2019
Insurance Barometer

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Tables and Figures

Table 1 — Financial Concerns.........................................................................................................................................41

Figure 1 — Change in Likelihood to Buy Life Insurance Due to Simplified Underwriting ..............................11
Figure 2 — Benefits of Simplified Underwriting, 2018 and 2019 ...........................................................................12
Figure 3 — Consumer Use of Social Media for Financial Service Related Information ..................................13
Figure 4 — Presence of a Primary Financial Advisor ............................................................................................14
Figure 5 — Social Media Usage for Research Financial Professionals ..........................................................14
Figure 6 — Importance of Social Media Presence for Financial Professionals ..............................................15
Figure 7 — Helpful Financial Product Information From Social Media ........................................................16
Figure 8 — Valuable Information From Social Media ..........................................................................................17
Figure 9 — Likelihood to Buy a Life Combination Product, 2016 and 2019 ......................................................18
Figure 10 — Reasons to Buy Combination Life Products ......................................................................................19
Figure 11 — Reasons Not to Buy Combination Life Products ...............................................................................20
Figure 12 — Appealing Health Incentives and Add-on Features .........................................................................21
Figure 13 — Premium Reduction Versus Cash Value Increase ........................................................................22
Figure 14 — Insurance Ownership Trends Among American Adults, 2011 to 2019 ........................................23
Figure 15 — Insurance Ownership Gaps, 2011 to 2019 ......................................................................................24
Figure 16 — Life Insurance Ownership by Type — 2019 .....................................................................................25
Figure 17 — Insurance Product Ownership and Perceived Need by Coverage Type ......................................26
Figure 18 — Insurance Product Knowledge and Ownership Gap Rates by Coverage Type ..................................27
Figure 19 — Life Insurance Knowledge by Owners and Non-Owners ..........................................................28
Figure 20 — Estimated Cost of Term Life Insurance by Generation ...................................................................29
Figure 21 — Savings and Investment Product Ownership Rates .........................................................................30
Figure 22 — Knowledge of Savings/Investment Products .................................................................................31
Figure 23 — Individual Life Insurance Purchase Funnel — Households, 2017 and 2019 ..............................33
Figure 24 — Purchase Funnel Progression Rates, 2017 and 2019 ....................................................... 34
Figure 25 — Channels Used for Quotes and Purchase ......................................................................... 35
Figure 26 — Type of Product Purchased, 2017 and 2019 ..................................................................... 36
Figure 27 — Type of Permanent Policy Purchased, 2017 and 2019 ....................................................... 37
Figure 28 — Reasons for Purchasing Life Insurance, 2017 and 2019 .................................................. 38
Figure 29 — Reasons for Not Purchasing Life Coverage, 2017 and 2019 ............................................. 39
Figure 30 — Useful Online Sources of Life Insurance Information ....................................................... 40
Figure 31 — Financial Concern Index, 2011 to 2019 ............................................................................. 42
Figure 32 — Use of Insurance Comparison/Quoting Websites ............................................................. 43
Figure 33 — Illustration of the Financial Concern Hierarchy ............................................................... 44
Figure 34 — Health Coverage Concern Trends .................................................................................... 45
Figure 35 — Savings Goal Concern Trends .......................................................................................... 46
Figure 36 — Living Expenses Concern Trends .................................................................................... 47
Figure 37 — Life insurance Concern Trends .......................................................................................... 48
Figure 38 — 2019 Top Financial Concerns ........................................................................................... 49
Key Findings

2019 HOT TOPICS

Simplified Underwriting (SUW)¹

- About half (47 percent) of American consumers find SUW more appealing than traditional underwriting, suggesting that 117 million consumers are more likely to buy via SUW.
- The appeal of different SUW benefits declined an average of 8 points from 2018, suggesting that overall appeal declined among 20 million consumers.

Social Media and Financial Advisors

- One third of Americans have a primary financial advisor, and 17 percent are looking for one, suggesting that 42 million consumers are in the market for financial advice. The remaining 50 percent are not looking for a primary financial advisor.
- Members of the Gen X (17 percent) and Millennial (29 percent) generations are more likely to be looking for an advisor. These generations are more likely to use social media to research potential advisors, suggesting that more advisors need to build or enhance their social media presences.
- Facebook, Yelp, and LinkedIn are important sites for financial professionals working with clientele from the Gen X and Millennial generations.

Combination Life Products

- Combination life products remain popular with American consumers, but overall appeal is declining.
- About 1 in 5 (17 percent) Americans said they are likely to buy a combination life product, suggesting a market of roughly 42 million consumers. Yet, the overall level of appeal declined by 7 points from 2016, suggesting a loss in appeal among 18 million consumers.
- The primary appeal of combination products is to address concerns over long-term care expenses and the delivery of benefits during an insured’s lifetime, as well as to address concerns over coverage affordability (i.e., one combination policy is less expensive than separate coverages).

