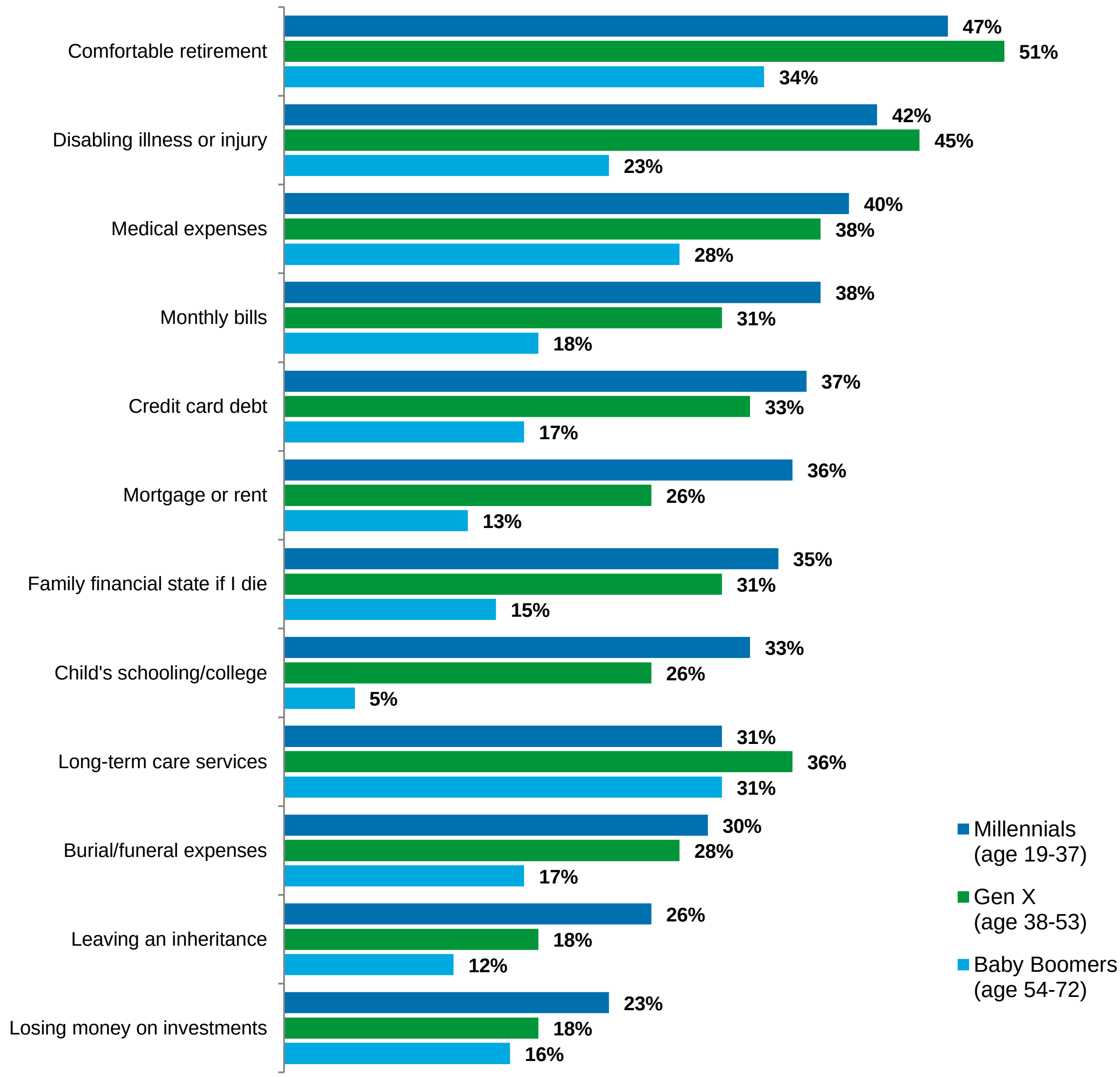
Generation

Figure 12 illustrates differences in financial concern levels by generation.

- Millennials have higher concern than Gen X or Baby Boomers on five items. The largest differences are on mortgage/rent, monthly bills, and leaving an inheritance.

- Gen Xers have higher concern than Boomers on most items (expect losing money on investments). Gen Xers have much higher concern on financial support if disabled, paying for a dependent's education, saving for retirement and reducing credit card debt.

Figure 12 — Financial Concerns by Generation

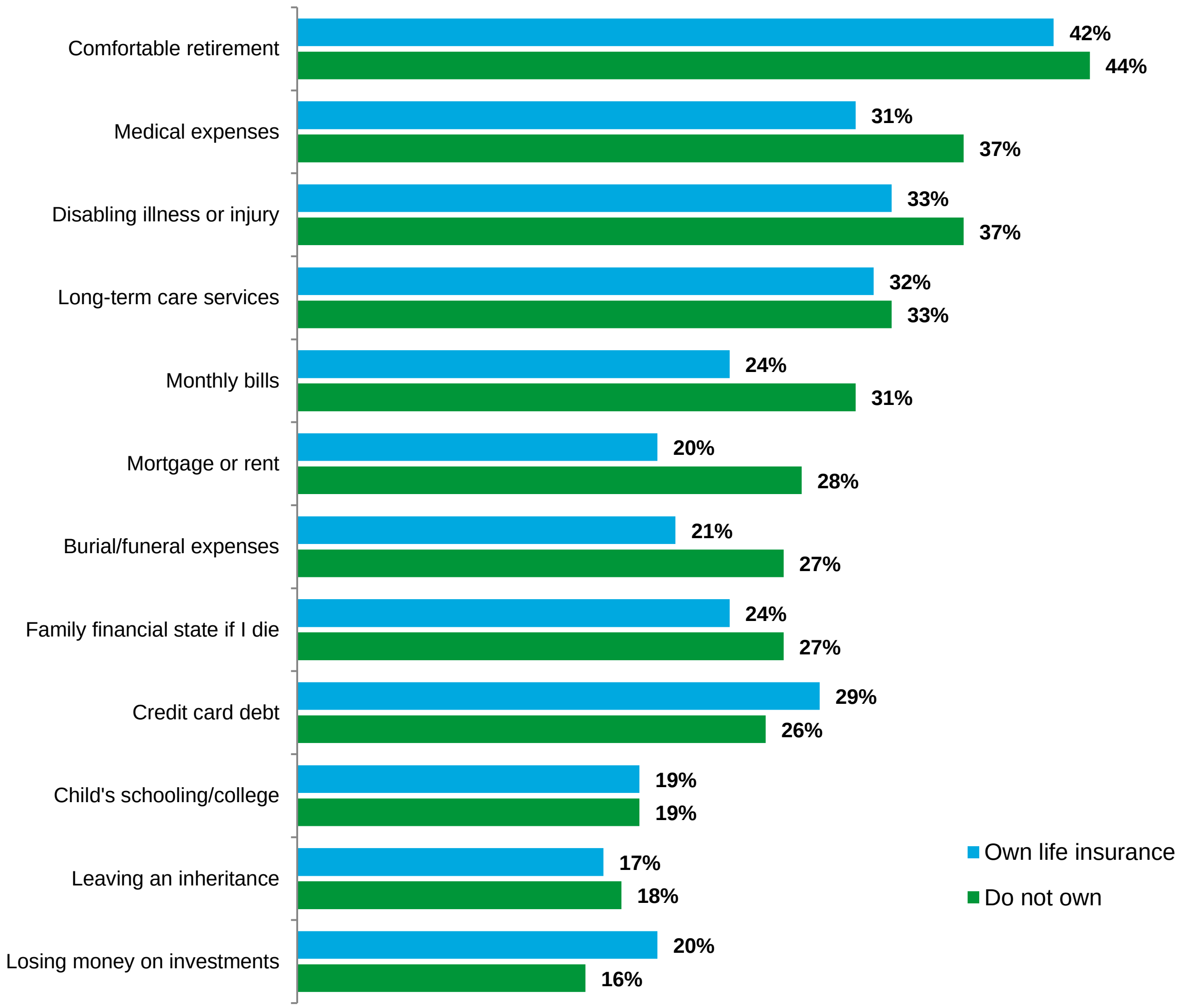


Life Insurance Ownership

Figure 13 illustrates differences in financial concern levels by ownership of life insurance (individual or employment-based).

- Respondents who do not own any life insurance coverage express higher levels of financial concern on six of the items.
- The largest differences are on financial support if disabled, and burdening others with final/burial expenses.
- Financial concern levels tend to be lower among households that own both individual and group life insurance coverage.

