2020 INSURANCE Barometer

2020
Insurance Barometer Study

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Methodology

The *Insurance Barometer* is an annual study that tracks the perceptions, attitudes, and behaviors of adult consumers in the United States. The study objectives are to measure financial concern among American consumers and relate these findings to financial behaviors, with a particular focus on life insurance.

In January 2020, LIMRA and Life Happens engaged an online panel to survey adult consumers who are financial decision-makers in their households. The survey generated 1,997 responses.

Models used in the sample development include a propensity model to adjust for sample selection error and weighting models to adjust for sample response error. In addition, please note:

- Not all consumers participate in online panels, creating selection bias among prospective survey respondents. The propensity-score adjustment corrects for the selection biases inherent in internet panels.
- A weighting adjustment was applied to the response sample along the dimensions of age, gender, race, region, and income. The weights force the demographic characteristics of the response sample to better align with those of the general population.
- The margin of error in this study is +/- 3 percentage points.

Generational categories profiled in this report include:

— Millennials — born between 1981 and 1998
— Generation X — born between 1965 and 1980
— Baby Boomers — born between 1946 and 1964

The *Insurance Barometer* sample contains respondents from Generation Z (a.k.a. Zoomers) born between 1999 and 2016, and the Silent generation, born in 1945 or earlier. The number of respondents in these generations are representative of the presence in the overall population, but do not contain sufficient observations to support reliable reporting.

Top Trends of the '10s

The 2020 study period marks the 10th edition of the annual Insurance Barometer. *It provides the industry with the opportunity to review a decade of consumer trends regarding life insurance and related financial issues.*

Life Insurance

Market penetration declined by 14 percent

- Currently, 54 percent of adult consumers have life insurance, a decline of 9 points (14 percent) since 2011. Given a population of 256 million American adults, the data suggest 138 million consumers currently have life coverage.

- Declines in ownership are highest among those ages 45 and older and in households with annual income under $100,000.

- The drop in ownership relates to a broad decline in employer-paid group life benefits over the past 10 years. Thus, loss of coverage is occurring in working-age households in the low- and middle-income classes.

Purchase preferences have changed

- Historically, the majority of consumers preferred in-person sales. The 2020 data indicates most consumers now prefer alternative distribution methods (i.e., phone, mail, online).

- The proportion of consumers who prefer in-person sales declined from 64 percent in 2011 to 41 percent in 2020.

- The proportion of consumers who prefer internet/online sales grew from 17 percent in 2011 to 29 percent in 2020.

- The nation is in the midst of the COVID-19 pandemic[1] at the time of publication. In the near-term, this event will lower the preference for in-person sales and raise the preference for alternative distribution methods.

Likelihood-to-buy is at its highest point to date

- Currently, 36 percent of respondents say they intend to purchase life coverage in the next 12 months. Purchase intent had fallen as low as 10 percent in 2014.

- The "need-gap" for life insurance grew to 16 percent in 2020, which suggests there are 41 million consumers who say they need life coverage, but do not have it.

- Awareness of their personal "need-gap" prompts consumers to seek coverage. It is very likely the COVID-19 pandemic will bolster the perceived need for life coverage and increase purchase intent.

- Developments such as combination products, continuous underwriting, and simplified underwriting can increase a consumer's likelihood to buy life insurance by as much as 50 percent.

- Consumers overestimate the cost of coverage, which inhibits their likelihood to buy.

[1] CNN Health, https://www.cnn.com/2020/03/03/health/us-coronavirus-cases-state-by-state/index.html (accessed March 29, 2019).

- Respondents consistently overestimate the cost of term life coverage; half the population estimate the cost of life insurance at ***more than three-times the actual cost.***

- By broadcasting more information on the true cost of coverage, the industry can educate consumers and increase the size of the life insurance market.

Health Insurance

- Currently, 85 percent of respondents say they have health coverage, up 6 points (8 percent) since 2011. Now, more respondents say they have it than say they need it.

- Given an adult population of 256 million, the data suggest 218 million Americans have health coverage.

- The growth in health coverage reflects national healthcare legislation over the past decade (e.g., the Affordable Care Act) and may be the insurance industry's top trend of the '10s.

Long-term Care Insurance (LTC)

- The current LTC ownership rate of 18 percent represents a rise of 3 points (20 percent) since 2011. This suggests 46 million consumers own LTC coverage.

- Though the LTC sector has faced challenges, the industry has gradually increased market penetration, including growth in the lower-income market segment.

Disability Insurance (DI)

- The percentage of Americans with disability coverage declined from a high of 31 percent in 2012 to a low of 16 percent in 2020.

- The data suggest the industry provides DI coverage for 41 million consumers.

- The decline in DI coverage mirrors the decline in life coverage; both relate to changes in the employer-benefits market. Employers reduced life and DI benefits as a means of compensating for rising health coverage costs. Over time, this trend is likely to drive more consumers into the individual disability market.

Financial Concerns[2]

- The Financial Concern Index displays peaks in 2012, 2016, and 2020, revealing a close association with the presidential election cycle. This enables the industry to anticipate changes in consumer mindsets.

- The Financial Concern Hierarchy reveals that respondents consistently place health-related concerns as their top financial priority. Savings-related concerns are their second priority. For most of the past decade, living expenses held the third position; however, in 2020, life insurance-related concerns moved to third, and living expenses fell to the bottom.

Financial Advice

- The proportion of Americans looking for a financial advisor is at its highest point to date. Currently, 25 percent of respondents (64 million) are looking for an advisor, a spike of 8 points in one year.

- In the last three study periods, the percentage of respondents looking for an advisor rose significantly. This suggests the volume of consumers seeking a financial advisor is expanding quickly.

- Given the demographic of respondents seeking advice and the impacts of the coronavirus, financial advisors should consider greater use of social media to reach new clients.

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[2] *Hidden Currents: Under-the-Surface Changes in the Employee Benefits Market, LIMRA.org,* https://www.limra.com/globalassets/limra/research/ research-abstracts/2018/employer-strategies/180131-01.pdf

Hot Topic: Social Media and Financial Advice

Each year, the Insurance Barometer *examines "Hot Topics" in the industry. Understanding consumer attitudes and behaviors relative to emerging trends enables the industry to remain up-to-date on the mindsets of American consumers.*

CONSUMER USE OF SOCIAL MEDIA FOR FINANCIAL TOPICS

Almost half of all respondents say they have used social media to gather information on financial topics, companies or advisors. Facebook and YouTube are the most commonly referred to sites by social media users in the financial space (Figure 1).

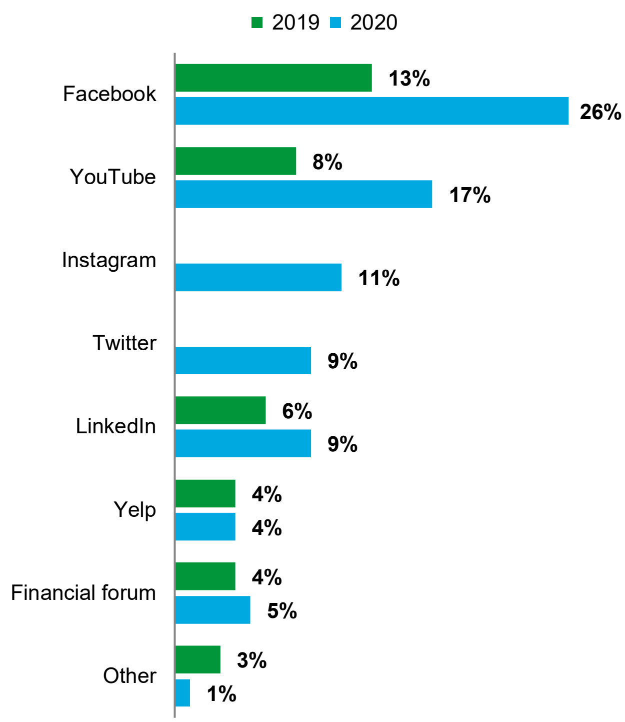
The sharp rise in social media usage between 2019 and 2020 provides compelling data for the industry to consider. Usage rates for the top two sites doubled in just one year.

The usage rates suggest these sites have tens of millions of users looking for information related to personal finances. This clearly illustrates the importance of using social media and understanding how to leverage each platform's unique capabilities.

Social Media for Financial Professionals

The proportion of consumers looking for an advisor is growing. Currently, 1 in 4 are looking for an adviser, a rise of 64 percent in three years. Just over one third of the market has an advisor (Figure 2), and 40 percent say they do not have or want an adviser.

Figure 1 — Use of Social Media for Financial Topics



The data in Figure 2 suggest the market for financial advice is expanding at a compound rate, due to the sharp growth in those seeking advice combined with the continuous growth in the American population. This bodes well for the personal financial advisor market.

Figure 2 — Use of Primary Financial Advisors, 2018 to 2020

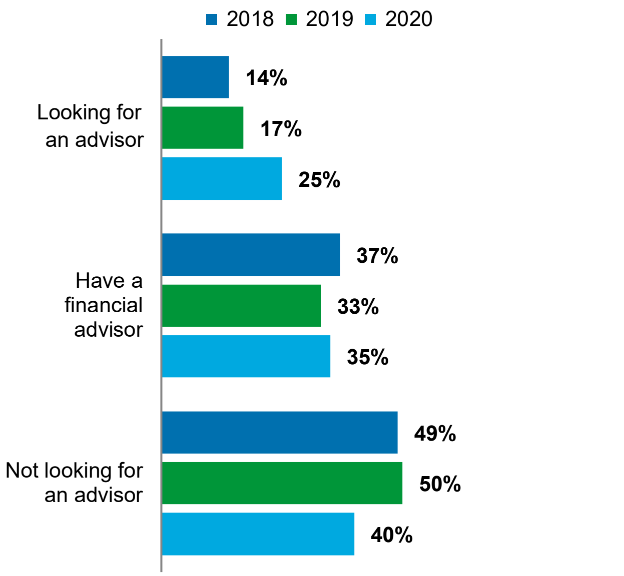
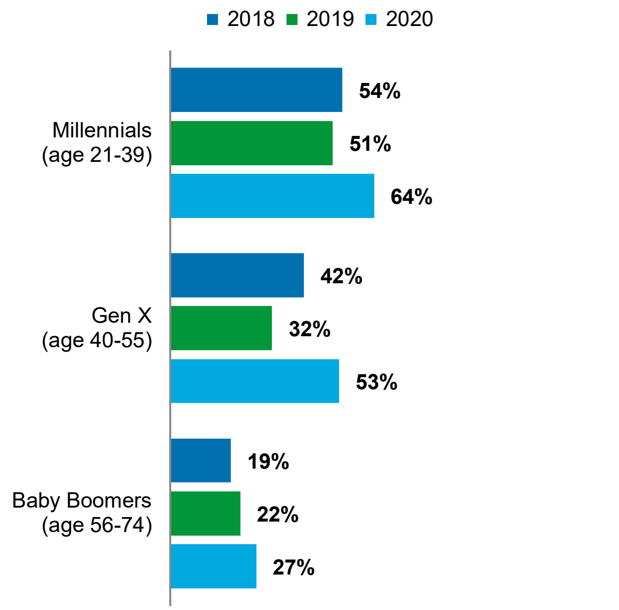


Figure 3 — Trends in Use of Social Media to Assess Financial Professionals by Generation



Market Sizing

Given roughly 256 million American adults,[3] these data suggest 64 million consumers are currently in the market for financial guidance. Generational segmentation reveals Gen X (ages 39 to 54) and Millennials (ages 20 to 38) are the largest segments of this market.

Currently, 49 percent of respondents in the market for an advisor say they would research prospective advisors on social platforms, a significant increase from 2019 (Figure 3). The youthful demographic of consumers seeking a financial advisor means that social media has quickly become an important marketing and communication tool for financial professionals.

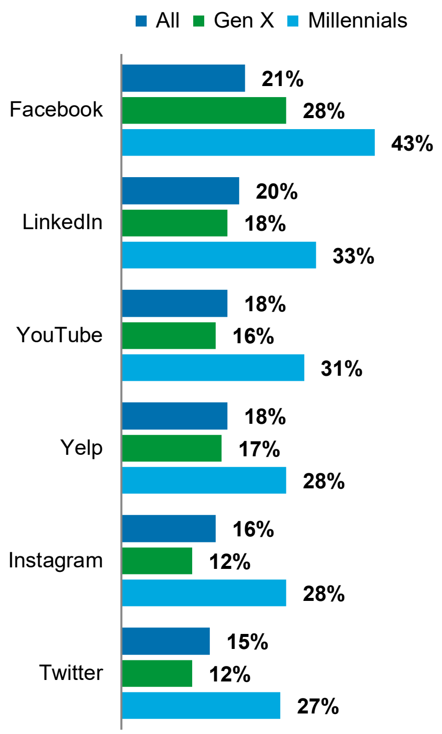
Most Important Social Media Sites for Financial Professionals

When asked to rate the importance of the social media sites, Millennials and Gen X demonstrate a clear preference for Facebook (Figure 4).

Among Millennials, Facebook (43 percent) has the highest-rated importance for financial professionals. LinkedIn (33 percent) and YouTube (31 percent) have comparable importance ratings for the younger generation.

[3] U.S. Census, *Population Estimates*, July 2019 (V2019).

Figure 4 — Social Media Usage by Generation



Millennials find social media platforms twice as important as Generation X does. Overall, at 21 percent, Facebook has the highest-rated importance for financial professionals. Yet, LinkedIn (20 percent), YouTube (18 percent), and Yelp (18 percent) have comparable importance ratings.