Appeal of Product Features

- Consumers prefer product features associated with combination products, compared to features associated with continuous underwriting.
- Within the area of continuous underwriting programs, consumers prefer rewards in the form of cost reductions, compared to rewards in the form of cash value bonuses.

¹ Life insurance that does not require a physical exam with blood or urine samples.
2019 TRACKING UPDATES

Market Penetration Rate Updates

- Market penetration for life insurance (57 percent), disability insurance (20 percent), and long-term care insurance (15 percent) are stable. Ownership rates have not changed significantly since 2016.
- Health insurance ownership is 87 percent, while annuity ownership is 12 percent.

Ownership Gaps and Market Opportunity

- More consumers say they “need” insurance products than say they “own” them. Deducting those who “own” from those who “need” produces an estimate of market opportunity. This analysis reveals sizable opportunities for 4 of the 5 most common insurance products:
  - Market size estimates — long-term care (100 million); annuities (70 million); disability insurance (56 million); life insurance (23 million); health insurance (no ownership gap).

Estimated Cost of Term Life Coverage

- Lack of knowledge causes many consumers to overestimate the cost of term life insurance coverage. Over half of the population thinks the cost of a term life insurance policy is over three times the actual cost.
- Affordability and value are two obstacles that deter consumers from purchasing life insurance. If more consumers understood life coverage affordability, more consumers would shop for coverage.

Individual Life Insurance Purchase Funnel

- In the individual life insurance market, 13 percent of American households (17 million) seriously shop for life insurance in a 24-month period; 10 percent (13 million) get at least one quote; and 6 percent (8 million) purchase a policy.
- Each metric declined slightly compared to 2017, but there are no statistically significant changes. Those purchasing policies were somewhat more likely to buy both term and permanent policies compared with the prior study period.

Financial Concern

- The Financial Concern Index (FCI) is a summary measure of financial anxiety among American consumers. In 2019, the FCI declined by 6 percent, marking the third consecutive drop. On average, the FCI declined 5 percent over the past nine years.
- The data on financial concerns reveal that anxiety over living expense (i.e., fundamental needs) is at its lowest level to date, suggesting more consumers have both the finances and the mindset to address insurance and savings goals.
The *Insurance Barometer* study examines the financial attitudes and behaviors of adult consumers in the United States. The annual survey includes two types of subject matter:

1. **Foundational topics** that are items of constant interest to our members and that receive updates on either an annual or a periodic basis.

2. **“Hot Topics”** that explore contemporary themes in the industry.

The chief objective of this study is to produce up-to-date metrics on key market metrics, such as ownership rates, buying behavior, and levels of financial concern. The annual survey does not investigate each topic in detail. It delivers high-level metrics that reveal current trends and attitudes.

Analysis of the *Insurance Barometer* data employs segmentation along demographic and behavioral characteristics. Segmentation analysis reveals the active mindsets of different consumer segments, and it can identify population sectors that are driving current trends over time.

This report is the primary report in the *Insurance Barometer* series and is the first publication of the series. The primary report focuses on the top-line results for all the subjects in the annual survey. Subsequent reports focus on segmentation analysis. The segmentation analysis includes gender, race/ethnicity, generations, and income.

Segmentation reports will become available throughout 2019. In addition to reports, selected data will also be available on LIMRA.com, so that members can explore a subset within demographic market segments.
In each study period, the Insurance Barometer investigates a number of Hot Topics, subjects of particular interest to members of LIMRA and Life Happens. In 2019, Hot Topics include:

- Simplified Underwriting
- Social Media in Financial Services
- Combination Life Products
- Appealing Product Features

#1 — SIMPLIFIED UNDERWRITING

Simplified underwriting is one of the hottest topics in the industry today. The appeal of simplified underwriting remains strong; 47 percent are “somewhat” or “much” more likely to buy life insurance with a simplified underwriting approach, compared with traditional underwriting approaches (Figure 1). This suggests the appeal of simplified underwriting extends to over 117 million American adults.

**Figure 1 — Change in Likelihood to Buy Life Insurance Due to Simplified Underwriting**

While still popular with consumers, the appeal of simplified underwriting is declining. The proportion of respondents saying they are more likely to buy declined by 5 points from the 2018 study period.

- The proportion indicating it is much more likely to buy (14 percent) declined by 7 points.
- Over half (52 percent) of all consumers indicate the availability of simplified underwriting does not increase their likelihood to buy life insurance coverage.
**Benefits of Simplified Underwriting (SUW)**

The consumer appeal of different SUW benefits has declined slightly over the past year. Each of the SUW benefits listed in Figure 2 saw a decline in ratings compared with 2018. On average, appeal dropped 8 points on these characteristics, suggesting fewer consumers find SUW very or extremely appealing.