Figure 13 — Financial Concerns by Life Insurance Ownership

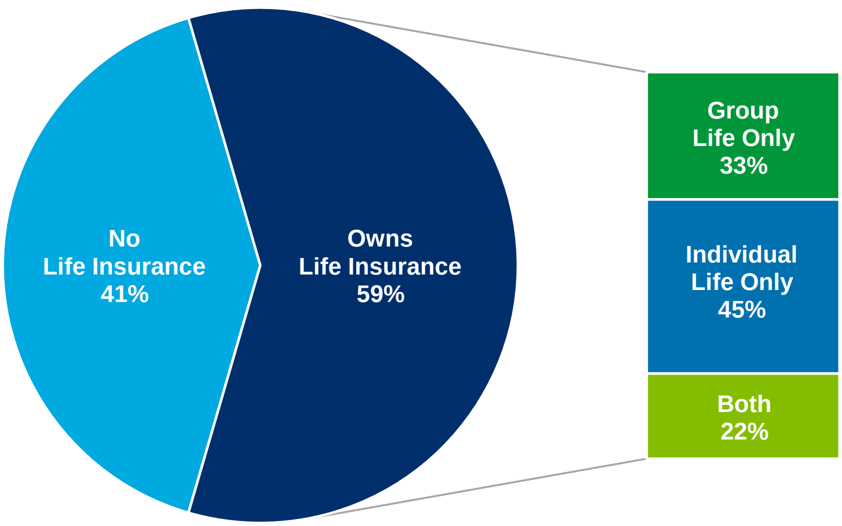


Protection Against Loss

LIFE INSURANCE

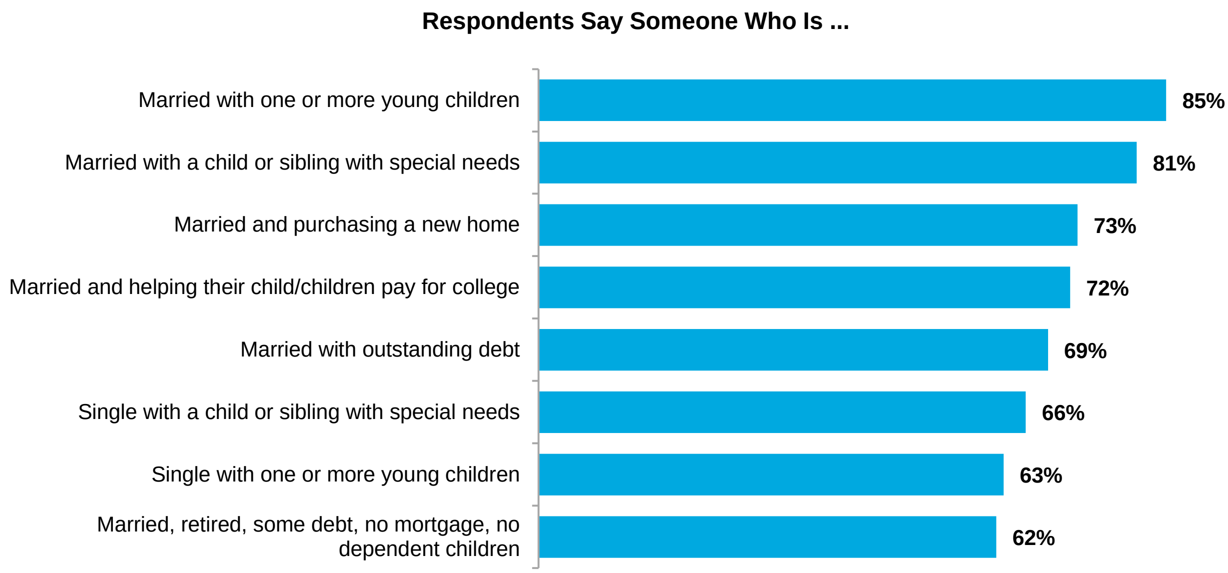
Close to 60 percent of respondents have some form of life insurance protection (Figure 14). Most owners have either individual insurance or group insurance obtained through their employer; only 22 percent have both.

Figure 14 — Life Insurance Ownership



People generally see a need for life insurance, particularly for individuals with young children or family members with special needs (Figure 15). Respondents believe that life insurance is more necessary for married individuals than for single individuals, even when we present respondents with identical life scenarios for each. Perhaps we need to ensure that life insurance marketing messages appeal to all market segments.

Figure 15 — Who Needs Life Insurance?



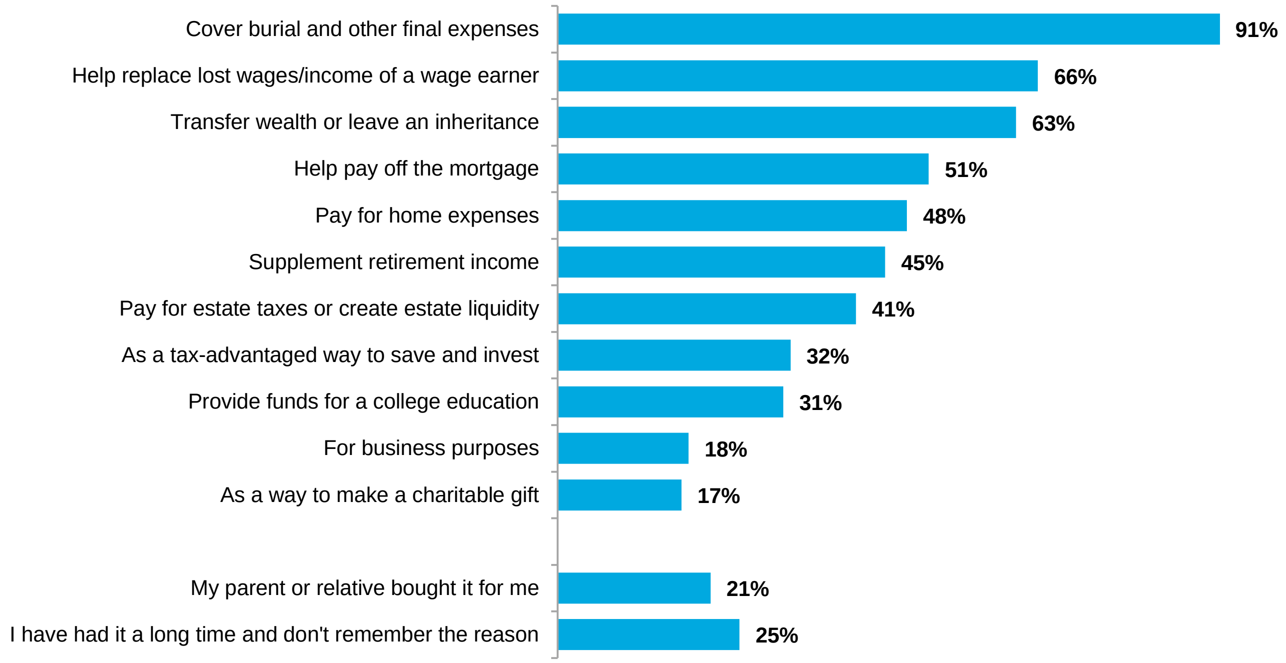
Most people recognize the need for life insurance, especially for the primary wage earner (Figure 16). However, there is some inconsistency when they look at their own need for life insurance.

Figure 16 — Life Insurance Attitudes and Ownership

REASONS FOR OWNING LIFE INSURANCE

As in previous years, the top three reasons for owning life insurance are to cover burial and final expenses, help replace lost wages of a wage earner, and transfer wealth or leave an inheritance (Figure 17).

Figure 17 — Reasons for Owning Life Insurance



- The most common reasons for owning life insurance are stable over time.
- The challenge for marketers and distributors is to develop communications that reinforce these themes, whithout sounding cliché.
- Its also important to emphasize several reasons for buying and that they are not mutually exclusive.

PROTECTION PRODUCTS

People who own life insurance are more likely to own other financial products that protect against loss (Table 3).

Most respondents own health and auto insurance. Homeowners insurance ownership is considerably higher among those with any type of life insurance compared to those with no life insurance. Those who own both group and individual life are the most often covered by other types of protection products.

Among those without life insurance, more than 1 in 4 have insurance for their cell phones, and about 1 in 5 own appliance warrantees. The industry could access some of these markets via messages about the value of life insurance.

