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LIMRA Reports Life Insurance Purchasing Habits Changing As One in Four Consumers Now Prefer to Buy Direct

86% of people agree that most people need life insurance while less than two-thirds of people actually have it.

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— It has long been said that life insurance is a product that is sold, not bought. Yet a new study by the nonprofit LIFE Foundation and LIMRA as part of the organizations' "The 2011 Insurance Barometer Study," finds that Americans' preferences for purchasing life insurance are shifting towards direct buying methods. While two thirds of consumers (64 percent) still prefer to buy life insurance from an insurance or financial professional, that number is down from 1996, when 8 in 10 (80 percent) preferred to buy the product face-to-face. Today, more than one in four adults (26 percent) prefer to purchase life insurance direct via the Internet, mail or over the phone.

"Obviously, the Internet has fundamentally changed consumers' buying practices over the past 15 years," said Marvin H. Feldman, CLU, ChFC, RFC, president and CEO of the LIFE Foundation. "Recognizing the growing consumer interest to use the Internet to conduct research and buy life insurance, life insurance companies and agents have developed and implemented innovative strategies to engage and serve consumers through their websites and social media platforms that are more convenient for the customer."

Not surprisingly, younger consumers showed the most interest in purchasing life insurance through the Internet. Among those ages 25-44, a prime group for purchasing life insurance, 31 percent said they would prefer to buy direct, with three in four citing the Internet as their preferred means of direct buying.

The study also found that consumers generally view life insurance as a necessity, with 86 percent agreeing that most people need life insurance. However, the figure drops to 70 percent when people are asked if they personally need life insurance. Only 63 percent of individuals surveyed say they own some sort of life insurance, which is similar to other recent research conducted by LIMRA in 2010.

"Life insurance has never been as easy or inexpensive to buy, yet millions of Americans continue to put off making a purchase that they, by their own admission, say is an important one," noted Feldman.

While the percent of people who want to buy over the Internet is still relatively small compared to the percent who want to buy from an insurance agent (17 vs. 64 percent), the Internet now plays a role in eight out of ten life insurance purchases. When asked how they would use the Internet if they were to make a life insurance purchase, 59 percent say they would use it to conduct research, but ultimately buy from an insurance agent. Twenty-one percent say they would research and complete the purchase online. Among 25-44 year-olds, nine in 10 say they would use the Internet in some fashion during the buying process.

Additional findings from the research:

Consumers Want to Understand What They're Buying. When asked about factors that are important to them when buying life insurance, understanding what they are buying ranks highest among Americans (36 percent), followed by obtaining the proper amount of coverage (22 percent). Getting the best price ranked fourth out of six factors, with only 14 percent saying it was most important to them. Being certain about what they are buying is particularly important to women (39 percent say it is the most important factor compared to 32 percent of men), while men place greater importance than women on getting the best price (17 vs. 11 percent).

Concerns Over Price Hinder People from Buying More

Even though the cost of basic term life insurance has fallen by about 50 percent over the past 10 years, consumers' misperception of the cost of life insurance continues. The study found that the cost of life insurance is the top reason people give for not having enough life insurance. Of insured people who say their coverage is inadequate, 85 percent say cost has prevented them from buying more, followed by 76 percent who cite other financial priorities and 55 percent who say they don't know how much or what type to buy.

Most Desire to Leave a Legacy

By a sizable margin, the top reason people say they own life insurance is to cover burial and other final expenses (89 percent) followed by replacing the income of a wage earner (65 percent). Adults of all income levels, not just the wealthy, see life insurance as a way to transfer wealth or leave an inheritance (62 percent).

Other Financial Concerns

When asked about common financial concerns, 46 percent of adults say they are extremely or very concerned about having money for a comfortable retirement, followed next by paying for medical expenses (42 percent). Even though many Americans don't have any life insurance or are inadequately insured, only 27 percent say they are extremely or very concerned about dying prematurely and leaving family members in a difficult financial situation.

"The psychology of a life insurance purchase is very complex, and the results of this new study bear that out," Robert Kerzner, CLU, ChFC, president and CEO of LIMRA, LOMA, and LL Global. "Research like this is important because it provides a better understanding of evolving consumer trends and preferences, like the use of technology and the Internet. We hope that this annual tracking survey will provide insight to companies and producers, enabling them to effectively reach more consumers and increase the number of people owning life insurance."

A fourth of your members now prefer the idea of buying life insurance the way we're ready to bring it to them on your behalf – directly (at no cost, and very little time or effort, on your part).

Many of your young families prefer to go online for life insurance. That's one of the reasons we provide Agents on Call, with live chat support and an online quote option.

Roughly one of every three households in your membership is dangerously exposed to financial catastrophe, with zero life insurance in place. This is your opportunity to help.

Here again, the Agents on Call component of the program we're ready to put in place for you is ideally suited to what your members want, by combining online information with real, live agent support.

Together we can better educate your members, and give them ready, affordable access to the the cornerstone of family financial security – life insurance.

This is why we provide a variety of coverage, to meet a variety of needs. And that includes the smaller policies that no credit union investment advisor can efficiently deal with – so your members are left wanting, and their families are left unprotected.

With your OK, we're ready to change that.

Contact LifeHelp at 800-345-4543 or marketing@lifehelp.com for more details.