**Figure 2 — Benefits of Simplified Underwriting, 2018 and 2019**

Despite the drop in overall appeal, the relative appeal of these benefits remains in roughly the same rank order:

- The most appealing benefit is the speed and ease of the process (63 percent); although the overall appeal of this benefit declined by 9 points since 2018.
- Four benefits have roughly equal levels of appeal among consumers: the unbiased nature of the process; 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.
- The least appealing benefit of simplified underwriting is avoiding a face-to-face conversation. Even though this is the least appealing benefit, and appeal dropped by 5 points in the past year, it is important to 40 percent of American adults.
#SOCIAL MEDIA IN FINANCIAL SERVICES

Social media is an integral part of American society, and it is becoming a vital component of the economy. As the social platforms develop, the Insurance Barometer tracks usage related to financial products and services. When asked what social media platforms they use in connection with financial products, services or advisors, most consumers indicate they do not use social media sites for such purposes (Figure 3).

**Figure 3 — Consumer Use of Social Media for Financial Service Related Information**

The two most popular social networking platforms used for subjects related to financial product and services are:

1. Facebook with a usage rate of 13 percent (32 million consumers)
2. YouTube with a usage rate of 8 percent (20 million consumers)

The inference from these data is that social media does not yet play a substantial role in the area of financial products and services for most consumers. Yet, each of the sites listed above already has tens of millions of users looking for more information in the financial services space. Marketers should learn more about the users of social media in this space and learn how financial service marketers can more effectively leverage these platforms to build knowledge and awareness.

**Social Media for Financial Professionals**

One third of adult Americans have individuals they consider their primary financial advisors (Figure 4), a proportion slightly lower than in 2018. Half of the adult population do not have, and are not looking for, a primary financial advisor. The remaining 17 percent are looking for a financial advisor.
Market Sizing

The data suggest that over 42 million consumers are currently in the market for financial guidance. Generational segmentation is important in this market, as Gen X (17 percent) and Millennials (29 percent) are much more likely to be looking for an advisor than Baby Boomers (9 percent).

Social media plays a role in assessing financial professionals; 34 percent say they would research financial professionals on social platforms, about the same rate as in 2018. Social media usage rates, and trends in these usage rates, vary significantly by generation (Figure 5).

With over 250 million U.S. adults, these data suggest 85 million Americans use social media to learn more about financial advisors. That volume of users shows that a social media presence is important for financial professionals, especially those working with clients under the age of 50.
**Most important social media sites for financial professionals**

It is one thing to know social media is important; it is another thing to know which social media platforms are the best for financial professionals. When asked to rate the importance of the social media sites listed in Figure 6, respondents produced comparable levels of importance for all six.

**Figure 6 — Importance of Social Media Presence for Financial Professionals**

- Overall, LinkedIn, at 12 percent, has the highest rated importance for financial professionals. Yet, Facebook (11 percent) and Yelp (11 percent) have comparable importance ratings.
- Among Millennials, Facebook (25 percent) has the highest rated importance for financial professionals. Once again, LinkedIn (24 percent) and Yelp (24 percent) have comparable importance ratings.
Financial Information Consumers Want from Social Platforms

About two thirds of those using social media sites for finance-related topics are looking for information on product and services (62 percent) or looking for reviews on financial professionals (61 percent). This helps marketers understand the type of subject matter consumers will appreciate seeing on finance-related social platforms (Figure 7).

Figure 7 — Helpful Financial Product Information From Social Media

- Consumers are less likely to use social media to keep in touch with a financial professional (40 percent) or to communicate with a financial professional on specific topics (36 percent). Nonetheless, these activities are already taking place on social platforms and will grow over time.
- 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 marketers, as testimonials from well-known personalities are generally effective social marketing tactics.

Most Valuable Types of Financial Information for Social Sites

Figure 8 contains a list of eight types of information that consumers go to social media to find. On average, consumers found at least two of the eight items to be useful. The most useful items include hints on how to save money (39 percent) and reviews/comments from other consumers (38 percent).
When asked to identify the most valuable types of information, out of the items they marked as useful, consumers were most likely to select the same two items. This suggests content related to ways to save money will draw the attention of social media users who want to learn about financial topics. The information also reinforces the importance of referrals, but in the modern age.

Online comments and reviews are a modern form of the personal referral. It is very important that companies and financial professionals encourage the posting of positive comments. It is also important for them to monitor social sites for information and comments about themselves. Reputations may be built, or destroyed, quickly in the social media space; it is important to know your depiction on these platforms.
#3 — COMBINATION LIFE INSURANCE PRODUCTS

LIMRA has been monitoring growth in the market for combination life products over the past several years. In the first half of 2018, policy growth in the life combination market was 11 percent; premiums increased by 5 percent during the same period. Chronic Illness (CI) products led the market in premium growth (11 percent), while LTC products led the market in policy growth (17 percent).²

The combination life market is growing; yet, the industry does not know how long this growth will continue. Consumer perceptions and attitudes towards these products has a strong influence on the market. Analysis of consumers in 2016 and 2019 reveals that likelihood to buy a combination life product has declined, with the largest drop among those “extremely likely” to buy (Figure 9).