Table 3 — Protection Product Ownership by Life Ownership

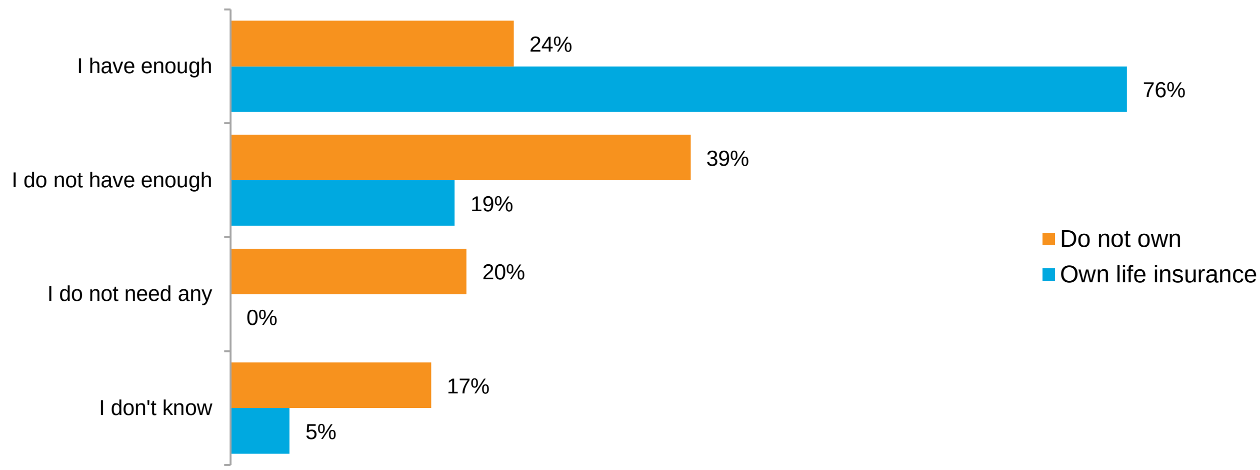
	No life insurance	Individual life only	Group life only	Individual and group life
Auto insurance	74%	89%	94%	99%
Health/medical insurance	79%	88%	93%	97%
Homeowners insurance	43%	64%	67%	86%
Renters insurance	12%	11%	12%	11%
Disability insurance	6%	17%	36%	49%
Long-term care insurance	6%	15%	24%	27%
Travel insurance	6%	11%	9%	20%
Pet insurance	7%	8%	8%	15%
Insurance for mobile device	27%	37%	39%	38%
Appliance warranties	19%	27%	28%	32%
Computer warranties	16%	21%	22%	21%
Kitchenware warranties	9%	10%	9%	11%

- The cross-ownership of life insurance and other protection products shows many consumers consistently put money into risk management products.
- Each of these product owner segments represent excellent cross-marketing opportunities for life insurance and financial advice.
- The emerging market for insurance and warranties on modern electronics identifies more consumers with risk averse mindsets, who don’t own life insurance (yet).

FEELINGS ABOUT COVERAGE

Among those with life insurance, about 1 in 5 feel that they do not have enough coverage (Figure 18). These consumers may be more receptive to marketing messages since they already have some coverage and realize that they need more.

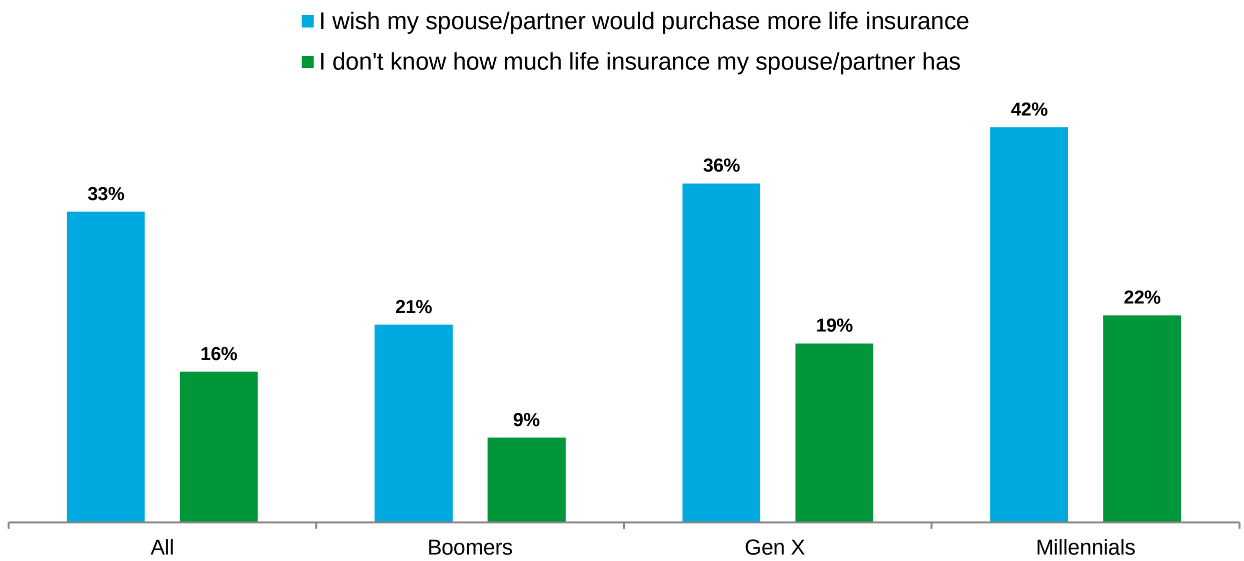
Figure 18 — Perceptions of Life Insurance Coverage Adequacy



- Among those that do not own life insurance, about 1 in 5 say they do not have enough while almost half (44 percent) indicate they have enough (i.e., none is enough) or they do not need any.
- Since 41 percent of respondents don't own life coverage, the data suggest 18 percent of the population does not participate in the life insurance market.
- About 1 in 5 of those who don't own life insurance don't know how much coverage they should have.

Among married/partnered consumers, one third wish that their spouse or partner would purchase more life insurance (Figure 19). An additional 16 percent are not sure how much life insurance protection their spouse or partner has. These proportions are considerably higher for Gen Xers and Millennials.

Figure 19 — Adequacy of Spouse/Partner's Life Insurance



LONG-TERM CARE AND DISABILITY INSURANCE

Life insurance is not the only protection product where perceived need does not align with consumer behavior. In fact, the need versus ownership gap is even more pronounced for long-term care insurance (Figure 20) and disability insurance (Figure 21).

Figure 20 — Long-Term Care Insurance Attitudes and Ownership

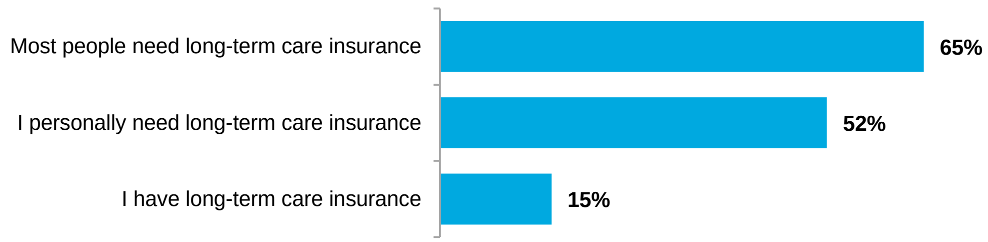
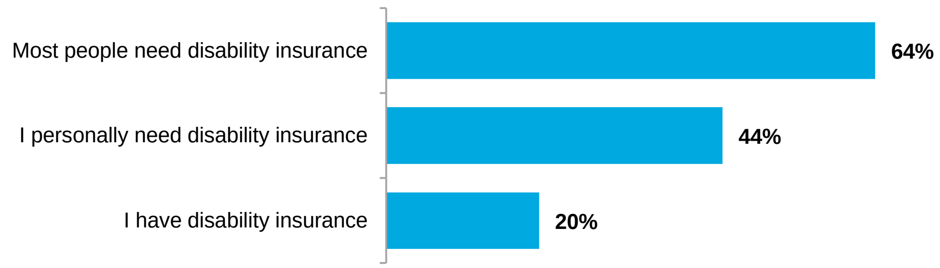


Figure 21 — Disability Insurance Attitudes and Ownership



- Long-term care products have become less common as companies exit the market. Though these products may not be widely available, the need for long-term care protection remains. The industry faces the challenge of designing and marketing attractive combination products (life and long-term care) at affordable rates to address the vast long-term care needs.

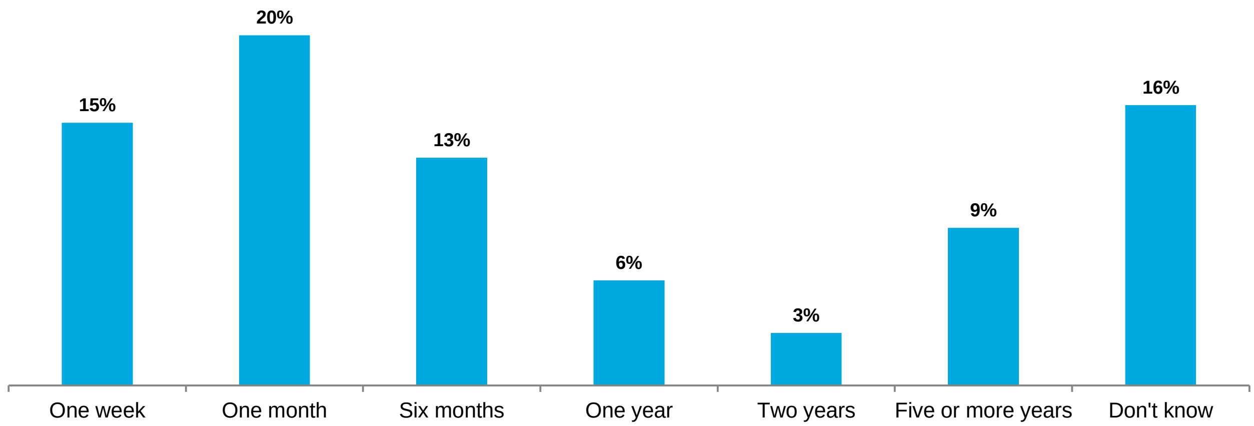
- There is interest in combination products, especially among the younger generations. LIMRA's 2016 Insurance Barometer Study shows that 4 in 10 Millennials are very or extremely likely to choose a combination product if they were purchasing life insurance.