LinkedIn and YouTube are examples of sites with different user demographics and capabilities. It is important for financial professionals to determine which social media platform(s) are most appropriate for their personal styles and the prospective consumer markets. It is also essential to understand that social media ratings are a modern form of referrals.

Financial Information Consumers Want From Social Platforms

Just under two thirds (62 percent) of those using social media sites for finance-related topics are using the tools to read other people's reviews and comments on their agent(s). Almost as many are looking for information on product and services (59 percent). This helps the industry understand the type of subject matter consumers will appreciate seeing on finance-related social platforms (Figure 5).

Consumers are less likely to use social media to keep in touch with a financial professional (45 percent) or to discuss investment strategies with other people (41 percent). Nonetheless, these activities are already taking place on social platforms and have grown in the last year.

The least common use of social media in the finance space is for testimonials on the merits of financial products. This may present an opportunity for the industry, as testimonials from well-known personalities are generally effective social marketing tactics.

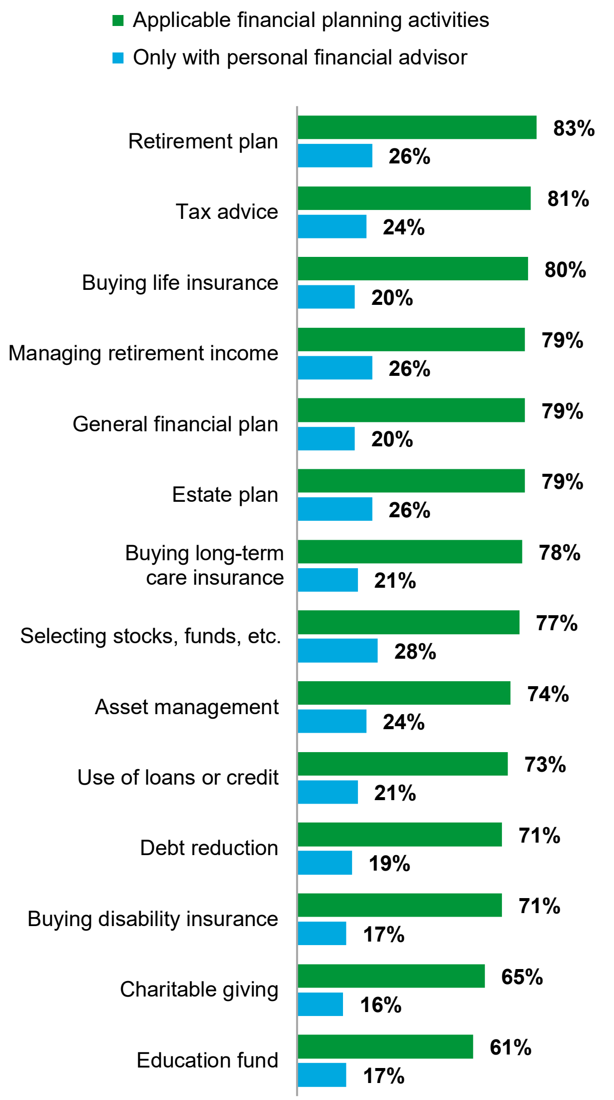
Figure 5 — Financial Information Preferred on Social Media

Financial Planning Activities

Figure 6 illustrates the financial planning activities that American consumers find relevant to their households and identifies the proportion of consumers who would only work with a personal financial advisor on these activities. Results indicate the 14 activities listed are all applicable to over 60 percent of respondents.

Retirement planning, tax advising, and purchasing life insurance are the financial planning activities with broadest appeal. Over 80 percent of respondents say these activities are applicable to them personally.

Figure 6 — Applicable Financial Planning Activities



Planning Activities Only With Personal Financial Advisor by Generation

Figure 6 also shows that retirement planning, managing retirement income, estate planning, and managing stocks are the activities for which consumers most want financial advice. Over one quarter of respondents will only work with an adviser on those activities.

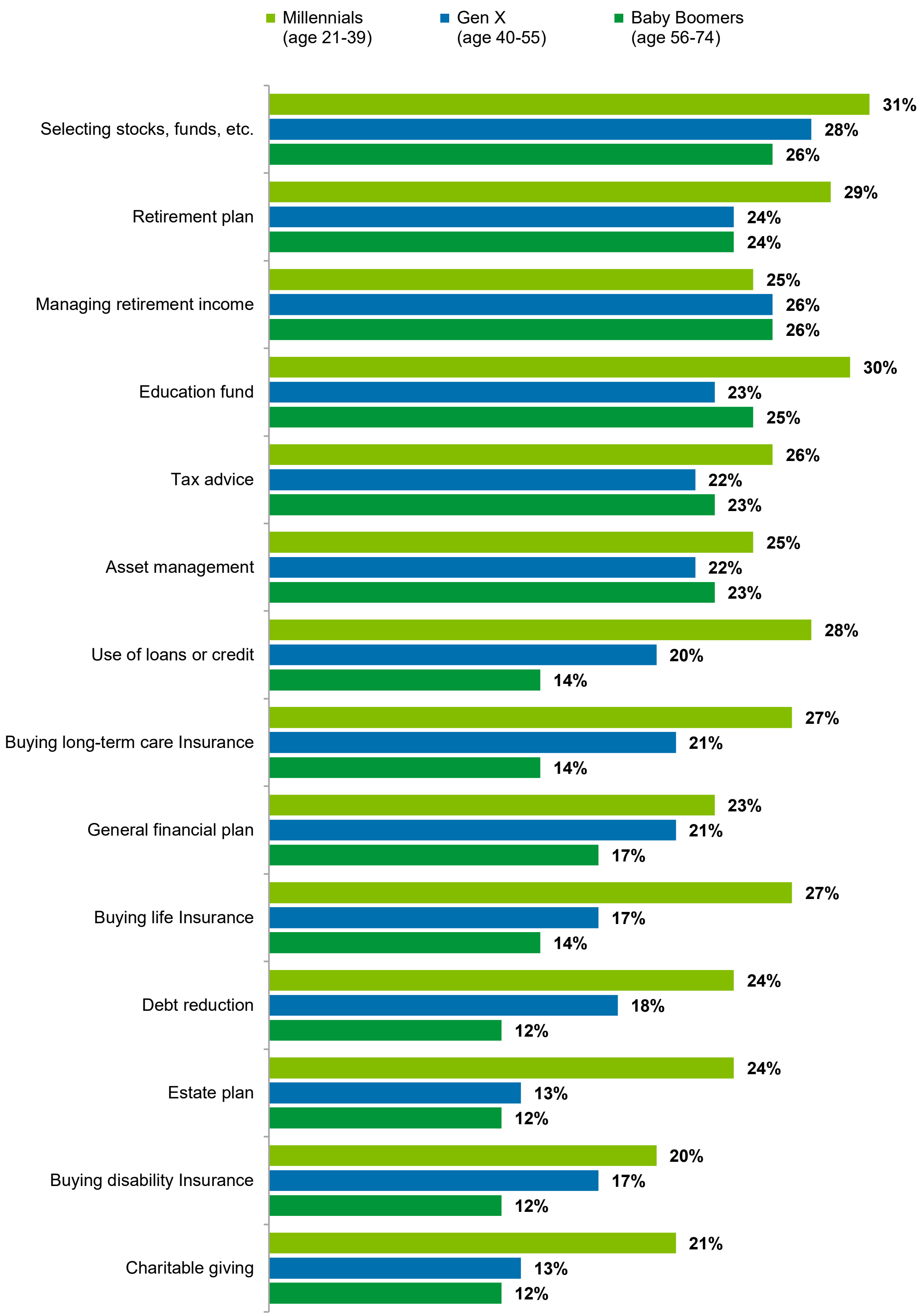
The preferences of different generations is an important consideration when prospecting for new clients. The data in Figure 7 can help financial advisors identify the types of financial planning activities that their target prospects may find most relevant for working with a personal advisor.

This is important data for the financial services industry to digest, as it suggests over 20 percent of millennials would only conduct these financial planning activities with a personal financial advisor. This is a strong indicator of demand for financial planning services among younger consumers.

While younger generations tend to have lower income and asset levels, there are ways financial professionals can approach this market opportunity.

- One example is leveraging technology such as social media for marketing and simplified underwriting to increase efficiency and productivity in life sales.
- Financial advisors may also consider marketing to caregivers and two-generation households, which have two sets of finances to manage. At some point during the relationship, these households will likely need help planning transfers of wealth across generations.

Figure 7 — Planning Activities With Personal Financial Advisor Only



Insurance Ownership Trends

The *Insurance Barometer* tracks market penetration rates for the life, disability (DI), long-term care (LTC), and health coverage sectors. Figure 8 displays market penetration rates for these products over the past decade. It shows that year-to-year changes are often small, but the decade-long trends are significant.

Life Insurance

Life insurance enjoyed an average ownership rate of 59 percent over the past decade. It peaked at 63 percent in 2011 and gradually declined to 54 percent in 2020. The 9-point drop in ownership represents a decline of 14 percent over a 10-year period.

Ownership fell among households in the lower- and middle-income categories (i.e., under $100,000), declining by 25 percent over the past 10 years (Table 1).

Ownership rose by 36 percent for respondents under age 25. At the same time, market penetration dropped significantly for those ages 45 and older.

Disability Insurance (DI)

Currently, 16 percent of respondents say they have DI coverage, a drop of 11 points (41 percent) since 2011. This represents the largest decline in market penetration among the four core insurance coverages (i.e., life, DI, LTC, and health).

Ownership declined among households with incomes of $50,000 or more. DI ownership declined in all age groups, especially those aged 45 to 64.

Trends in the life and disability sectors relate to changes in employer-paid benefit plans, which have reduced life and DI coverages in favor of health coverage. Over time, these trends may increase demand for life and disability coverage in the individual market.

Long-term Care Insurance

In the 2020 study period, ownership of LTC increased to 18 percent; the rise of 3 points represents an increase of 20 percent. It is the first significant rise in LTC ownership since 2016.

The rise in ownership relates to increases among households with lower (under $50,000) and higher ($100,000 or more) annual incomes. This suggests a broadening of the LTC market, which may indicate further growth opportunities.

Market penetration increased by 38 percent among those aged 25 to 44, suggesting the market for LTC may extend to younger market segments.

Health Insurance

One of the most positive trends of the ‘10s is the increase in ownership of health insurance, which is currently at 85 percent, up 6 points (8 percent) since 2011. This appears to reflect changes in national policy regarding health insurance coverage over the past 10 years (e.g., the Affordable Care Act).

The rise in ownership is most notable among households earning under $50,000 (up 17 percent). This suggests a significant expansion of affordable health coverage into lower income market segments.

Health coverage also increased among those aged 45 to 64, where it rose by 13 percent.

Figure 8 — Insurance Product Ownership Trends

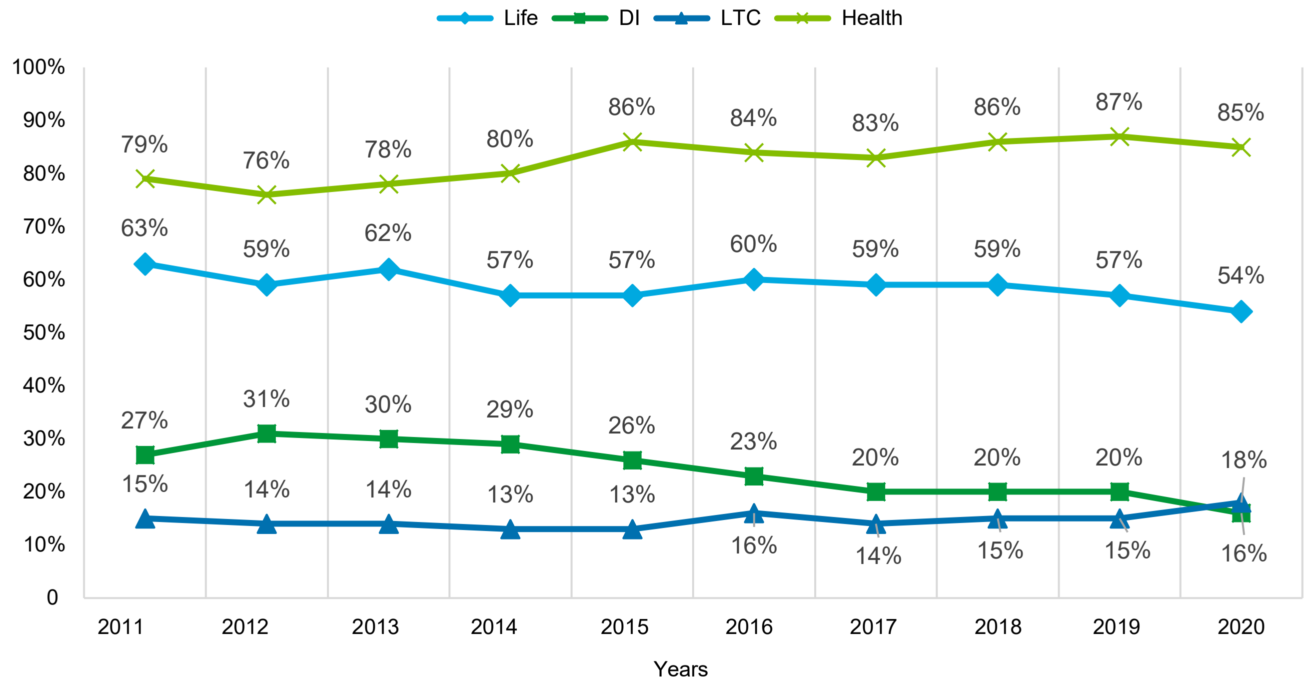


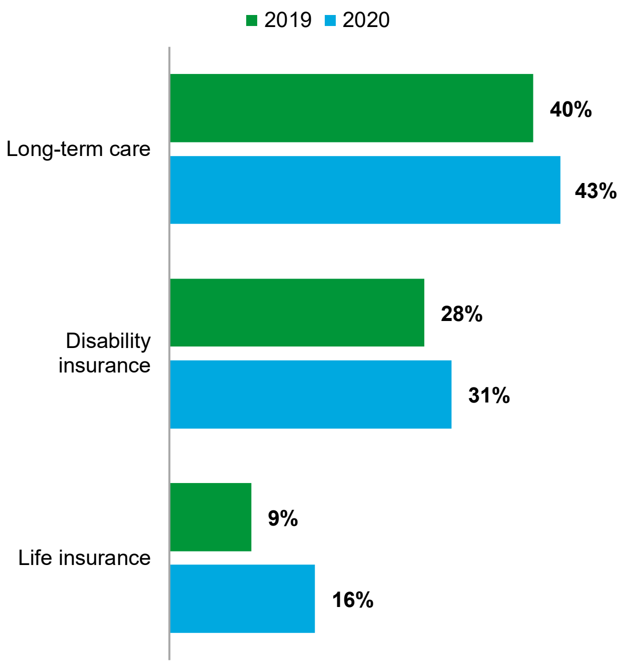
Table 1 — Insurance Product Ownership Trends by Age and Income