Figure 9 — Likelihood to Buy a Life Combination Product, 2016 and 2019

This information suggests the appeal of combination life products is waning among the average consumer. This decrease in likelihood to buy may portend a decrease in market demand, but only if current trends continue.

Reasons to Buy Combination Life Products

The Insurance Barometer measures the relative appeal of combination product features to help marketers identify the most important factors. It is important for marketers to focus on the most appealing benefits of these products and ensure the consumer understands how these benefits apply to them during their lifetimes.

The top reason people buy a combination life product is anxiety over long-term care (LTC) expenses. Over one third of the population cites the potential for LTC expenses to deplete their savings as a reason to buy (Figure 10).

There are additional reasons to buy a combination life product that are relevant to over one quarter of the population:

- **Living benefits** — Many consumers think of life insurance as a product that benefits other people, not themselves. Thus, living benefits represent an entirely new dimension of life insurance to many consumers.

- **Economy** — Some consumers view combination products as a smart financial choice. The flexibility of the product is a better way to leverage their current assets. Buying a combination life product can address many needs simultaneously, thereby saving the expense associated with separate policies.

- **LTC coverage expense** — The combination product market benefits from the status of the LTC coverage market. Over a quarter (26 percent) of consumers find LTC products expensive and believe the benefits they receive from a combination product to be a better value.

### Reasons Not to Buy Combination Life Products

The data in Figure 11 suggest there are only a few commonly held objections to buying combination life products. It should not be surprising to learn that the most common objections here are also the most common reasons given for not buying all types life coverage and other insurance products in general.
The two-top reasons for not buying combination life products appear related:

- **Too expensive** — This is often the most common reason cited for not owning insurance coverage, so this is not unique to combination products. It is important to note that expense may relate to value more than affordability. Marketers need to address concerns over cost by emphasizing the benefits most important to the consumer.

- **Affordability** — One third of the population say they simply cannot afford a combination policy. In these instances marketers need to be certain that prospective buyers understand the true cost of coverage, as most consumer overestimate the cost of coverage. There must be alignment between proposed product solutions and household budgets from the onset.
Life product managers need to understand the relative appeal of different product attributes, and living benefits have very strong consumer appeal. Figure 12 contains five different product features, the two most appealing features are associated with combination life polices (i.e., long-term care and critical illness features). Three other features, associated with continuously underwritten life policies, have lower levels of consumer appeal.

All the life product features in Figure 12 register consumer appeal among at least half the adult population. It seems clear that products with living benefits have broad market appeal, and those with combination life features have the broadest appeal.

**Figure 12 — Appealing Health Incentives and Add-on Features**

Combination life features have stronger appeal across generations. The continuous underwriting features (e.g., health incentives) have significantly higher appeal within the Millennial generation.
**Premium Reduction Versus Cash Value Increase**

Another important feature is the manner in which policyholders receive living benefits. Two common approaches for awarding living benefits are reductions in cost and increases in cash value. The data in Figure 13 indicate most consumers prefer to receive rewards in the form of cost reductions.

**Figure 13 — Premium Reduction Versus Cash Value Increase**

From a company’s internal perspective, premium reductions, or cash value increases, are both plausible product features. However, premium reduction has much broader appeal among consumers. The general desire to lower expenses is a strong driver of these results. They may also illustrate that consumers have a natural difficulty postponing gratification. Consumers may simply be assuming cost savings will occur sooner than cash value will accumulate.
The *Insurance Barometer* monitors ownership rates for life, disability income (DI), and long-term care (LTC) coverages. Figure 14 illustrates the updated market penetration rates among American adults for these coverages, from 2011 to 2019.

**Figure 14 — Insurance Ownership Trends among American Adults, 2011 to 2019**

- **Life insurance** — Market penetration for life insurance equals 57 percent among American adults. It peaked at 63 percent in 2011, the first year of the *Insurance Barometer*. Ownership averaged 59 percent over the past nine years; it has declined slightly since 2016.

- **Disability** — Ownership levels for DI equals 20 percent. It peaked at 31 percent in 2012, but dropped to 20 percent in the last three study periods. The average level of market penetration for DI since 2011 is 25 percent.

- **Long-term care** — Market penetration for LTC equals 15 percent. Ownership averaged 14 percent since 2011 and peaked at 16 percent in 2016. The ownership rate has ranged between 13 percent and 16 percent in each study period, indicating the LTC market is stable.
Ownership Gaps and Market Opportunity Trends

Experienced marketers know that consumers often express attitudes that are inconsistent with their behaviors. That paradox is evident when we examine the gaps between coverages that consumers “need” versus the coverage that they “own.”

Figure 15 illustrates the perceived ownership gaps for Life, DI, and LTC from 2011 to 2019. In this analysis an ownership gap is defined as the difference between perceived need for a product and the actual ownership rate for that product (i.e., “need” minus “have” equals “gap”).