- The data on financial concerns indicates consumers are as anxious about expenses associated with disability and long-term as they are about medical expenses. Yet, ownership levels of disability and long-term care remain well below that of health coverage. This presents an important marketing opportunity for the industry.

FINANCIAL IMPACT OF LOSS

Almost half of respondents would feel the financial adversity from the loss of their primary wage earner in just six months, and more than a third would feel adversity in a month or less (Figure 22).

Figure 22 — Time Period Before Financial Adversity From Loss of Primary Wage Earner



- Ownership of life insurance does not have a significant impact on results, indicating that many with coverage either need more or don't understand the benefits of their policy.
- Another 16 percent of respondents don't know how long it will take before they feel adverse financial impacts. This is another market segment that should be more informed about levels of coverage adequacy.

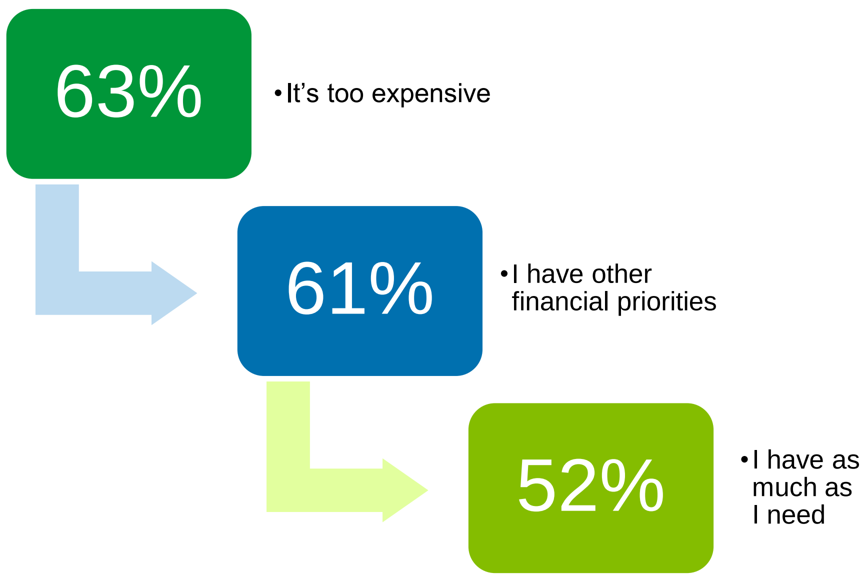
Purchase Barriers

There is a large gap between the life insurance need and ownership rates. What is preventing people from purchasing life insurance in general, or from purchasing more life insurance to fill their coverage gap?

REASONS PEOPLE DON'T BUY LIFE INSURANCE

There are three reasons consistently reported by more than half of respondents each year regarding why people do not buy (or do not buy more) life insurance: life insurance is too expensive, they have other financial priorities, or they believe they already have enough (Figure 23).

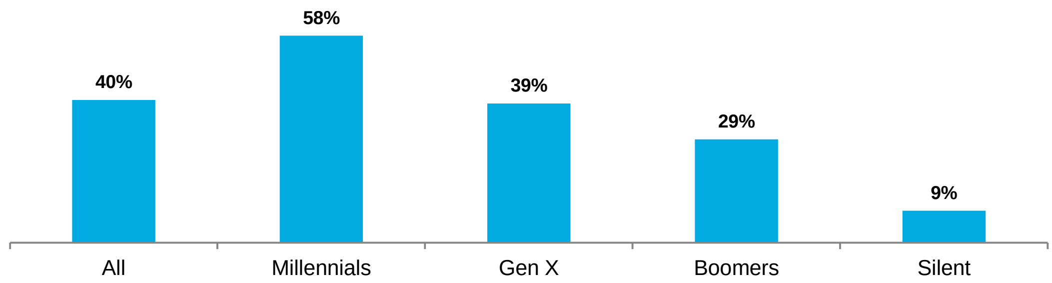
Figure 23 — Reasons for Not Buying Life Insurance*



**Owners and non-owners of life insurance*

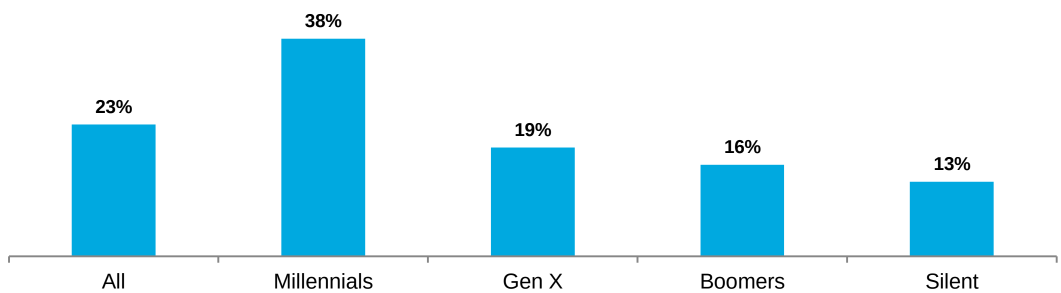
Additional reasons appear to be particularly applicable to the younger generations, especially Millennials. Many do not know how much coverage they need and what type of life insurance to buy. Almost 6 in 10 Millennials feel this way (Figure 24).

Figure 24 — Don't Know How Much or What Type to Buy — by Generation



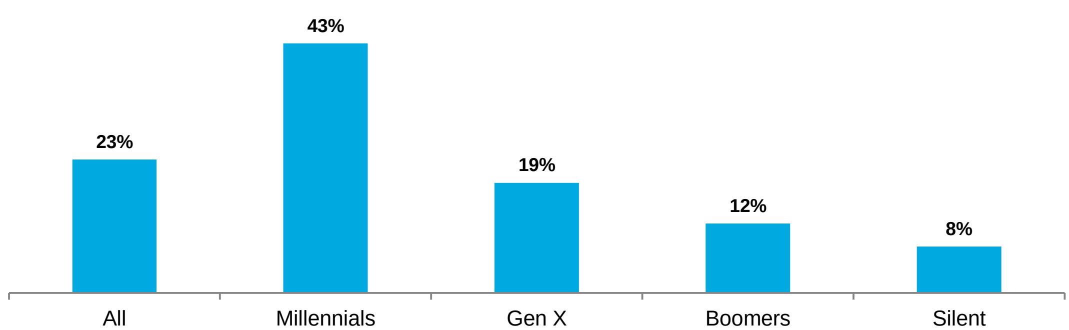
Many also believe that they would not qualify for life insurance coverage. Almost 4 in 10 Millennials say this, implying that they do not understand much about life insurance (Figure 25). Clearly, there needs to be a concerted educational effort to increase understanding of life insurance.

Figure 25 — Would Not Qualify for Coverage — by Generation



Four in 10 Millennials indicate that no financial professional has approached them for life insurance (Figure 26). Perhaps Millennials also need to be educated about the need and uses of life insurance for young people, which might contribute to their not proactively seeking out the help of professionals.

Figure 26 — No One Has Approached Me — by Generation



As mentioned earlier, 6 in 10 respondents say they have other financial priorities that prevent them from purchasing life insurance (or more life insurance). Table 4 shows the specific financial priorities that are barriers to purchasing life insurance.