	2011				2020			
Age of Respondent	**Life**	**DI**	**LTC**	**Health**	**Life**	**DI**	**LTC**	**Health**
Under 25	28%	6%	~	79%	38%	6%	~	75%
25 to 44	60%	31%	16%	77%	55%	20%	22%	81%
45 to 64	68%	29%	15%	77%	55%	17%	12%	87%
65 and over	67%	14%	16%	92%	53%	10%	19%	95%
Annual Household Income	**Life**	**DI**	**LTC**	**Health**	**Life**	**DI**	**LTC**	**Health**
Under $50,000	47%	16%	9%	66%	34%	12%	11%	77%
$50,000 to $99,999	73%	32%	16%	85%	56%	15%	15%	87%
$100,000 or more	75%	44%	23%	92%	69%	22%	27%	90%
Overall	63%	27%	15%	79%	54%	16%	18%	85%

INSURANCE PRODUCT “NEED-GAPS”

The difference between those who “need” coverage and those who “have” coverage represents the coverage’s “need-gap.” A product’s need-gap serves as a measure of market demand. Figure 9 illustrates the need-gap for life, disability, and long-term care.

Figure 9 — Insurance Product "Need-Gaps"



Life Insurance Need

Currently, 70 percent of respondents say they need life coverage, the highest level of perceived need among these products. This represents an increase of 6 percent from 2019 and suggests ***total*** market demand of 179 million consumers.

The need-gap for life insurance is 16 points, which represents a jump of 44 percent over the past year. This suggests ***active*** market demand of 41 million consumers.

Disability Insurance Need

Currently, 47 percent of respondents indicate they need DI coverage, slightly higher than in 2019. This suggests ***total*** demand of 120 million consumers.

The need-gap for DI is 31 percent, an increase of 11 percent from 2019. This brings ***active*** market demand for DI to 79 million consumers.

Long-term Care Need

At 61 percent, LTC has the second-highest level of perceived need among these coverages. The rise of 6 points from 2019 represents a jump of 11 percent and brings ***total*** market demand to 156 million consumers.

The need-gap for LTC equals 43 percent, an increase of 8 percent from 2019. This suggests ***active*** market demand from 110 million consumers.

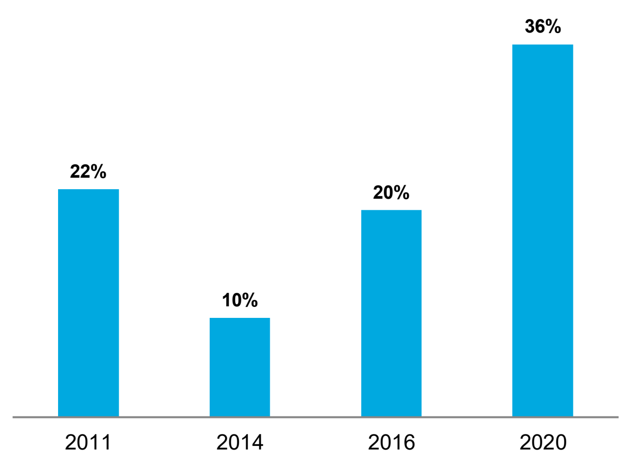
Health Insurance Need

There is no need-gap for health coverage, because more consumers say they have health coverage (85 percent) than say they need it (77 percent).

LIKELIHOOD TO BUY INSURANCE

The *Insurance Barometer* began tracking the likelihood to buy life insurance in 2011. Figure 10 illustrates trends in purchase intent among non-owners over the past decade. Currently, likelihood to buy life insurance is at its highest point in the past 10 years.

Figure 10 — Trends in Likelihood to Buy Life Insurance*



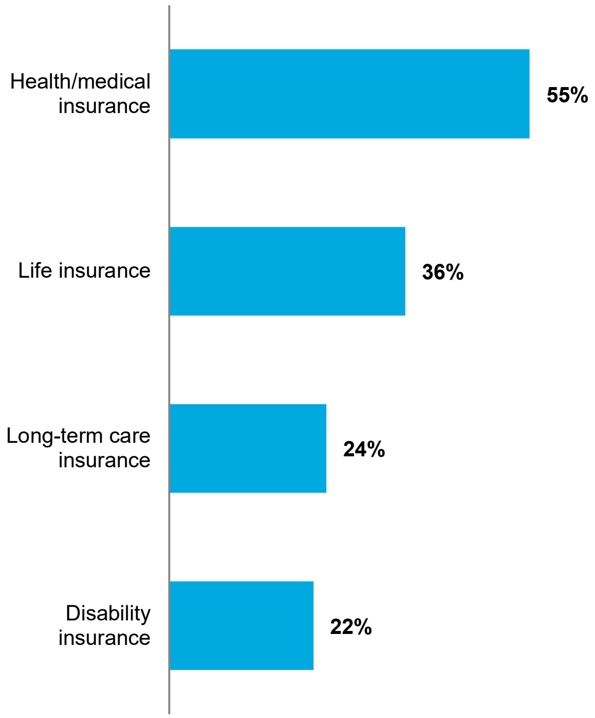
*****Non-owners who are very or extremely likely to buy life insurance in the next year.*

- Likelihood to buy dropped to a low of 10 percent in 2014 before rebounding to 20 percent in 2016, demonstrating the elasticity of this metric.
- The increase in 2020 is a positive indicator for the industry. The COVID-19 pandemic may raise purchase intent significantly higher.

2020 Purchase Intentions

Figure 11 compares the likelihood to buy life insurance with other insurance products. The 2020 data reflect relative purchase intent among non-owners.

Figure 11 — Insurance Coverage Purchase Intent, 2020*



******Very or extremely likely to buy in the next 12 months, among non-owners.*

Purchase intent reflects the consumers' views on their likelihood to acquire the coverage. It does not imply they believe they need the coverage or that they plan to purchase coverage in the individual market.

At 55 percent, health coverage enjoys the highest level of purchase intent. This indicates market demand from over 21 million non-owners.

Life insurance purchase intent equals 36 percent. The data suggest purchase intent from 42 million non-owners.

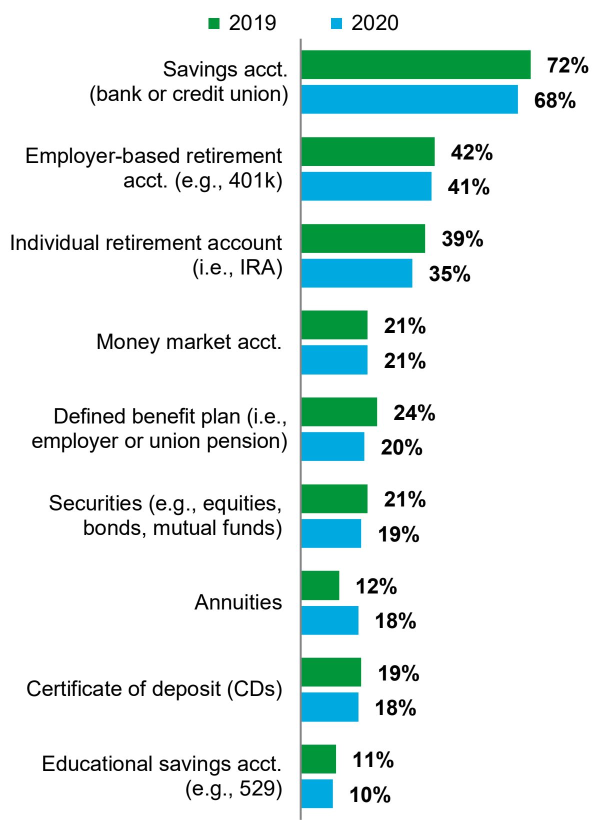
Long-term care has purchase intent from 24 percent of non-owners. Long-term care data suggest purchase intent from 50 million Americans.

Disability coverage has the lowest purchase intent among non-owners (22 percent). Even so, this represents purchase intent from 47 million adults.

Financial Product Trends

In 2019, the *Insurance Barometer* began tracking market penetration rates of saving and investment products. These data provide the industry with a broader view of "wallet-share," as it pertains to the American consumers' financial portfolios. Figure 12 illustrates ownership trends over the last two years.

Figure 12 — Financial Product Ownership Trends

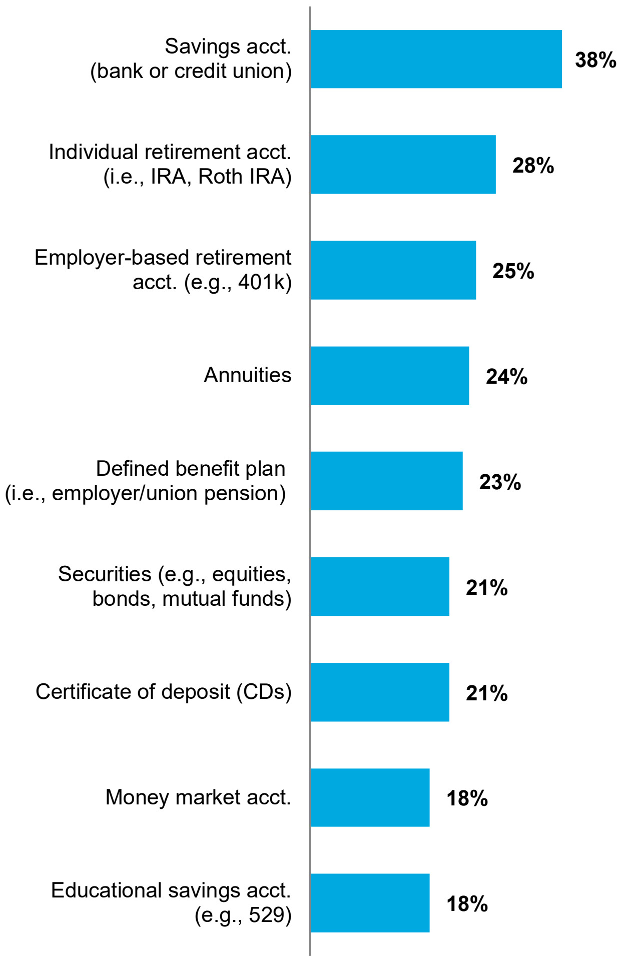


- At 68 percent, market penetration for savings accounts remains the highest of these financial products. The drop of 4 points in ownership may signal a decline in demand for savings accounts. The lower level of ownership among respondents may relate to the low interest rate environment, which has reduced the financial incentive for using saving accounts.
- Employer-based retirement accounts have an ownership rate of 41 percent, showing no significant change from 2019. Only three other products in this study (i.e., health insurance, life insurance, and savings accounts) have market penetration rates higher than employer-sponsored retirement accounts.
- Individual retirement accounts have market penetration of 35 percent, a drop of 11 percent from 2019. Despite the drop-off in the current study period, individual retirement accounts (IRAs) remain a very popular financial product.
- Money market accounts, defined benefit (DB) plans, securities, and certificates of deposit (CDs) all enjoy similar levels of market penetration. About 1 in 5 respondents own one of these four products.
- Ownership rates dropped 4 points (20 percent) for DB plans, which reflects long-term trends in the employer-sponsored benefit market.
- Annuities ownership rose to 18 percent in 2020, a jump of 6 points (50 percent) from 2019. This marks the largest percentage increase in market penetration among these financial products. This is a positive sign for the annuity sector, but more study periods are required to reveal if this is a long-term trend.
- Just 1 in 10 respondents indicate they have an educational savings account. The two-year trend suggests a stable market for these products.

LIKELIHOOD TO BUY FINANCIAL PRODUCTS

The likelihood to acquire saving and investment products is generally on par with purchase intent for insurance products (Figure 13).