Figure 15 — Insurance Ownership Gaps, 2011 to 2019

Sizing the LTC, DI, and Life Market Opportunity

- **Long-term care** — The ownership gap for LTC is currently 40 points (100 million consumers), one of the highest gaps recorded to date. Since 2011, the ownership gap for LTC has averaged 37 points. This data reveals a significant level of unmet demand for LTC coverage.

- **Disability** — The ownership gap for DI is currently at 28 points (56 million consumers), the highest level recorded in this study to date. It has averaged 23 points over the past nine years, indicating a great deal of unmet demand for DI coverage and suggesting that growth opportunities exist in this sector.

- **Life insurance** — There is a very low ownership gap for life coverage when compared against DI and LTC. Currently at 9 points (23 million consumers), it averaged 8 points from 2011 to 2019. This suggests strong marketing performance in the life sector.
Type of Life Insurance Owned

Among the 57 percent of consumers who own life insurance, 69 percent own individual life (39 percent overall), while 51 percent reported having group life coverage (29 percent overall). In summary for 2019, 18 percent of consumers have group coverage only, 28 percent have individual coverage only, and 11 percent have both individual and group coverage (Figure 16).

Figure 16 — Life Insurance Ownership by Type — 2019

Ownership of life insurance types has not changed significantly from 2018. Last year, 67 percent of owners held individual coverage (40 percent overall), and 55 percent held group coverage (32 percent overall). In summary for 2018, 19 percent of consumers had group coverage only, 27 percent had individual coverage only, and 13 percent held both individual and group coverages.

Health Insurance and Annuity Ownership

Health insurance and annuities are new items for the 2019 Insurance Barometer. The market penetration rates and ownership gaps for health and annuity products “bookend” those for life, disability, and long-term care products (Figure 17).
Sizing the Annuity and Health Market Opportunity

In this analysis an ownership gap is defined as the difference between perceived need for a product and the actual ownership rate for that product (i.e., “need” minus “have” equals “gap”). The presence of an ownership gap indicates unmet consumer demand, and the potential for increased market penetration.

- **Annuities** have an ownership gap of 26 points, suggesting a market opportunity of 65 million consumers.
- **Health insurance** has a negative ownership gap, because more consumers say they “own” it than “need” it. This is the only negative product ownership gap in this study.
Product Knowledge and Ownership

Higher levels of product knowledge are associated with lower ownership gaps (Figure 18). It is true that consumers learn more about products after acquiring them, but having advance knowledge of financial products and services can make the shopping and purchase experience much more comfortable.

Figure 18 — Insurance Product Knowledge and Ownership Gap Rates by Coverage Type

Knowledge Gaps Promote Ownership Gaps

- Lower knowledge gaps are associated with lower levels of perceived need and lower ownership gaps.
- However, the presence of a knowledge gap has a stronger relationship with ownership than perceived need.
- This suggests that product knowledge is a more significant barrier to ownership than to perceived need.
- This suggests that reducing knowledge gaps may reduce ownership gaps.
Life Coverage Knowledge Gaps

The data in Figure 19 provide a clear example of the association between product ownership and product knowledge. Life insurance owners are more likely to understand basic product concepts, such as the relationship between a person’s health status and the cost of coverage.

**Figure 19 — Life Insurance Knowledge by Owners and Non-Owners**

- This information affirms the notion that more informed consumers are likely to make better decisions regarding life insurance coverage.
- This holds for both prospective customers and policy owners, because if consumers understand life product features they can identify ways those features may benefit them.
- No life insurance product features will impact consumer perceptions until consumers become aware of the information.

Expected Cost of Term Life Insurance Coverage

Lack of general life insurance knowledge causes many consumers to overestimate the cost of term life insurance 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 20). The average cost of such a policy is closer to $160 per year, suggesting over half the population thinks term life insurance is over three times more expensive it is.
The Millennial generation, much more than Baby Boomers or Gen X, is likely to overestimate the price tag for term insurance. This indicates that marketers targeting prospects in the young adult market need to inform their prospective clients that term coverage is probably much more affordable they think it is.
Savings and Investment Product Ownership

It is important to see how consumers allocate their wallet share across financial categories, so marketers can better understand the consumers’ financial priorities and behaviors. By examining market penetration rates for savings vehicles against those for insurance products, marketers can determine the relative appeal of these products in the marketplace (Figure 21).

**Figure 21 — Savings and Investment Product Ownership Rates**

Comparing market penetration rates for financial products

**Over two-thirds** of Americans own savings accounts and health insurance.

- Savings accounts with banks are very common among consumers; about 3 in 4 (72 percent) own one.
- No financial product enjoys the same level of market penetration rate as health insurance; almost 9 out of 10 (87 percent) respondents say they own medical coverage.

**About half** of Americans own retirement accounts and life insurance.

- Retirement savings accounts are the second most commonly owned savings product. Employer-sponsored accounts (42 percent) are most common, followed by individual accounts (39 percent). Defined benefit (DB) plans are less common (24 percent).
- Life insurance marketers should be encouraged by the fact that it enjoys a high rate of market penetration (57 percent).
Under one-quarter of Americans own savings/investment products, annuities, LTC, or DI.