Table 4 — Financial Reasons for Not Buying Life Insurance — by Generation*

	Total	Millennials	Gen X	Boomers
Cost of living expenses (rent, mortgage, groceries, electricity, etc.)	63%	62%	69%	58%
Additional living expenses (internet, cable, cell phone(s), etc.)	50%	53%	55%	42%
Building savings accounts(s) or emergency funds	37%	44%	37%	30%
Managing accumulated debt (credit card, other loans, etc.)	42%	39%	50%	37%
Saving for retirement	32%	30%	35%	31%
Health expenses	29%	30%	25%	32%
Day-to-day recreational activities (going out to eat, movies, shopping, etc.)	21%	27%	25%	8%
Saving or paying for a new car, boat, or home	23%	32%	22%	12%
Saving or paying for college or student loans	19%	28%	20%	7%
Vacation(s)	14%	20%	14%	6%
Other	13%	12%	9%	17%

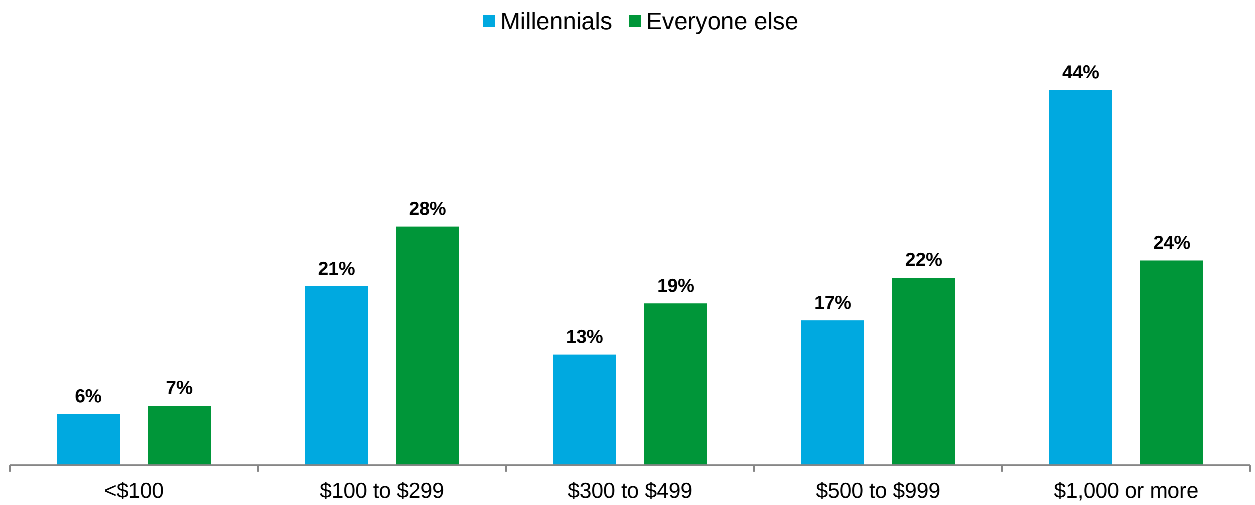
**Owners and non-owners of life insurance; Silent generation excluded due to low sample size.*

- Millennials are more likely than older generations to prioritize savings, college debt, and vacations over life insurance.
- Gen Xers are the most likely to prioritize debt management over life insurance. The percentage citing it as a reason for not buying life insurance increased by 10 percentage points from 2017.
- Boomers have the lowest level of barriers among any generation, significantly lower than Millennials.

ESTIMATED COST OF TERM INSURANCE

Many have put off buying life insurance based on the belief that it costs too much. Consumers were asked how much a $250,000 term life policy would cost for a healthy 30-year-old. The average cost for such coverage is around $160 per year. Most consumers estimate the cost of coverage at over three times its actual cost (Figure 27).

Figure 27 — Estimated Cost of Life Insurance — by Generation*



**Estimated yearly cost for a $250,000 term Policy for a healthy, non-smoking 30-year-old.*

- Millennials appear to have strong misperceptions on the cost of life insurance coverage. Almost half (44 percent) estimated the cost at over five times the actual cost.

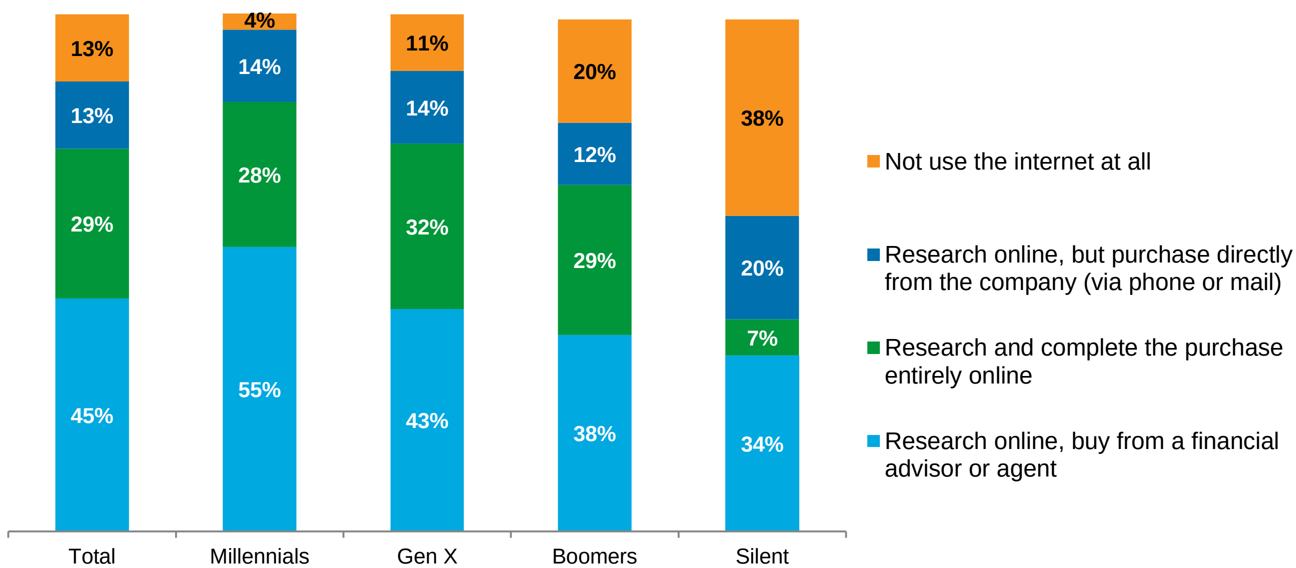
Shopping for Coverage

Using the internet is second nature for most consumers. How are consumers using the internet for activities related to life insurance?

ATTITUDES TOWARDS ONLINE ACTIVITIES FOR LIFE INSURANCE

We asked all consumers how they would use the internet in the life insurance purchase process. Most would go online to find more information on life insurance (Figure 28). Over half of Millennials would research life insurance online, but they would purchase life insurance from a financial professional. The industry can take steps to provide information in ways that appeal to the younger generations; companies can also encourage their financial professionals to reach out to young adults.

Figure 28 — How Consumers Would Use the Internet to Purchase Life Insurance

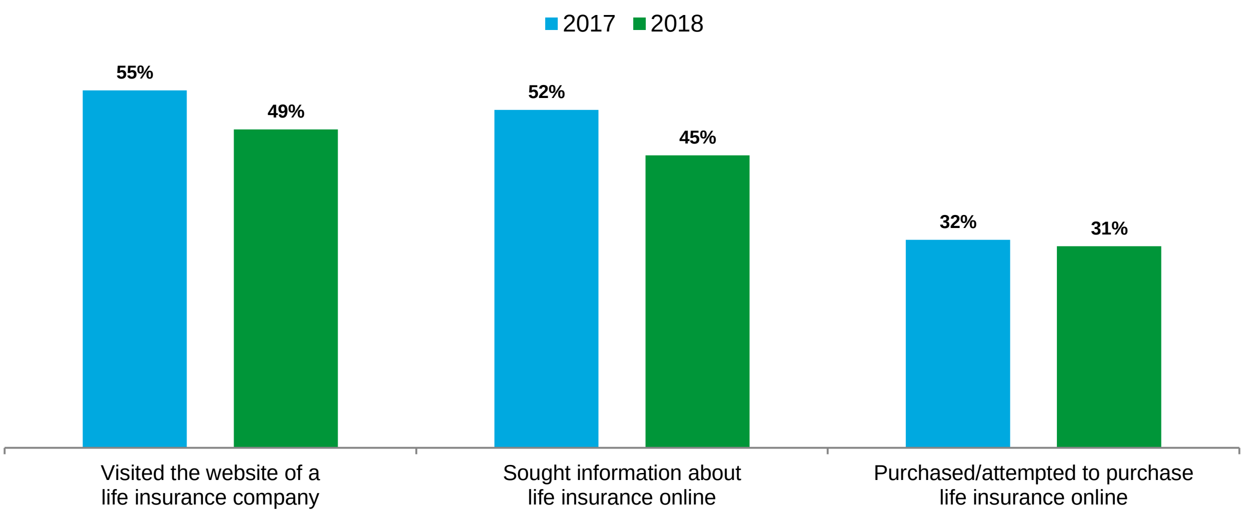


- Almost 3 in 10 (29 percent) of all consumers say they would research and buy life insurance online, up 7 percentage points from 2016.
- In 2016, only 19 percent of Millennials indicated they would buy online; in 2018, more than 1 in 4 Millennials want to buy online.
- One in 3 Gen Xers want to buy online, an increase of 6 percentage points from 2016.
- The trend is consistent across all generations, as an increasing percentage of Boomers and Silents also want to buy online.