Figure 13 — Financial Product Purchase Intent, 2020



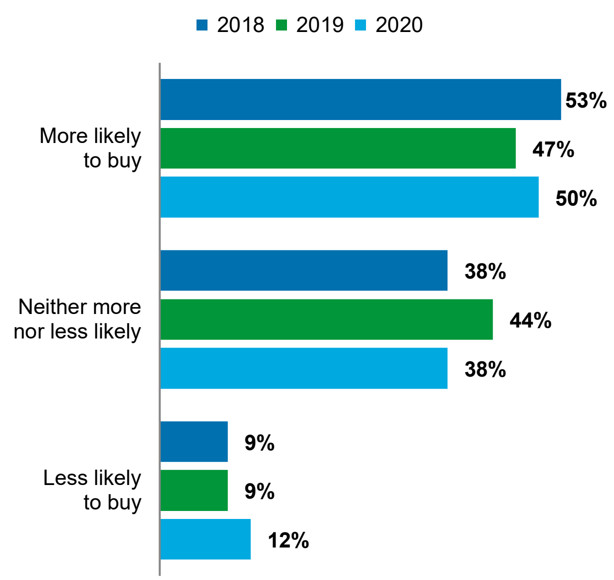
- Savings accounts have the highest acquisition intent among non-owners of these financial products. Almost 2 in 5 (38 percent) of these non-owners expect to acquire a savings account in the next year, representing market demand of approximately 31 million.
- IRAs have the next-highest acquisition intent at 28 percent, which represents market demand of 47 million.
- Employer-sponsored retirement accounts enjoy acquisition intent from one quarter of current non-owners. This represents market demand of 38 million Americans.
- Surprisingly, 23 percent of DB plan non-owners expect to acquire one in the next year. This may reflect expectations around employment and benefit eligibility; it may also reflect a lack of awareness on the availability of DB plans to the general consumer market.
- CDs and securities enjoy acquisition intent from 21 percent of non-owners. Since these two product types have the same ownership rates and non-owner purchase intent, current market demand for both is approximately 44 million respondents.
- Money market accounts and educational saving accounts have the lowest acquisition intent of these financial products (18 percent). Nonetheless, this represents market demand from 36 million adults for money markets and 41 million for educational savings accounts.

Focus on Life Insurance

SIMPLIFIED UNDERWRITING (SUW)[4]

The appeal of SUW remains strong, 50 percent of respondents say they are "*somewhat*" or "*much*" more likely to buy via SUW compared with traditional underwriting (Figure 14). This suggests the appeal of SUW extends to over 128 million American adults.

Figure 14 — Likelihood to Buy via Simplified Underwriting



While still popular with respondents, the appeal of SUW is not overtaking the full underwriting process. However, the proportion of respondents who are "*more likely to buy*" increased by 3 points from the 2019 study period.

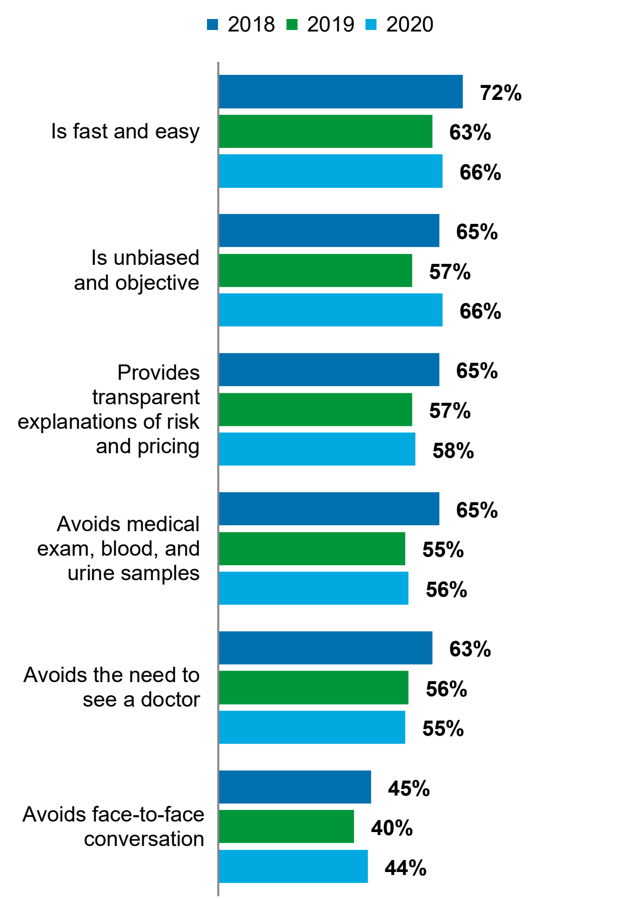
The proportion indicating they are *much more likely to buy* (19 percent) increased by 5 points.

- About one third (38 percent) of all respondents indicate the availability of SUW does not increase or decrease their likelihood to buy life insurance coverage.

Benefits of SUW

The consumer appeal of SUW features has increased slightly over the past year (Figure 15). On average, the appeal of these SUW attributes rose by 3 points, suggesting over 7.6 million more consumers find these characteristics *very* or *extremely appealing* than they did in 2019.

Figure 15 — Perceived Benefits of Simplified Underwriting



[4] Life insurance that does not require a physical exam with blood or urine samples.

The relative appeal of these benefits remain in roughly the same rank order:

- The most appealing benefits are the speed and ease of the process and the perception that it is unbiased and objective (both at 66 percent).
- Three benefits have roughly equal levels of appeal among respondents: the transparent explanations of risk and pricing; avoiding the doctor visit; and avoiding blood and urine samples. All these benefits appeal to at least half the population at large.
- Avoiding face-to-face conversations with financial and medical professionals is important to over 40 percent of respondents. The COVID-19 event will increase the appeal of this feature in the near term.

COMBINATION-LIFE INSURANCE PRODUCTS

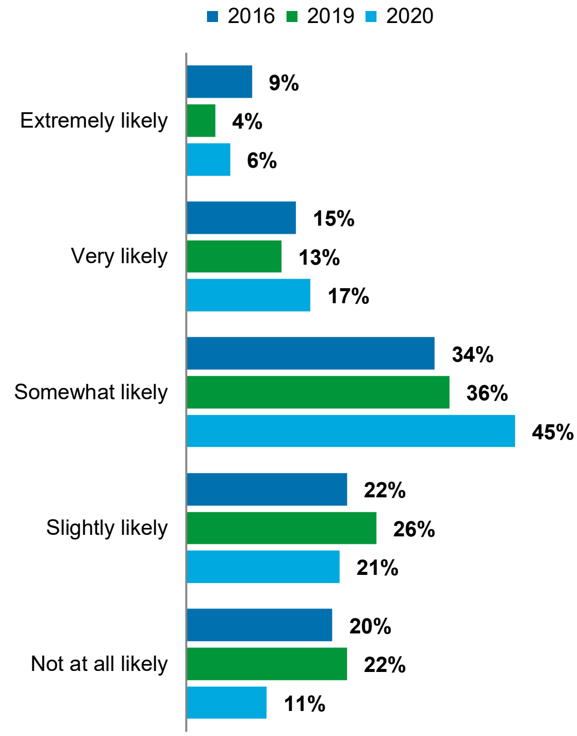
The *Insurance Barometer* has monitored growth in the market for combination-life products for several years. While growth in this sector plateaued in 2019,[5] it remains an important part of the life insurance market.

Consumer attitudes towards combination-life products reflect largely neutral feelings, but also identify a subset of respondents who are likely to purchase these products (Figure 16).

The likelihood-to-buy data show a slight increase in overall purchase intent. This indicates the combination-life sector may see an increase in activity in 2020, compared with 2019.

The COVID-19 pandemic will certainly influence consumer perceptions of combination-life products, and will likely drive a significant increase in interest for these products.

Figure 16 — Likelihood to Buy Combination-Life Products, 2016, 2019, and 2020



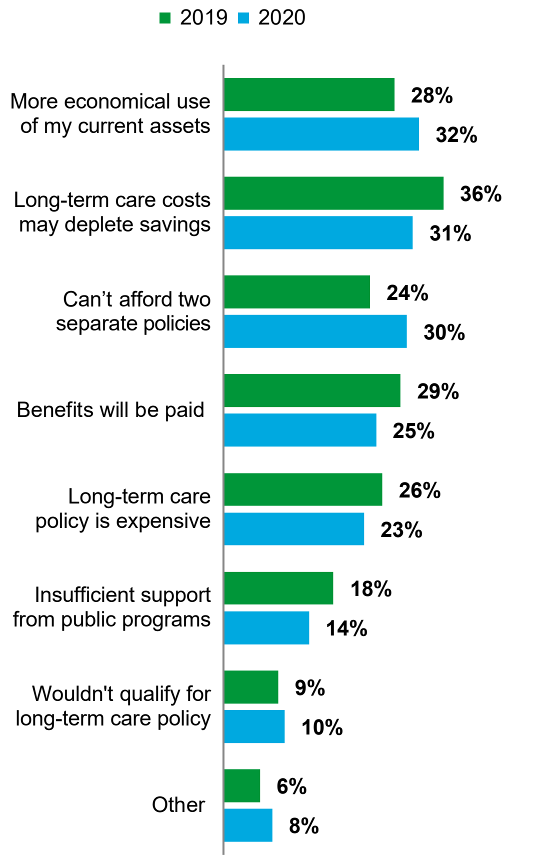
Reasons to Buy Combination-Life Products

The *Insurance Barometer* measures the relative appeal of combination-product features to help the industry identify the most compelling factors. It is important to focus on the most appealing benefits of these products and ensure consumers understand how these benefits apply to them during their lifetimes.

The top reasons people buy these products are to be economical with their resources, to alleviate anxiety over long-term care (LTC) expenses, and to avoid the expense of two policies (Figure 17). These reasons are mentioned by at least 30 percent of respondents.

[5] *U.S. Individual Life Combination Product Sales, Mid-Year Review*, LIMRA, 2019.

Figure 17 — Reasons to Buy Combination Products



Respondents indicate there are several reasons to buy combination products. The data reveal subtle changes in the popularity of different reasons over the past two years.

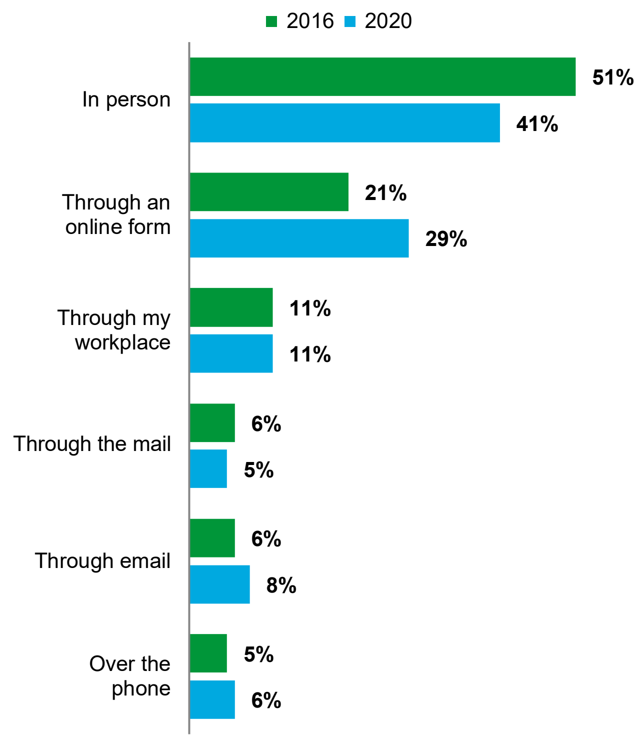
- Reasons that have become more popular over the past year include the inability to afford two separate policies (i.e., life and LTC), and seeing combination products as a more economical use of assets. The growth in popularity of these reasons suggests the industry should emphasize these aspects with consumers.

- Reasons for owning that have dropped in popularity include insufficient support from public programs, concern over loss of savings due to LTC costs, and the appeal of life time benefits. Despite the drop in popularity, many consumers see these as reasons to consider buying combination-life products.

TRENDS IN PURCHASE PREFERENCE

Figure 18 illustrates trends in purchase preferences for 2016 and 2020. The four-year interval between these study periods has made some important trends visible.

Figure 18 — Trends in Life Insurance Purchase Preferences



- ***In-person*** — intent to purchase in person, through a financial professional, has declined to 41 percent. The 10-point drop from 2016 represents a decline of 20 percent and reflects a significant change in the preferences of would-be life insurance buyers. In person remains the most preferred method, but the COVID-19 pandemic will certainly influence mindsets. In the near term, the health risks will depress demand for in-person meetings.

- ***Online*** — intention to buy using online methods has swelled to 29 percent. The rise of 8 points since 2019 represents an increase of 38 percent. Online application processes have clearly gained traction among the general population and will likely see a spike in usage in 2020 due to COVID-19 health risks.

- ***Workplace*** — the proportion of respondents who prefer to get life coverage through their places of work has not changed since 2016. Approximately 1 in 10 respondents prefer this method and that segment of the market appears stable.

- ***Mail*** — the proportion of respondents who prefer to purchase life coverage through the mail declined just slightly from 2016. The 1-point decline is not a statistically significant change, but may represent a slow erosion in the preference of application processes using the postal system.

- ***Email*** — the preference for using email application processes has increased slightly from 2016. The rise of 2 points is not statistically significant, but may represent a gradual acceptance of the email-based application process.

- ***Phone*** — preference for applying over the phone increased just slightly from 2016. The rise of 1 point is not statistically significant. When viewed alongside the decline for in-person applications, this result may indicate a willingness to move face-to-face meetings to the phone. The desire of many consumer to speak directly with a representative over the phone is likely to increase in the near term due to the COVID-19 event.

Online Methods for Life Insurance Information

With all the discussion of social media presence and capabilities, over one third of Americans (34 percent) state that the first place they look online when researching an insurance brand is to go directly to the company's website (Figure 19).