- A fifth of consumers own savings/investments products: money markets (21 percent), securities (21 percent) or certificates of deposit (19 percent). A fifth of consumers also own disability insurance (20 percent).
- Overall, just 11 percent of Americans own educational savings accounts (27 percent among households with dependent children under age 18).
- Long-term care coverage (15 percent) and annuities (12 percent) have similar market penetration levels overall.

Savings Product Knowledge

Consumers do not seem to understand savings products much better than they understand insurance products. Figure 22 contains self-reported data on how knowledgeable consumers are about financial products. The percentages reflect the proportion saying they are “extremely” or “very knowledgeable.”

When comparing knowledge levels with ownership rates for these products, we see relationships similar to the insurance category. Products with higher reported levels of knowledge among consumers also have higher market penetration rates. The relationship is not strictly causal, as knowledge levels may indeed increase after ownership. However, prior knowledge of products increases comfort levels and may facilitate the purchase process.

Figure 22 — Knowledge of Savings/Investment Products

<table>
<thead>
<tr>
<th>Product</th>
<th>Knowledge Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings account (bank, credit union)</td>
<td>48%</td>
</tr>
<tr>
<td>Employer-based retirement account</td>
<td>27%</td>
</tr>
<tr>
<td>Individual retirement account</td>
<td>25%</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>25%</td>
</tr>
<tr>
<td>Money market account</td>
<td>21%</td>
</tr>
<tr>
<td>Defined benefit plan</td>
<td>19%</td>
</tr>
<tr>
<td>Securities (equities, mutual funds, bonds)</td>
<td>13%</td>
</tr>
<tr>
<td>Educational savings account</td>
<td>13%</td>
</tr>
</tbody>
</table>
Association Between Knowledge and Ownership

The positive association between knowledge and ownership holds for most of the products in the savings category. As self-reported knowledge levels decline, so do market penetration rates.

Knowledge of savings accounts (48 percent) is higher than for health coverage (38 percent). Yet, they both have the highest levels of self-reported knowledge in their respective categories and have the highest ownership rates.

A similar association holds for retirement savings vehicles. Employer-based and individual retirement accounts have the second and third highest levels of knowledge, along with the second and third highest levels of market penetration.

The relationship between self-reported product knowledge and ownership rates does not hold for DB plans, which have somewhat higher market penetration associated with somewhat lower knowledge levels. This finding may be due to their complex nature and the fact that consumers do not buy these plans individually.
In the 2017 Purchase Funnel study, LIMRA found that 15 percent of U.S. households seriously shopped for individual life insurance in the prior 24 months, 11 percent got quotes, and 7 percent purchased policies. The 2019 Insurance Barometer provides updates on these metrics to monitor the volume of consumers flowing through the “Purchase Funnel.”

**Seriously Shop** — The percentage of households seriously shopping for individual life coverage declined from 15 percent to 13 percent in 2019 (Figure 23), suggesting the volume of shoppers declined to 17 million households.

**Evaluate Quotes** — The percentage of households getting individual life quotes is roughly the same as in 2017. While the 1-point drop is not statistically significant, it equates to 1 million fewer households reaching the quote stage.

**Purchase Coverage** — The percentage of households purchasing an individual life policy also fell by 1 point, a statistically insignificant difference from 2017. Nonetheless, the point estimate suggests a drop of 1 million households from the purchase stage.

*Figure 23 — Individual Life Insurance Purchase Funnel — Households, 2017 and 2019*

3 The Purchase Funnel, LIMRA, 2017.
“Purchase Funnel” Progression Rates

Examining the proportion of consumers who progress to the next stage is a measure of purchase process efficiency and productivity. As the data in Figure 24 illustrate, progression rates changed slightly between 2017 and 2019.

Figure 24 — Purchase Funnel Progression Rates, 2017 and 2019*

* Note — 2019 data have a small sample size, causing wide margins of error on estimates; change rates may appear inflated.

- **Shop to Quote** — The proportion of shoppers who indicated they moved on to get quotes for individual life insurance increased 3 points between 2017 and 2019. While the change is small, the impact on volume is large; each percentage point represents 170,000 additional households moving from shop to quote.

- **Quote to Purchase** — In the purchase stage of the process, the progression rate declines sharply. Just over half (56 percent) of quoters purchased coverage in 2019, a drop of 8 points from 2017. Each percentage-point drop in the progression rate to purchase suggests 130,000 fewer households buy individual life policies.

**Distribution Channel Usage**

There are a number of methods available to consumers who gather information in the shopping stage. As consumers enter the last two stages (i.e., quote and purchase), many use the distribution options contained in Figure 25.

The data illustrate usage levels across distribution methods within the final two critical stages. The data also indicate that financial professionals and company websites are the most commonly cited methods in the quoting stage; while direct by phone, direct by mail, and financial professionals are the most commonly cited methods in the purchase stage.
Figure 25 — Channels Used for Quotes and Purchase*

*Note — 2019 data have a small sample size, causing wide margins of error on estimates; change rates may appear inflated.