ONLINE BEHAVIORS RELATED TO LIFE INSURANCE

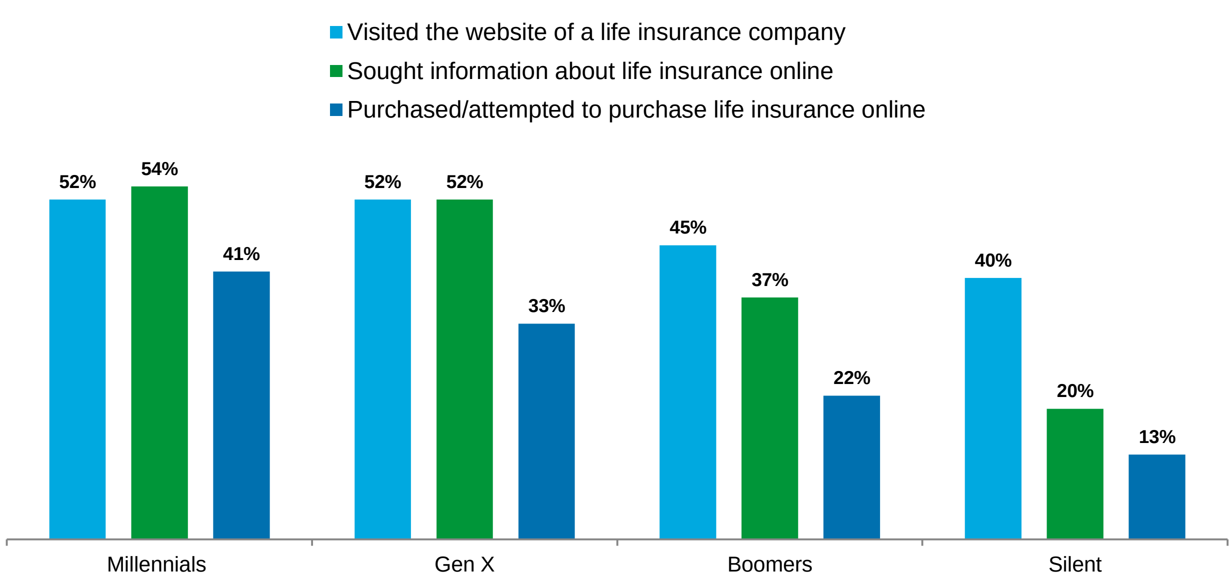
Compared to 2017, consumers decreased their online activities in two areas, namely visiting websites of life insurance companies and seeking information online (Figure 29).

Figure 29 — Online Activities Related to Life Insurance



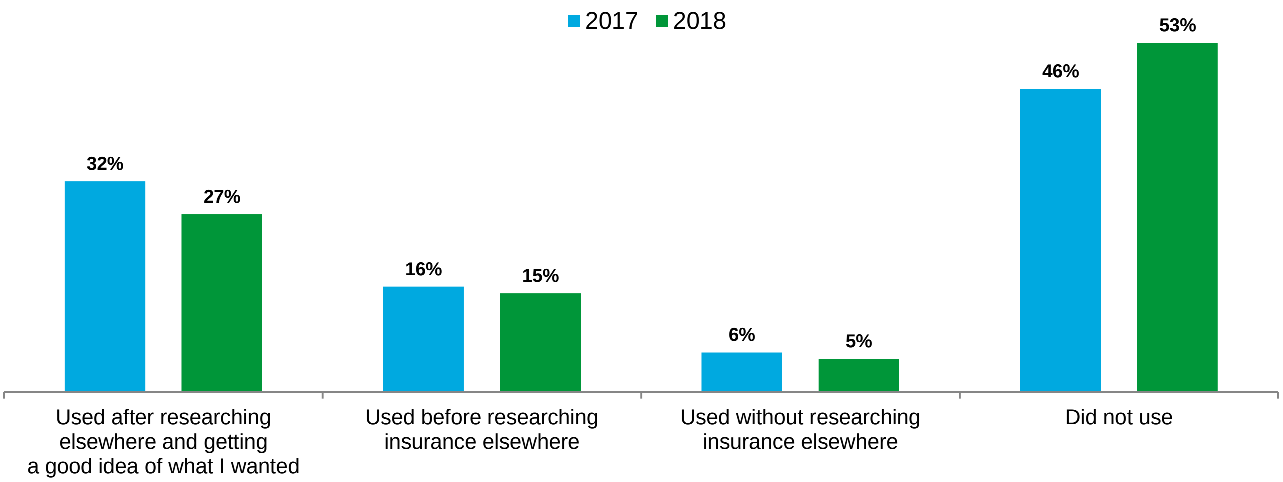
- However, online purchase attempts remained the same. These online activities vary by generation (Figure 30).

Figure 30 — Online Activities Related to Life Insurance — by Generation



Almost half of respondents that had sought life insurance information or attempted to purchase life insurance online indicate that they also used insurance comparison/quoting sites such as selectquote.com or accuquote.com. Figure 31 shows the ways in which the respondents use these quoting sites.

Figure 31 — Use of Insurance Comparison/Quoting Websites



Among younger generations, the use of insurance comparison/quoting sites is more common (Table 5).

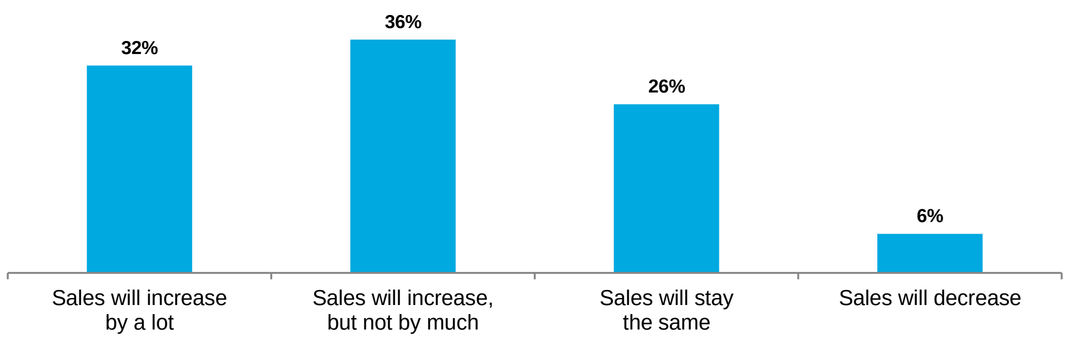
Table 5 — Use of Insurance Comparison/Quoting Websites — by Generation

	Total	Millennials	Gen X	Boomers
Used after researching insurance elsewhere and getting a good idea of what I wanted	27%	49%	20%	12%
Used before researching insurance elsewhere	15%	15%	18%	11%
Used without researching insurance elsewhere	5%	3%	7%	5%
Did not use	53%	33%	55%	72%

CONSUMER PREDICTION OF FUTURE ONLINE SALES

People often form opinions about what they think will happen in the future. This may depend on a variety of sources. We asked consumers what their thoughts were about online life insurance sales to their peers five years from now (Figure 32). Would online sales increase or not?

Figure 32 — Consumer Predictions on Life Insurance Sales Five Years From Now



- Over two thirds of consumers believe that life insurance online sales will increase.
- The results are similar for the younger generations (Table 6).

Table 6 — Consumer Predictions About Future Life Insurance Sales — by Generation

	Millennials	Gen X	Boomers	Silent
Sales will increase by a lot	34%	36%	28%	18%
Sales will increase, but not by much	34%	31%	42%	36%
Sales will stay the same	25%	27%	25%	50%
Sales will decrease	7%	5%	5%	3%

- The data in Figure 32 and Table 6 are is speculative in nature. The importance of this information is inferred from behavioral economics, which suggests that consumer behavior is strongly influenced by peers. This implies the data may identify future prophecies that are self-fufilling.

The Barometer's 2018 Hot Topics

SIMPLIFIED UNDERWRITING

Interest in simplified underwriting remains high as do the potential benefits. Fewer application questions and the elimination of medical testing allow carriers to potentially reduce expenses while improving the application experience for their customers. The *Barometer Study* once again asked consumers their opinions on this subject.

Carriers have much to gain by employing simplified underwriting. Half of respondents say they would be more likely to purchase life insurance without a physical exam or the collection of fluids or medical testing (Figure 33).

There is low risk of a negative impact as few claim that a simplified process would make them less inclined to buy. Potential buyers that wouldn't feel an impact may have already decided to buy regardless of the process.

Reaffirming the findings in the 2016 study, individuals that own only group life insurance continue to be most interested in simplified underwriting (Figure 34).

Consumers do not have to go through any underwriting for group life and the full underwriting process may have turned off some, preventing them from applying for individual coverage. There is an opportunity here to reach potentially underinsured customers.