- An equal number of respondents state they simply go to whatever their search turns up first and by looking at their local agent's website.

- Only 12 percent say that they would forego any online searches at all.

Figure 19 — Online Research Preferences for Life Carriers

LIFE INSURANCE OWNED BY COVERAGE TYPE

Life insurance owners may have individual and/or group coverage. Figure 20 illustrates the trends in coverage mix among insureds over the past 10 years. The proportion of insureds covered by both individual and group life declined from a high of 28 percent in 2011 to a low of 18 percent in 2020. This is a concerning trend, as households with overlapping coverages tend to be better protected.

The proportion of insureds with only individual life coverage has increased significantly over the past decade, rising from 40 percent in 2011 to 55 percent in the most recent study period. At the same time, insureds with only group coverage has declined, falling gradually from a high of 33 percent in 2015 to a low of 27 percent in 2020.

Type of Individual Life Insurance Owned

Among individual life owners, half (51 percent) report owning permanent coverage only and one third report owning term coverage only. Just 16 percent of insureds report owning both term and permanent policies (Figure 21).

Figure 20 — Trends in Life Ownership by Coverage Type

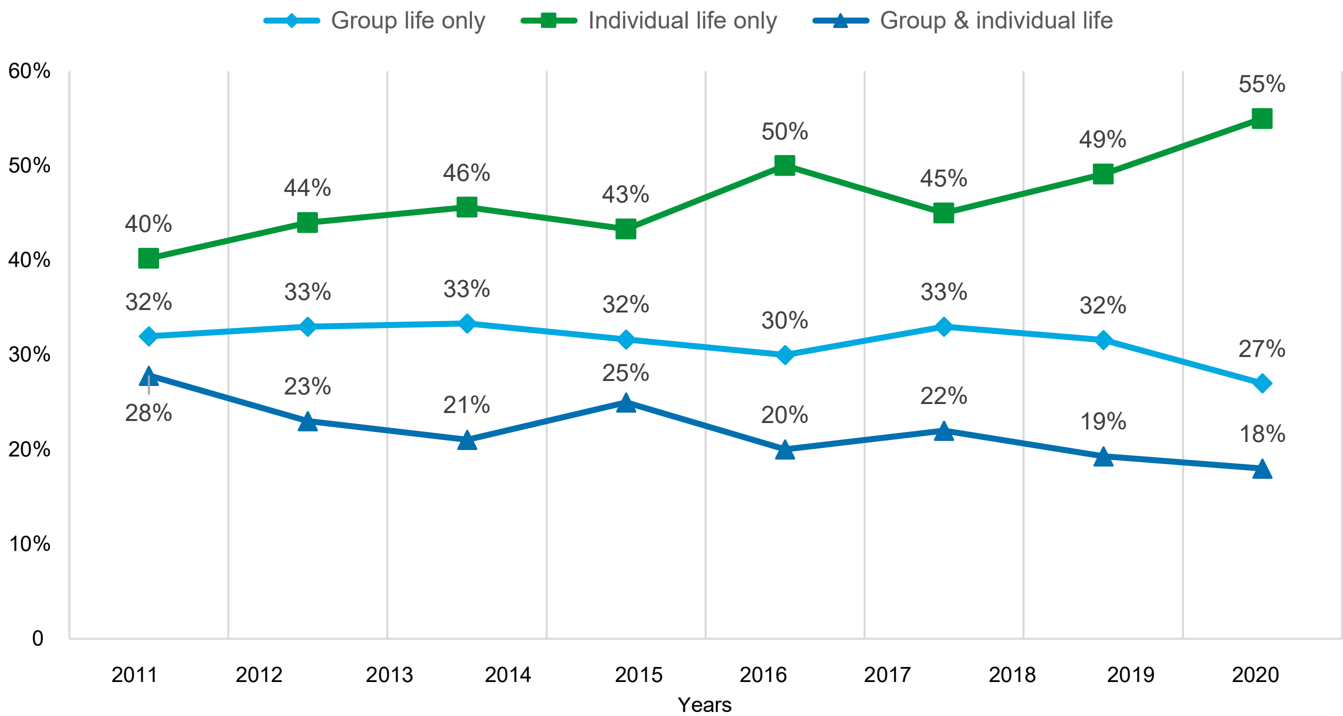
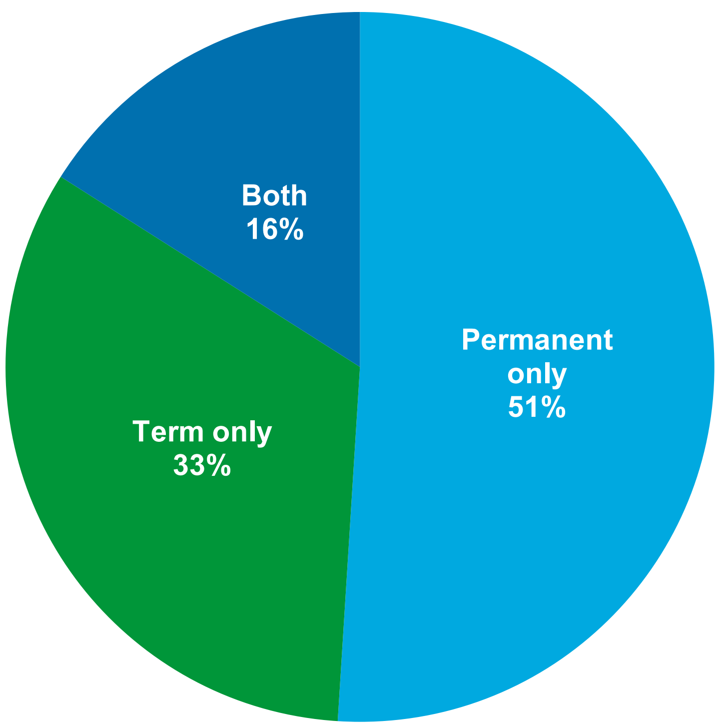


Figure 21 — Type of Individual Life Coverage Owned



Reasons for Owning

Trends in reasons for owning life insurance illustrate a three-tier hierarchy. The top tier is clearly occupied by the goal of paying for one's burial costs and final expenses. This purpose is mentioned by over 80 percent of insureds.

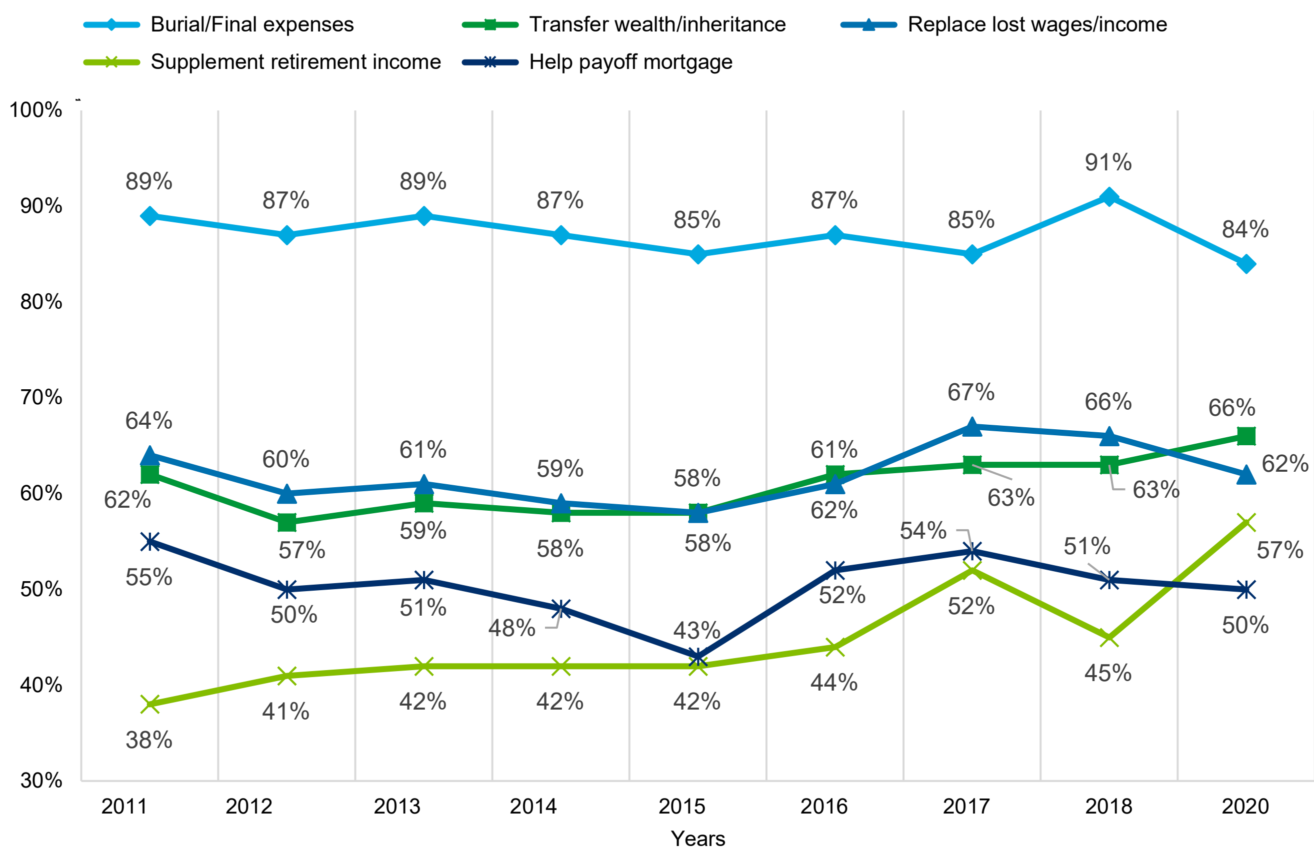
The goals of income replacement and transferring wealth across generations occupy the second tier of this hierarchy. These reasons are consistently mentioned by more than 55 percent of insureds.

Paying off the mortgage and saving for retirement are reasons that occupy the third tier in this hierarchy. Owning life coverage to insure a mortgage pay-off was much more common than saving for retirement at the beginning of the decade, but in the current study period they are roughly equal.

Between 2018 and 2020, there are sharp changes in the reasons consumers say they own life insurance, and these changes occurred at the top and the bottom of this hierarchy. The most common reasons for owning (burial/final expenses) show a sharp decline in 2020, and saving for retirement shows a sharp increase.

It is too soon to determine if these changes represent long-term changes in the reasons consumers own life coverage. Yet, this is compelling evidence that some changes in reasons for owning have developed over the past few years.

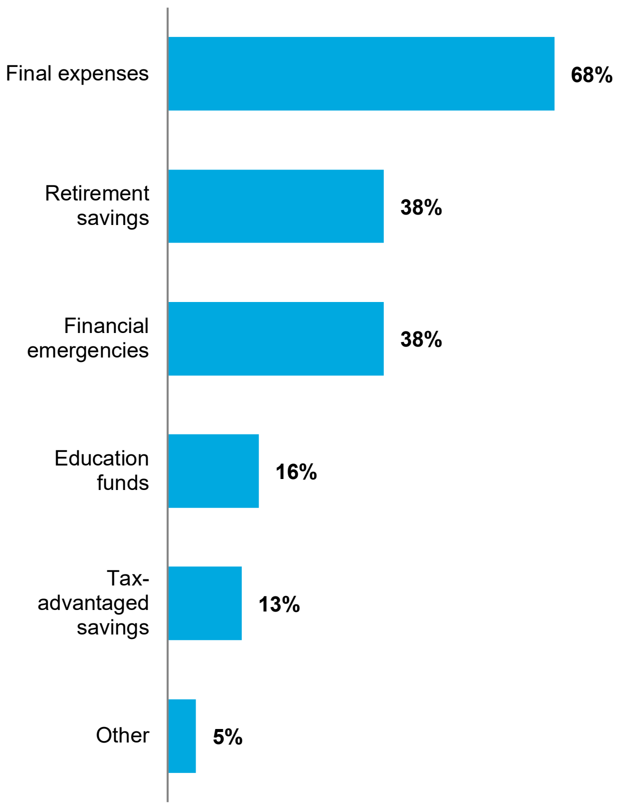
Figure 22 — Trends in Reasons for Owning Life Coverage



Intended Purpose for Cash Value

Figure 23 illustrates the most common purposes that insureds have for the cash-value build-up inside their permanent life policies. It clearly shows that paying for final expenses is the primary purpose in mind.

Figure 23 — Intended Purpose for Permanent Policy Cash Value



It is not surprising to see over two thirds of these insureds mention final expenses as the intended purpose for cash value. It aligns with the reason most insureds own all types of life coverage.

The next most commonly mentioned purposes for cash value policies are to assist with retirement savings and to help in case of a financial emergency. Over one third of permanent life owners have these intentions in mind. This finding is consistent with the top rated saving goals in the financial concern hierarchy.

This suggests many consumers have a few top priorities and save for those priorities using different financial products. Therefore, understanding the consumers' top financial concerns is relevant for discussions on reasons to own different coverage types.