**Quoting methods** — The usage rates of different quoting methods did not change significantly between 2017 and 2019. The 2017 study showed higher rates of quoting via direct mail (17 percent); all other metrics are within three percentage points of their 2017 levels.

**Purchase methods** — Usage rates for purchase methods are similar in the 2017 and 2019 study periods. The most common purchase method cited in 2019 is direct by phone (30 percent), up 4 points from 2017. Direct by mail is equally common (29 percent), up 7 points from the 2017 study period. The proportion of purchasers citing financial professionals remains consistent, 27 percent in both periods.

*Type of Products Purchased*

In the 2019 study period, 71 percent of purchasers bought term policies, another 44 percent bought permanent policies (Figure 26). These figures represent an increase of 8 points for term policies and 9 points for permanent policies. The increases for both types indicates more households bought both a term and a permanent policy.
Figure 26 — Type of Product Purchased, 2017 and 2019*

- Term life insurance remains the most common product type purchased.
- These trends indicate current buyers are somewhat more likely to buy permanent products than buyers from the prior study period.

*Note — 2019 data have a small sample size, causing wide margins of error on estimates; change rates may appear inflated. The percentages sum to over 100 percent because some purchase both types.
Type of Permanent Policies Purchased

In the 2019 study period, one third of permanent life purchasers bought variable life policies, 3 in 10 bought whole life, and 1 in 4 bought universal life (Figure 27).

Figure 27 — Type of Permanent Policy Purchased, 2017 and 2019*

- These figures represent a noticeable change from the distribution of permanent policy purchases from two years earlier. Purchases of variable life (22 points) and universal life (6 points) increased, while purchases of whole life declined by 27 points.
- Whole life was clearly the most common type of permanent policy purchased in the 2017 study period. Currently, buyers of permanent life are about equally likely to buy all types of permanent policies.
- The size of the change in these metrics is due, in part, to the smaller sample size in the 2019 study. The 2019 metrics provide an update to 2017 data; the two points in time do not illustrate a long-term trend.

*Note — 2019 data have a small sample size, causing wide margins of error on estimates; change rates may appear inflated. The percentages sum to over 100 percent because some purchase both types.
Update — Reasons for Purchasing Life Insurance

Consumers have many different reasons for purchasing life insurance coverage. The data in Figure 28 illustrate trends in the motivations of purchasers over the past several years. A visual inspection of the figures suggests that the most common reasons for purchasing life insurance coverage did not change drastically during this time period.

Figure 28 — Reasons for Purchasing Life Insurance, 2017 and 2019*

• Common and consistent reasons for purchasing life coverage include: income replace (to secure dependents’ financial futures), final expenses, wealth transfer, and mortgage payoff.

• Increasingly common reasons for purchasing coverage include: mortgage payoff, business purposes, policy replacement, estate taxes and liquidity, college education funds, and charitable gifts.

• Less common reasons for purchasing life coverage include: tax-advantaged savings or investments and supplemental coverage for group coverage owned.

• Some of the differences in these metrics is due to the smaller sample in the 2019 data. In general, the data affirms that consumers have many reasons for buying life coverage. Marketers need to identify their audiences specifically, so that they can emphasize the appropriate subset of these buying reasons.

* Note — 2019 data have a small sample size, causing wide margins of error on estimates; change rates may appear inflated.
**Reasons for Not Purchasing Life Insurance**

The reasons that shoppers do not purchase coverage are as informative as the reasons they do buy coverage. The data in Figure 29 indicate that the most common reasons cited by non-purchasers did not change significantly between the 2017 and 2019 study periods.

**Figure 29 — Reasons for Not Purchasing Life Coverage, 2017 and 2019**

<table>
<thead>
<tr>
<th>Reason</th>
<th>2017</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Having enough life insurance</td>
<td>29%</td>
<td>32%</td>
</tr>
<tr>
<td>Have other financial priorities</td>
<td>19%</td>
<td>22%</td>
</tr>
<tr>
<td>Can’t afford life insurance</td>
<td>19%</td>
<td>15%</td>
</tr>
<tr>
<td>Prefer other financial products</td>
<td>5%</td>
<td>8%</td>
</tr>
<tr>
<td>To avoid high pressure sales tactics</td>
<td>5%</td>
<td>12%</td>
</tr>
<tr>
<td>Do not believe it’s a good product</td>
<td>3%</td>
<td>5%</td>
</tr>
</tbody>
</table>

*Note — 2019 data have a small sample size, causing wide margins of error on estimates; change rates may appear inflated.*

- About one third of shoppers determined they have enough life insurance coverage.
- Roughly 1 in 5 shoppers decided their other financial priorities were more important.
- Just under 1 in 5 shoppers decided they could not afford the cost of coverage.
- Just over 10 percent of shoppers indicated they prefer another product or decided life insurance is not a good product for them.
- In the 2019 period, there is a spike in shoppers avoiding high-pressure sales tactics.
Online Sources Used by Shoppers

As consumers migrate to online sources for research, shopping, and purchasing in all sectors of the economy, the perceived usefulness of online sites continually grows in importance. For the life insurance sector, shoppers found company websites and online aggregators to be the most useful online destinations (Figure 30).