Figure 33 — Likelihood to Purchase Life Insurance Priced Without a Physical Exam

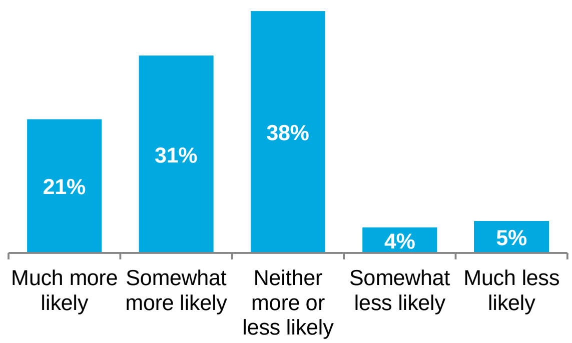
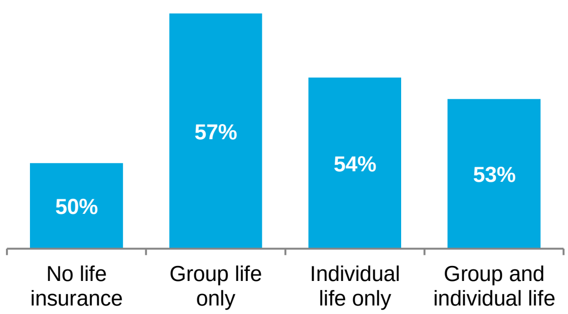


Figure 34 — Likelihood to Purchase Life Insurance Without an Exam — by Ownership Status



Interest in the benefits of simplified underwriting has not changed much since last year. Speed and ease of process remains the most valued benefit. Less than half of consumers see a benefit in the lack of face-to-face contact, which is unsurprising given the continued preference for some face-to-face contact (in person or virtual) by consumers of all ages (Figure 35).

Figure 35 — Benefits of Simplified Underwriting: Appeal to Consumers

Respondents who indicated the benefit was extremely or very appealing

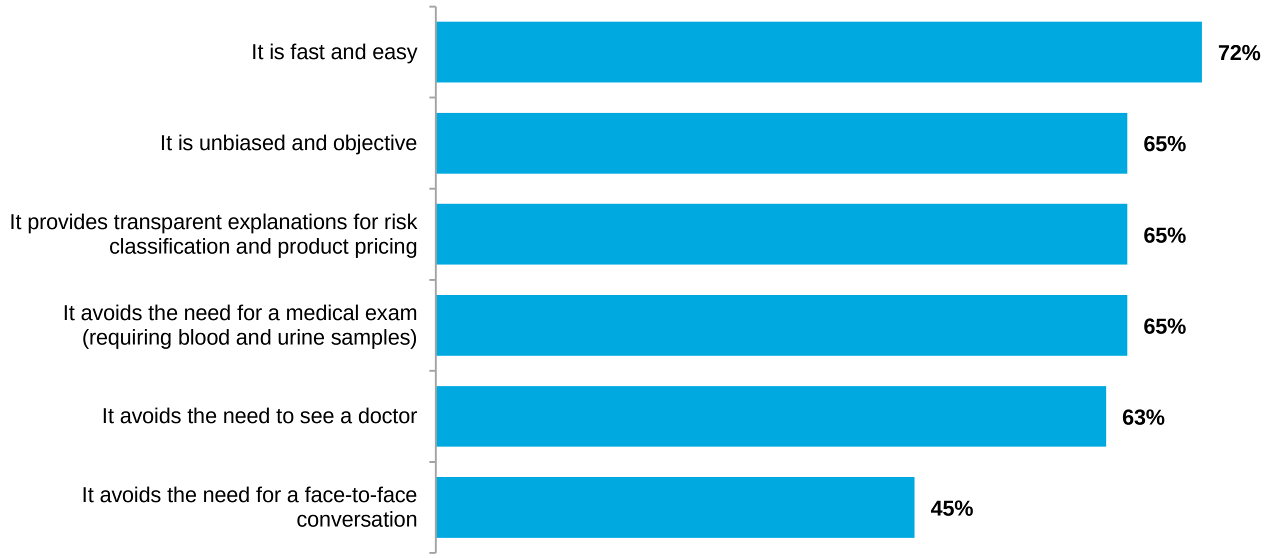


Table 7 breaks out attitudes towards simplified underwriting by income and generation.

- The middle market is a primary target for simplified underwriting and it seems as though there may be potential there. Middle and upper income respondents were more likely to buy using simplified underwriting and saw the most value in the concept.
- While there was generally little difference in perceived benefits between the Gen X and Boomer generations, the youngest respondents were less likely to find these benefits appealing.
- Millennials see less benefit in the avoidance of doctors and medical tests, driven perhaps by the fact that they are less likely to have age-driven medical conditions that require those interactions anyway (it isn't yet another appointment).

Table 7 — Benefits of Simplified Underwriting: Appeal to Consumers

Respondents who indicated the benefit was extremely or very appealing

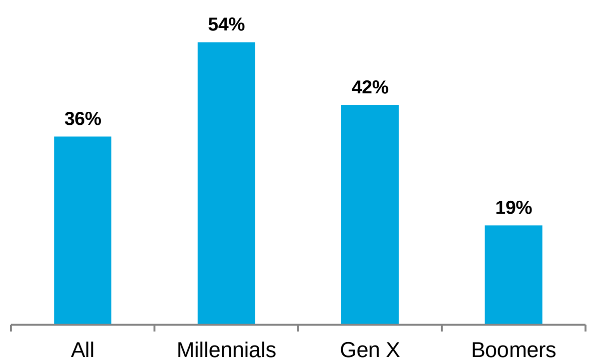
	Total	<$50K	$50K to $99.9K	100K+	Millennial	Gen X	Boomers
It is fast and easy	72%	62%	77%	80%	72%	74%	72%
It is unbiased and objective	65%	56%	67%	76%	62%	68%	67%
It provides transparent explanations of risk classification and product pricing	65%	54%	67%	76%	65%	67%	64%
It eliminates the need for a medical exam	65%	58%	68%	71%	61%	66%	69%
It eliminates the need to see a doctor	63%	55%	66%	69%	57%	67%	65%
It eliminates the need for face-to-face conversation	45%	39%	45%	53%	48%	47%	42%

Social Media

Social media platforms are very useful tools for agents/advisors to make contact, establish themselves as a source of information and expertise, and perhaps develop a group of virtual "followers" that may turn to them when a need arises. There is a strong trend toward their use by Millennial and Gen X consumers as a source of information when searching for a financial professional (Figure 36).

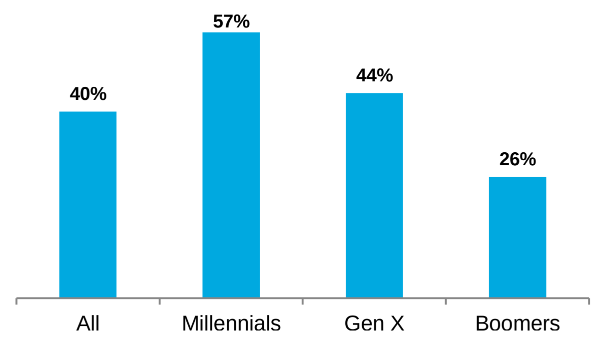
- Social media sites have become a common source for reviews and recommendations, not only through sites like Yelp which are designed for that purpose.
- Consumers often ask their social media contacts for recommendations on a variety of products and services, and that practice extends to financial services at least for younger generations.
- A third overall are likely to ask for advisor recommendations. Over half of Millennials would do so.

Figure 36 — Likelihood to Ask Social Media Connections for Agent/Advisor Recommendations



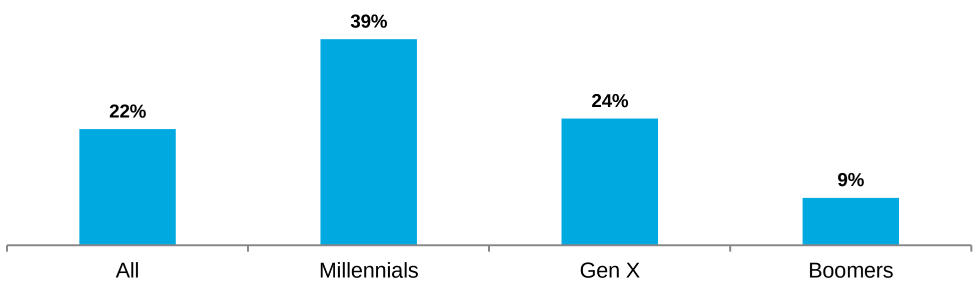
- Social media is not only important for recommendations. Advisors need to establish accounts and keep them fresh.
- Four in 10 Gen Xers and over half of Millennials are likely to check recommended advisors for a social media presence. Facebook, YouTube, and LinkedIn are all additional sources of information for consumers (Figure 37).
- Social platforms help complete the picture of an advisor, whether they might be a good source of information, or if they might be comfortable working with them.

Figure 37 — Likely to Check Agent/Advisor Social Media Presence and Activity



Although many consumers check for advisor social media presence, they don't all use social media as a method of contact (Figure 38). Social media also serves as an information tool and a way to familiarize yourself with potential contacts. It is also limited in terms of the quantity of information that participants can share, especially for platforms like Twitter, and public, so not suited to sharing sensitive personal financial information.