Attitudes on Insureds' Age at Time of Purchase

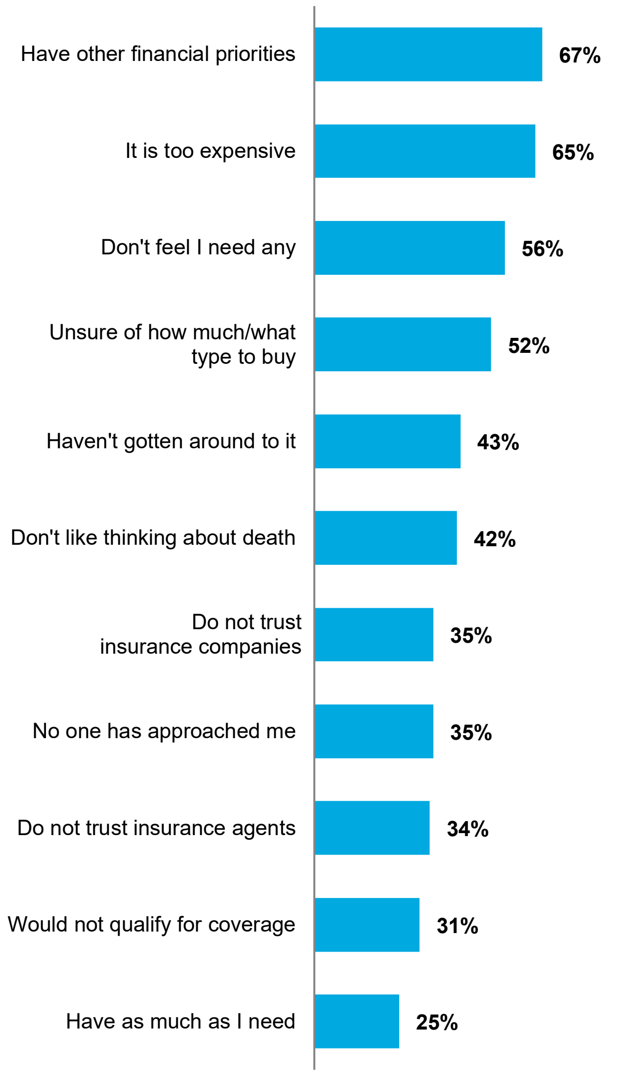
When asked to reflect on their ages at the time they purchased individual life, the majority of insureds (55 percent) indicate they bought at the correct age. However, 40 percent of insureds wish they had purchased their policies at a younger age.

This is an important lesson that the industry can share with younger consumers. This may be an effective message for consumers who want to save money by making an informed and timely purchase decision. Younger generations learn from older generations, which may be a good way to frame this message, i.e., it is a mistake to delay buying life insurance; be smart, buy young.

Reasons for Not Owning Individual Life Insurance

There is a variety of reasons why non-insureds do not own coverage and insureds do not own more coverage. As shown in Figure 24, the most common reasons cited are other financial priorities and the cost of coverage.

Figure 24 — Reasons for Not Owning (More) Life Insurance



- Over half (56 percent) indicate they do not need (more) life insurance; another 42 percent do not like facing their own mortality. These are significant obstacles for the industry and indicate the need for broad communications to help consumers build appreciation for the broad value proposition that life insurance offers.

- Many of the reasons cited for not owning (more) life coverage allow for a willingness to obtain coverage, if certain obstacles can be overcome. Issues such as procrastination and uncertainty on what type to buy suggest around half of respondents are not averse to purchasing a policy.

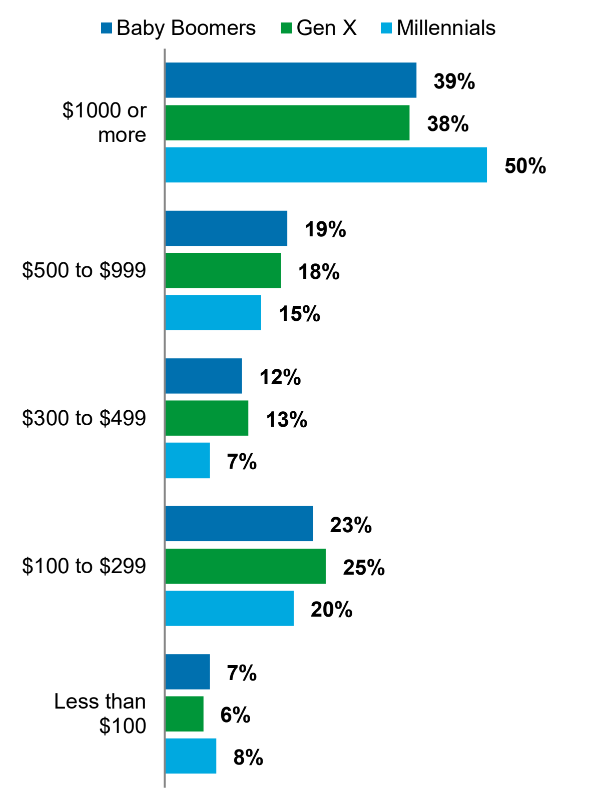
- Lack of trust in insurance companies and in insurance agents is an obstacle for over 1 in 3 respondents. This is an important metric for the industry, as establishing trust is a necessity in order to market life insurance effectively.

Expected Cost of Term Life Insurance Coverage

Lack of life insurance knowledge causes many respondents to overestimate the cost of term coverage. When asked to estimate the cost of $250,000 term life policy for a healthy 30-year-old, over half of the respondents said $500 per year or more (Figure 25).

The average cost of such a policy is closer to $160 per year, suggesting more than half the population thinks term-life insurance is over three times as expensive as it is. With a $500 median in the 2020 study, the perception of high cost has not shifted over the years.

Figure 25 — Estimated Cost of Term Insurance*



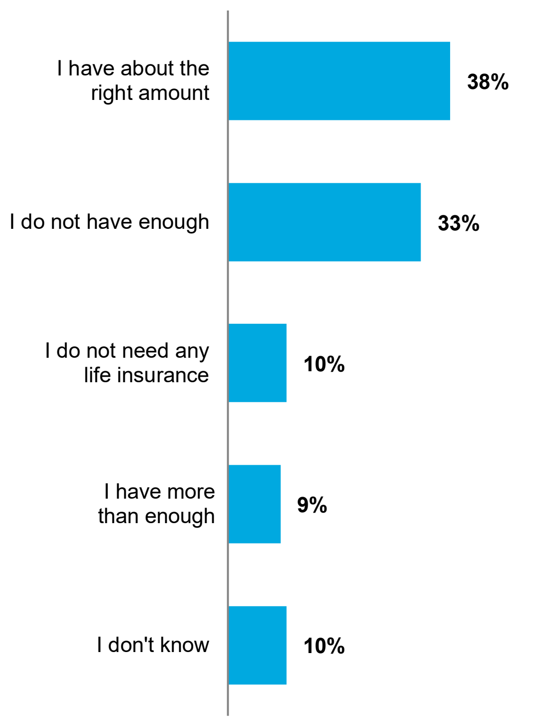
**Estimated yearly cost for a $250,000 term-life policy for a healthy, non-smoking 30-year-old.*

The Millennial generation overestimates the cost for term insurance much more than Generation X and Baby Boomers. This indicates that the industry representatives targeting prospects in the under-40 market need to inform their prospective clients that term coverage is probably much more affordable than they think it is.

LIFE INSURANCE COVERAGE ADEQUACY

One in three respondents say they do not have enough life insurance (Figure 26). Almost half say they are adequately covered, and 38 percent say they have the right amount. Almost 1 in 10 (9 percent) say they have more than enough.

Figure 26 — Life Insurance Coverage Adequacy



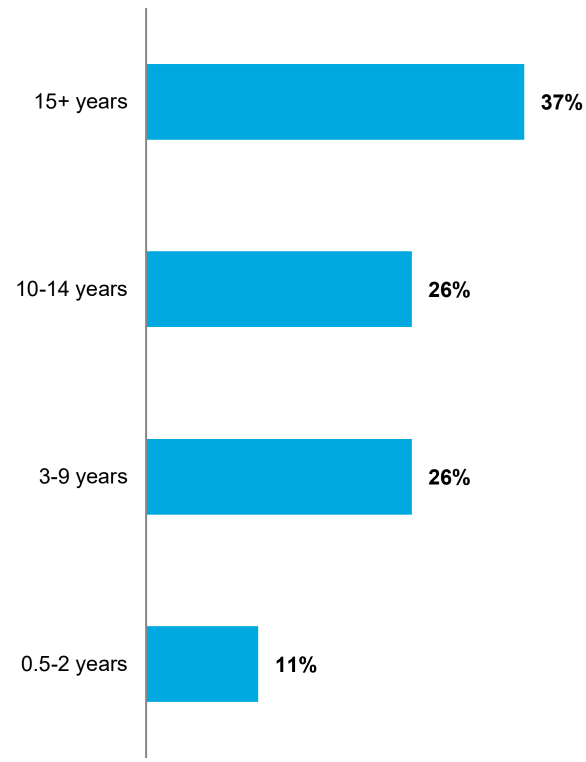
Those who say they do not have enough coverage and those who are unsure if they have enough represent 43 percent of respondents. This suggests 115 million consumers are prospects for life insurance, because their minds are unsettled on their levels of coverage adequacy.

The remaining 55 percent do not consider themselves prospects for (more) life coverage, because they feel adequately covered. However, some consumers may change their views on coverage adequacy when they become more knowledgeable of the financial hardships that households face when losing a primary wage earner.

Income Replacement Ratio

For adequate life insurance coverage, two thirds of respondents (63 percent) want 10-or-more years of income replacement. At the same time, 11 percent believe that two years or less is adequate.

Figure 27 — Income Replacement Needed for Coverage Adequacy

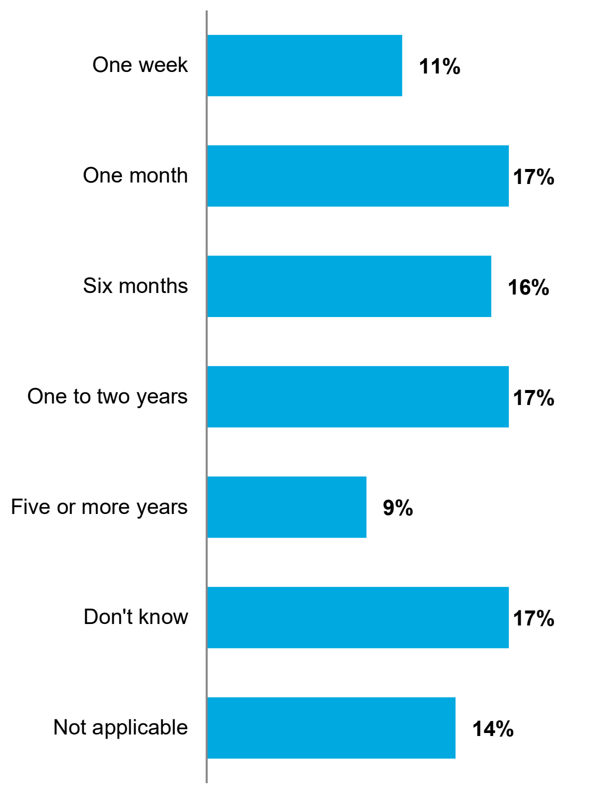


Since concern over coverage adequacy is a motivator for consumers to purchase coverage, it is important for the industry to communicate what appropriate coverage levels mean in the context of household finances.

Financial Hardship

Almost half (44 percent) of those surveyed state that they would feel a financial impact within six months if the primary wage earner were to pass away. More than a quarter (28 percent) state the impact would be felt within one month. Only 9 percent state they would remain financially secure for more than five years (Figure 28).

Figure 28 — Time to Financial Hardship From Loss of Wage Earner



Sharing this type of information allows consumers to benchmark themselves with their peers and provides them with an opportunity to reflect on the financial hardships their households may face.

JUVENILE LIFE INSURANCE

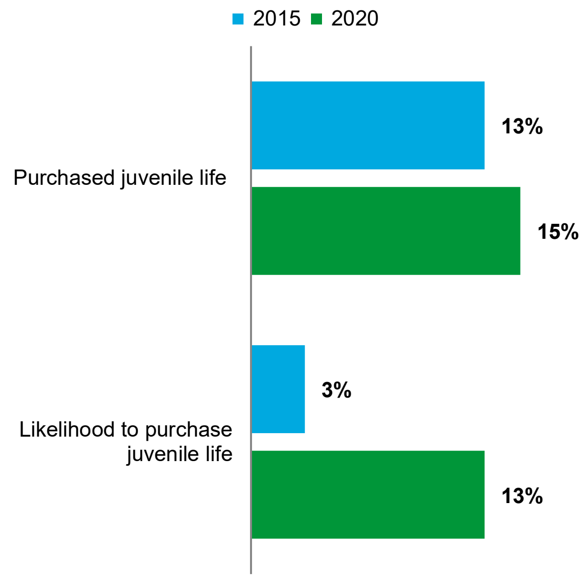
The following section updates data from the 2015 study and reveals a generally improving environment for juvenile life products, due to rising levels of market penetration and purchase intent.

Juvenile Life Ownership

As illustrated in Figure 29, 15 percent of American adults have purchased juvenile life for a child or grandchild. This is an increase of 2 points (15 percent) since 2015.

While the change is not large, it suggests the industry is insuring a growing number of juveniles. In time, this may help the industry as today's juveniles become tomorrow's adult policy owners.

Figure 29 — Trends in Juvenile Life Ownership and Purchase Intention



Juvenile Life Purchase Intention

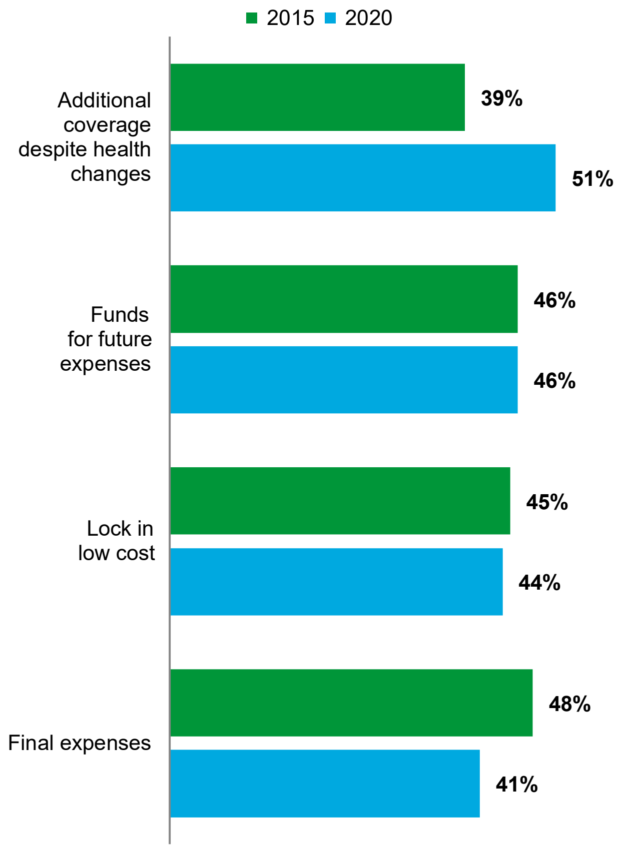
Figure 29 also illustrates the trends in purchase intent for juvenile life. In 2015, just 3 percent of respondents were likely to buy juvenile life in the next year. However, in 2020, purchase intent for juvenile life jumped to 13 percent. The 10-point jump in purchase intent signals renewed interest in juvenile life insurance.

Due to the increases in both the ownership and purchase intent metrics, the data indicate a potential growth scenario inside the juvenile life market segment.

Reasons for Owning Juvenile Life Insurance

Figure 30 displays trends in reasons for buying juvenile life insurance. It reveals that buying coverage so that the child can acquire additional life coverage later on, regardless of health changes, has become the dominant reasons consumers buy.

Figure 30 — Trends in Reasons for Owning Juvenile Life



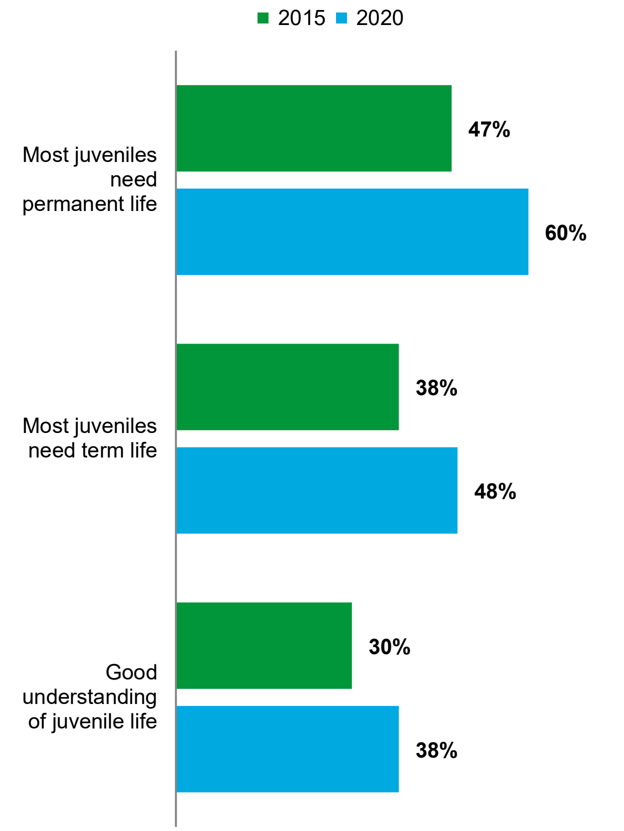
In 2015, the top reason for purchasing Juvenile Life coverage, given by 48 percent of buyers, was to cover final expenses, such as burial costs. In 2020, final expenses remain a reason for purchasing juvenile life coverage among 41 percent of buyers. Yet, it moved from the most commonly mentioned reason to the least commonly mentioned.

Purchasers of juvenile life often cite more than one purpose for buying. At least 40 percent of buyers mention each of the reasons listed, which indicates overlap between the categories. Buyers in 2020 cited more buying reasons, suggesting more knowledgeable consumers than in 2015.

Understanding Juvenile Life Insurance

Figure 31 illustrates consumer attitudes about juvenile life coverage and indicates that only 38 percent of adults feel they have a good understanding of the product. Yet, that level of understanding represents an increase of 8 points (27 percent) over the past five years.

Figure 31 — Trends in Attitudes About Juvenile Life



- The proportion of respondents who feel juveniles should have permanent life coverage jumped to 60 percent in 2020, an increase of 28 percent over a five-year span.
- The proportion of respondents who feel juveniles should have term life coverage increased to 48 percent in 2020, an increase of 26 percent from 2015.
- This reflects a more informed and appreciative mindset among consumers at large and indicates the environment for marketing juvenile life is improving.

Focus on Annuities

Among financial products in this study, annuities experienced the fastest growth in perceived need over the past year. Currently, 46 percent of respondents say they "need" an annuity, a jump of 21 percent in just one year. This represents a surprising jump in purchase intent, and future study periods will be needed to determine the strength of this trend. For now, the data suggest ***total*** market need for annuities equals 118 million consumers.

Among non-owners of annuities, 24 percent say they intend to purchase an annuity in the next year. This represents purchase intent of 50 million non-owners.

Reasons for Purchasing an Annuity

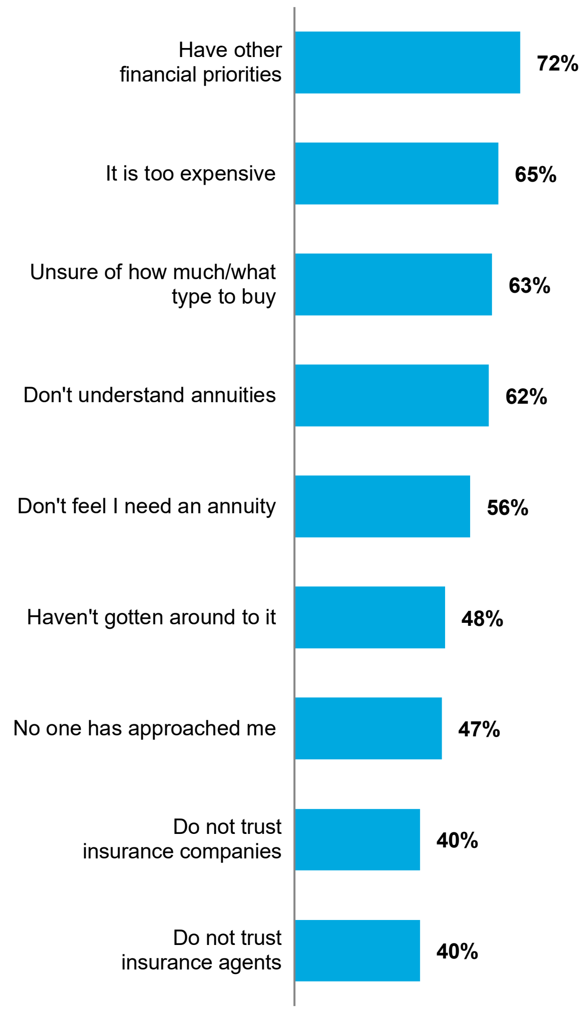
The majority of annuity owners (59 percent) say they purchased their annuities as part of their retirement planning. More than 18 percent of owners cite no other reasons. Some annuity owners identified life events, such as birth of a child, as factors in their purchase decisions.

Reasons for Not Owning an Annuity

Figure 32 provides a rank ordering of reasons non-owners cite for not purchasing an annuity. The top obstacle is competition from other financial priorities (72 percent).

The reasons many non-owners cite for not purchasing annuities suggest their minds remain open to future purchases. These include uncertainty over which type or amount (63 percent), lack of product knowledge (62 percent), and procrastination (48 percent). If the industry can help consumers overcome these obstacles, it can expand the annuity prospect base.

Figure 32 — Reasons for Not Owning an Annuity



Lack of Trust Diminishes the Annuity Market

Lack of trust in insurance companies or insurance agents are themes that suggest an aversion to purchasing an annuity and are cited by at least 40 percent on non-annuity owners. This identifies an important obstacle for the industry to overcome, as it must find ways to establish trust with broader segments of the consumer market.

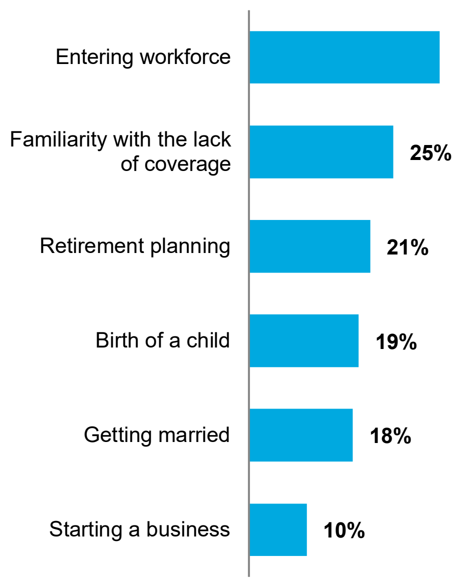
Focus on Disability Insurance

Reasons for Owning Disability Coverage

Figure 33 displays the reasons consumers own disability coverage. The most common reason is entering the workforce, when disability insurance becomes available through employer-sponsored programs. It is also the first point in time that the consumer has an income stream to protect.

One quarter of these insureds (25 percent) acquired their coverage due to their personal experiences with disabilities. This suggests that more knowledgeable consumers are better prospects for DI coverage.

Figure 33 — Reasons for Owning Disability Coverage



Time to Financial Hardship

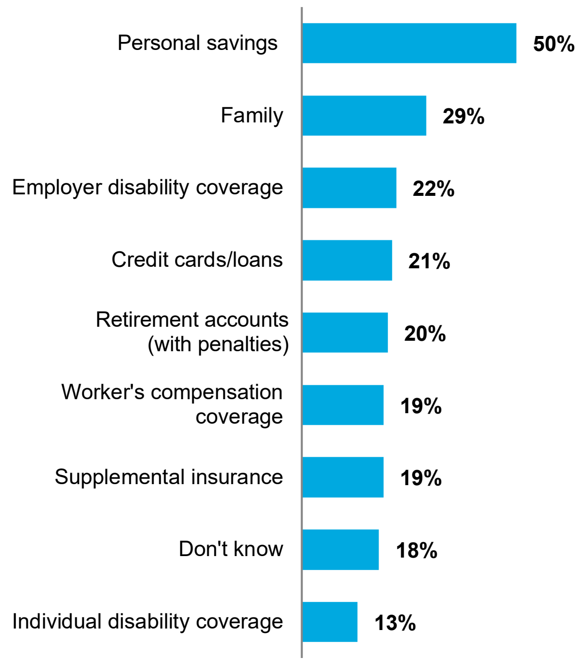
When asked how long it would be before their households would feel the financial impact of a wage earner becoming disabled, two thirds (63 percent) said it would happen in six months or less, with 14 percent saying it would take less than one week.

Sharing this type of information with consumers can help them see the need for disability coverage. Data from average American consumers can help sway the mindsets of other American consumers.

Where to Turn in Financial Distress Due to Disability

Half of the respondents say they would tap into their personal savings in times of financial distress due to a disability (Figure 34).

Figure 34 — Financial Options in Case of Disability



A series of “true/false” questions on disability insurance reveal lack of knowledge in large segments of the market:

- About half (45 percent) of all respondents think they can only obtain disability coverage through their employers.
- To obtain short-term disability coverage, 20 percent of respondents believe that full medical underwriting is required; for long-term disability coverage, 40 percent believe medical underwriting is required.
- Many respondents (38 percent) mistakenly believe that disability insurance pays their full salaries until they can return to work.

Focus on Long-term Care Insurance

Reasons for Purchasing Long-Term Care Coverage (LTC)

Retirement planning tops the list of reasons people buy LTC (36 percent). About a quarter of these owners (24 percent) obtained LTC due to their personal experiences with people needing care.

Some LTC owners mention life events as reasons that contributed to their purchase decisions. It may be that events such as marriage, childbirth, and aging family members act as a trigger for consumers to purchase LTC.

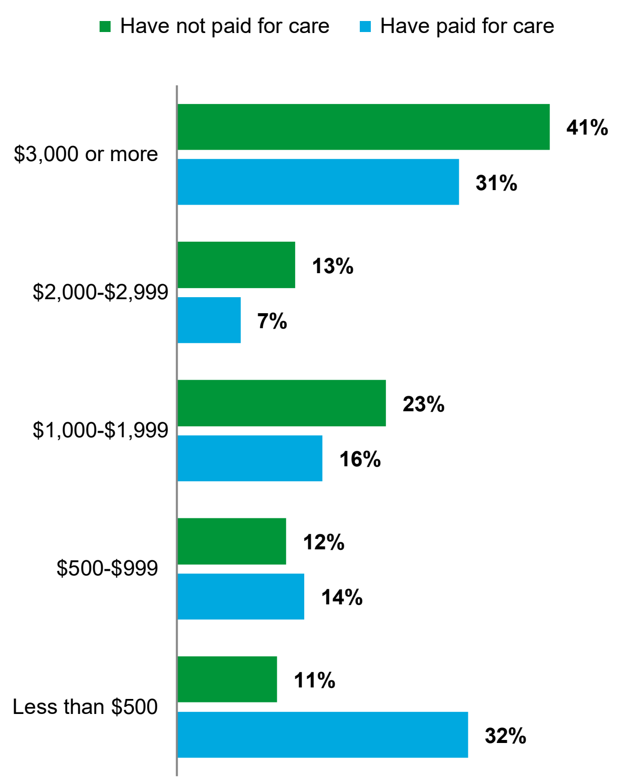
The emotional impact of an individual's life events appear to act as catalysts to address a variety of financial issues. Life events are typically associated with life insurance purchases, but these events may prompt consumers to address other long-term financial goals as well.