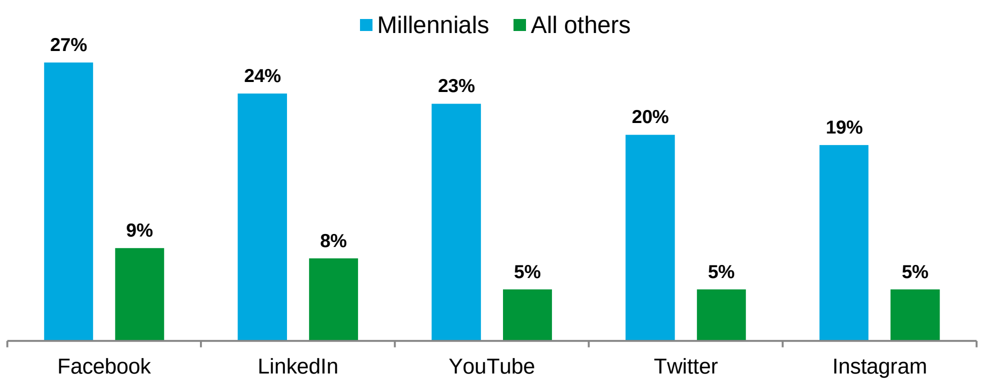
Figure 38 — Want to Communicate With Agent/Advisor via Social Media



- Not surprisingly, younger generations are more likely to prefer social media as a method of contact.

While consumers may check for a social media presence, activity is not necessarily important to most (Figure 39). Millennials are the most likely to see it as important, with about one quarter feeling that it is very or extremely important for an advisor to be active on Facebook, LinkedIn, and YouTube.

Figure 39 — Importance of Agent Activity on Specific Social Media Platforms



- Research shows that agents are most likely to be active on LinkiedIn and Facebook, but few have a presence on YouTube.[1]

- Video is currently hot with Millennials, making YouTube an interesting tool if advisors can find a way to use it. While Millennial presence on Facebook is declining, video capabilities like Facebook Live are popular with this group and provide opportunities to offer education in a format these young consumers like.

[1] *Evolving Social Media, Financial Professionals' Use of Technolotgy*, LIMRA 2017.

THE IMPORTANCE OF WEBSITES

While there is interest in social media as a method of contact, many more consumers are interested in using financial professionals' websites to educate themselves. Millennials, the highest social media users, are also the most interested in viewing agent websites. Young consumers have less experience with financial products and seem to have a high level of interest in educating themselves through multiple methods.

Having a website is not enough — it needs to be kept current as two-thirds of consumers would not do business with an advisor who has an out of date site (Table 8).

Table 8 — Use of Websites and Online Services

Respondents who agree or strongly agree

	Total	Millennials	Gen X	Boomers
I would like to educate myself about insurance on an insurance agent/advisor's website	73%	81%	76%	67%
I would not do business with an insurance agent/advisor that has an out-of-date website	67%	70%	68%	63%
I expect to do more of my financial business online in the next 5 years	63%	72%	68%	54%

DESPITE ALL THIS TECHNOLOGY, THE PERSONAL TOUCH IS STILL IMPORTANT

Social media and the internet are important methods of contact, but the majority of consumers still want personal contact when buying life insurance. Millennials, who are the most technology-focused, are the most likely to want to meet with an agent or advisor prior to purchase (Table 9).

Table 9 — Meeting Preferences

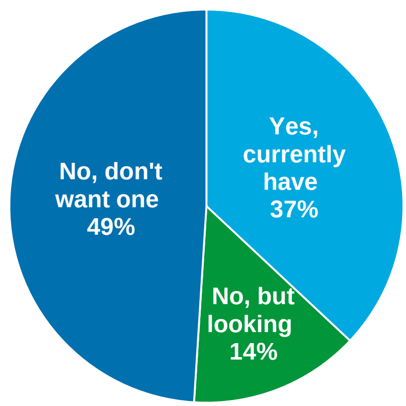
Respondents who agree or strongly agree

	Total	Millennials	Gen X	Boomers
Meeting with an agent/advisor before buying life insurance is important to me.	69%	73%	64%	69%
My first meeting with an agent/advisor has to be in person	57%	65%	52%	55%
My first meeting with an agent/advisor has to be over the phone	35%	42%	31%	33%
I prefer meeting with an agent/advisor virtually (Skype, GoToMeeting) rather than in person	25%	38%	28%	13%

PRESENCE OF A PRIMARY FINANCIAL ADVISOR

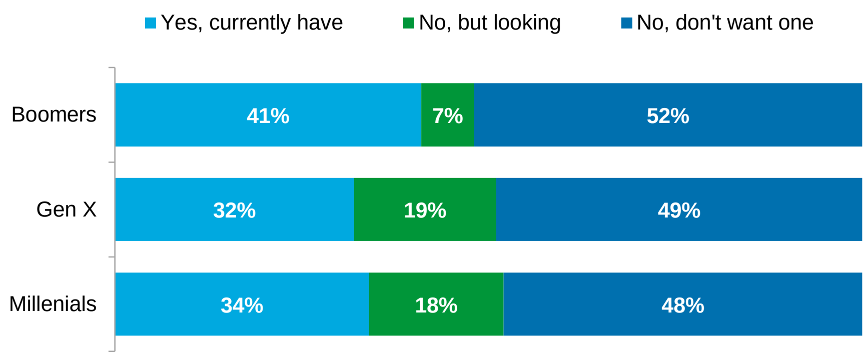
Despite the desire to meet with an financial professional prior to purchase, most consumers do not have someone that they consider a primary financial advisor (Figure 40). Also, interestingly, half say they don't want one. Perhaps they want to speak with someone knowledgeable about insurance but are not interested in developing a long term relationship.

Figure 40 — Presence of a Primary Financial Advisor



Only about one third of Gen Xers and Millennials have a financial advisor and most are not looking (Figure 41).

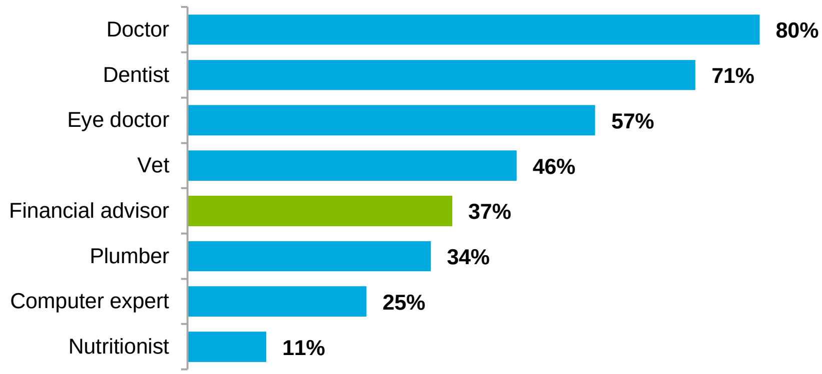
Figure 41 — Presence of a Primary Financial Advisor — by Generation



Other Financial Professionals

Most people have experts to manage their medical care, especially among the older generations. The majority have a regular doctor and dentist. Perceived need drives some of this behavior. We can assume that fewer maintain a relationship with an eye doctor or vet because many do not have vision problems or pets.

Figure 42 — Presence of Financial or Other Professionals



- Financial advisors seem to fall in the “I will call one if I need one” category along with plumbers and computer experts. Consumers that have medical or other types of professionals are only slightly more likely to have a financial advisor.
- Financial professionals remain the preferred way for most consumers to buy life insurance. Yet, competition continues to grow and financial professionals need to be aware of their standing relative to other professionals upon whom consumers rely.

Household income (the ability to afford fees) and age (tied to income and perceived need for medical services) impact consumer likelihood to retain various types of professionals (Table 10).

Table 10 — Presence of Financial or Other Professional by Income and Generation

	Total	<$50K	$50K to $99.9K	100K+	Millennial	Gen X	Boomers
Doctor	80%	72%	83%	84%	65%	80%	90%
Dentist	71%	56%	73%	84%	66%	70%	75%
Eye doctor	57%	43%	56%	70%	42%	54%	69%
Vet	46%	34%	51%	54%	44%	50%	44%
Financial advisor	37%	18%	41%	51%	34%	32%	41%
Plumber	34%	22%	35%	46%	30%	32%	38%
Computer expert	25%	18%	28%	30%	26%	24%	25%
Nutritionist	12%	9%	11%	16%	20%	9%	7%

- Older consumers, who are more likely to have health issues, are also most likely to have an ongoing relationship with a doctor and/or dentist.
- Middle and upper income households are more likely than lower income households to have any type of medical or other professional.
- Boomers and high income households are the most likely to have a financial advisor, as they have more funds to pay an advisor and most likely a higher perceived need.

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