Long-term Care Expenses

When asked how concerned they are that long-term care expenses will affect their retirement savings, 30 percent of respondents indicate they are either "very" or "extremely" concerned. Concern over long-term care expenses is high, despite the fact that only 13 percent of respondents have actually paid for long-term care services.

Lack of experience may cause respondents to overestimate the financial risks associated with long-term care services. As illustrated in Figure 35, when asked to estimate the cost of a one-month stay in a long-term care facility, those without personal experience estimated the cost significantly higher.

Figure 35 — Estimated Monthly Cost of Long-Term Care Services



Expected monthly costs for long-term care, among those with personal experiences, average $1,054. For respondents without personal experiences, the estimated cost for these services averages $2,000 per month.

This provides the industry with insight to consumer mindsets on these topics and suggests many consumers will be relieved to learn the actual cost of these services and may find coverage to be more affordable than expected.

Financial Concerns

Data collection for the 2020 Insurance Barometer *survey was completed in January, after the coronavirus was identified in China, but before it became a pandemic and reached the United States. The following data represent a summary on 10 years of financial-concern trends, before the impact of the coronavirus.*

The Financial Mindscape of American Consumers

The *Insurance Barometer* examines concern levels across several financial issues to help the industry visualize the financial mindscape of American consumers. These data enable a rendering of the consumers' thoughts, as they relate to financial anxiety and relative priorities. A decade of observations enables the industry to see the consumers' financial mindscape change over time and examine variations among demographic segments.

The 14 items listed in Table 2 address financial concerns shared by many consumers. Three layers of data illustrate different dimensions of the American consumers' financial mindscape:

- **The Financial Concern Index** (FCI) — a summary metric representing the overall level of financial anxiety among American consumers.
- **The Financial Concern Hierarchy** (FCH) — a four-component view of the FCI, which reveals the American consumers' rank order of financial priorities as they relate to life insurance, health expenses, saving goals and living expenses.
- **Financial Concern Detail** — the detailed view of trends on the 14 individual financial concerns.

Table 2 — Financial Concern Components

LIFE INSURANCE	HEALTH EXPENSES
• Dependents' financial security • Final expenses • Leaving an inheritance	• Disability • Long-term care • Medical
LIVING EXPENSES	**SAVING GOALS**
• Credit-card debt • Monthly expenses • Mortgage/rent • Student loan debt	• Dependents' education • Investments • Retirement • Emergency fund

THE FINANCIAL CONCERN INDEX

In 2020, the Financial Concern Index (FCI) spiked 16 points to reach 1.05, the third-highest level in the FCI to date. This represents a significant increase from 2019 (18 percent). In 2019, the FCI fell to just 0.89, the second-lowest level to-date (Figure 36).

- *The FCI is close to its highest level on record (1.09 in 2016). This indicates the proportion of consumers who are very or extremely concerned about these financial matters is growing quickly.*
- The current increase in the FCI repeats a pattern observed in 2016 and 2012, the last two presidential election cycles. If prior trends hold, the FCI will fall again in 2021.
- It's important to note these figures are pre-coronavirus, so it is too soon to tell how long it will take consumers to readjust to the post-corona virus environment.

- *Higher levels of financial concern* are an issue for the financial services industry. They suggest consumers are less able to address their most basic financial expenses (such as monthly expenses, mortgage, and rent), which leaves less money available for core protection needs (e.g., life insurance) and long-term savings goals (e.g., retirement).

THE FINANCIAL CONCERN HIERARCHY

The relative level of concern associated with each FCI component provides insight to the American consumer's Financial Concern Hierarchy (FCH). The FCH is a concept that follows Abraham Maslow's theory of human motivation,[6] which states that people satisfy basic living needs (e.g., food and shelter) before addressing aspirational goals (e.g., love, esteem, and self-actualization). If we believe Maslow, the FCH reveals much about the mindsets that drive consumer financial behavior.

Figure 37 contains an illustration of the FCH from 2011 to 2020. For the first nine years of the study, it clearly shows a hierarchy with health-related concerns on top, followed by saving goals, living expenses, and then life insurance. However, in 2020, the FCH changed, with life insurance rising to the third position and living expenses dropping to the bottom.

[6] Maslow, A.H., "A theory of human motivation," *Psychological Review*, 1943.

Figure 36 — Financial Concern Index, 2011 to 2020

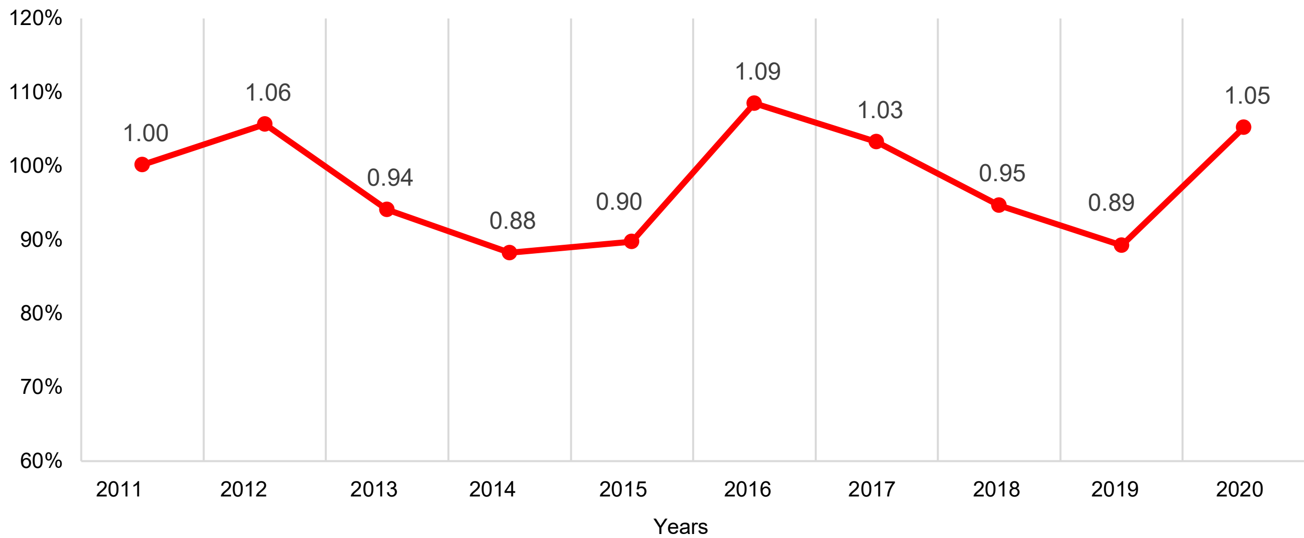
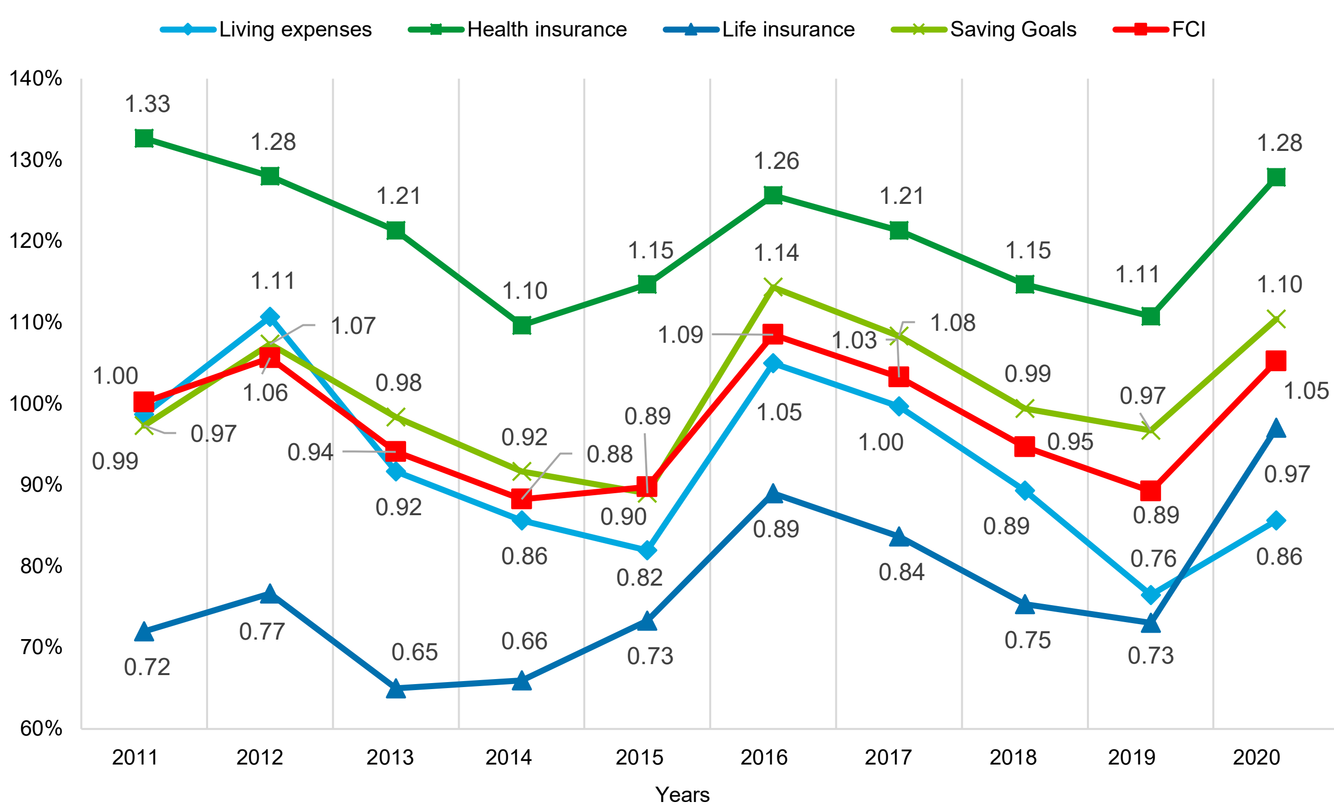


Figure 37 — Financial Concern Hierarchy, 2011 to 2020



Health-Related Coverages

Medical coverage was a top concern at the beginning of the decade. In 2020, concern over medical expenses is at roughly the same levels as concern over expenses related to disabilities or long-term care. This is a significant change, as gaining access to medical coverage allows consumers to move forward on their remaining financial concerns.

Concern for all three items in this category increased from 2019 by similar amounts, and their respective concern levels remain roughly equivalent.

Outlook — given the coronavirus pandemic, consumer concern related to health-related expenses will rise significantly. As a result, their focus on other financial priorities may decline.

Saving Goals

The four items in this component represent aspirational goals for American consumers. Collectively, they are the second-most important financial priority, after the health component. Over the past 10 years, these items have risen in relative importance, as concern over living expenses declined.

Saving for retirement has the highest level of concern in the savings component. It is consistently the top-rated financial concern among American consumers.

The only item in the savings component to show a significant rise in concern since 2019 is funding for education. This finding aligns with growing awareness of the student-loan debt crunch affecting many American households.[7]

Outlook — given the coronavirus pandemic, it is likely that consumers will have higher levels of financial concern overall, but the relative concern for saving goals will decline. In such times, consumers are likely to focus more on health concerns, living expenses, and life insurance.

Life Insurance

The 2020 study period saw a significant rise in concern over life insurance. The rise was large enough to move life insurance to the third layer of the four-level FCH. Over the past 10 years, relative concern for life insurance-related expenses increased significantly, aided by the drop in concern over living expenses.

A spike in concern over leaving an inheritance is the primary cause of the change since 2019. Concern rose by 67 percent on this item, the largest increase among all items in the study.

Outlook — given the coronavirus pandemic, concern about life insurance is likely to increase. Among consumers who retain employment and health benefits, relative concern about life insurance may rise significantly. However, for consumers who lose employment and related health benefits, life insurance and saving goals may become insignificant.

Living Expenses

Over the past decade, concern over living expenses has generally declined. Yet, the most significant change is the fall in relative concern, when compared with the saving goals and life insurance components. At the beginning of the decade, this item was in the second layer of the FCH; at the end of the decade it is in the bottom layer.

The decline in relative concern over living expenses is a favorable trend over the past 10 years. It signified the ability of many consumers to focus on more than essential expenses and to address aspirational financial goals, such as saving for retirement.

Outlook — given the corona virus pandemic, concern about living expenses will rise significantly overall. Within households losing employment and income streams, all other concerns are likely to drop to insignificance in the near term.

[7] Forbes, https://www.forbes.com/sites/zackfriedman/2019/12/19/is-there-really-a-student-loan-crisis/#212e2bf24025 (03/17/20).

Related Research

2019 Insurance Barometer Series, LIMRA, Life Happens

https://www.limra.com/en/research/research-abstracts-public/2019/2019-insurance-barometer-study/

The Financial Needs of Family Caregivers Series, 2019

https://www.limra.com/en/research/research-series/the-financial-needs-of-family-caregivers-series/

The Purchase Funnel Series, LIMRA, 2017, 2018

https://www.limra.com/en/research/research-series/the-purchase-funnel-series/

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