Figure 30 — Useful Online Sources of Life Insurance Information

- Almost half of all shoppers indicated company websites and online aggregator sites are useful sources of information for life insurance.
- Association websites are also useful; the lower percentage associated with these sites is likely due to the nature of affinity groups, which are only accessible to association members.
- About 3 in 10 shoppers found online financial calculators and agency websites to be useful. This seems a low percentage for agency websites, suggesting opportunities for improvements may be available by examining the destinations deemed more useful.
A consumer’s near-term needs are always “top of mind.” As a result, money devoted to near-term needs often eclipses money devoted to long-term goals. In short, consumers’ “wallet share” follows their “mind share.” To help marketers understand consumer mindsets, we created a theoretical space called the “Financial Mindscape.” By exploring this space, marketers can see the relative importance of competing financial demands.

The 13 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 over time. The items in each financial concern category are:

- **Life Insurance**: dependents’ financial security (i.e., income replacement if applicable), final expenses (e.g., burial costs), leaving an inheritance
- **Living Expenses**: credit card debt (if applicable), monthly bills, mortgage or rent payments
- **Health Coverage**: potential disability expenses, potential long-term care expenses, potential medical expenses
- **Savings Goals**: dependents’ education (if applicable), losing money on investments, saving for a comfortable retirement, emergency savings 4

Comparing concern on insurance coverage (e.g., leaving an inheritance) with concern for fundamental items (e.g., mortgage/rent payments) reveals relative importance. When the concern over fundamental items is declining, it suggests the environment for marketing financial products is improving. Conversely, when concern over fundamental items is growing, it suggests the environment for marketing financial products is deteriorating.

### Table 1 — Financial Concerns

<table>
<thead>
<tr>
<th>Life Insurance</th>
<th>Health Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Dependents’ financial security</td>
<td>• Disability</td>
</tr>
<tr>
<td>• Final expenses</td>
<td>• Long-term care</td>
</tr>
<tr>
<td>• Leaving an inheritance</td>
<td>• Medical</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Living Expense</td>
<td>Savings Goals</td>
</tr>
<tr>
<td>• Credit card debt</td>
<td>• Dependents’ education</td>
</tr>
<tr>
<td>• Monthly expenses</td>
<td>• Investments</td>
</tr>
<tr>
<td>• Mortgage/rent</td>
<td>• Retirement</td>
</tr>
<tr>
<td></td>
<td>• Emergency fund</td>
</tr>
</tbody>
</table>

4 Emergency fund added to survey in 2017 and added to Financial Concern Index in 2019. See Methodology section in this study for details.
The Financial Concern Index

The Financial Concern Index (FCI) tracks the overall level of financial concern among American consumers. In 2019, the FCI declined by 6 percent, marking the third consecutive drop and suggesting that the environment for marketing financial products is improving (Figure 31).

Figure 31 — Financial Concern Index, 2011 to 2019

- The FCI is close to its lowest level on record (0.88 in 2014). This suggests American consumer financial sentiment is as strong as at any time since the recovery from the Great Recession (2007 – 2009).
- The “Linear (FCI)” is a trend line illustrating average slope over time. The 2019 value of the Linear (FCI) = 0.945, which indicates financial concern has declined by more than 5 percent over the past nine years.
- Lower levels of financial concern are good for the financial services industry, because they suggest consumers are in better position to address their core protection needs (e.g., life insurance) and long-term savings goals (e.g., retirement).

The Financial Concern Hierarchy

The concept of a Financial Concern Hierarchy (FCH) follows Abraham Maslow’s theory of human motivation. Maslow’s theory 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, then a consumer’s FCH reveals much about the mindset driving consumer financial behavior.

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5 See the Methodology section in this study for details on the FCI calculation.
Figure 32 depicts the FCH from 2011 to 2019. It clearly depicts a hierarchy of financial concerns, with health-related expense concerns on top (i.e., the green line), followed by savings goals, living expenses, and then life insurance. This information has important implications for financial marketers.

Figure 32 — Use of Insurance Comparison/Quoting Websites

- **Health-related financial risks** — The data illustrate that financial concerns related to health expenses are consistently on top of consumers’ FCH. The fact that this item is rated above the living expense category clearly indicates consumers will devote resources to addressing these concerns.

- **Savings goals** — Since 2013, savings goals have occupied the second tier of the hierarchy. The data illustrate a close relationship between savings goals (i.e., the blue line) and living expenses (i.e., the yellow line). As the distance between savings goals and living expenses grows, consumers become more willing to devote mind share and wallet share to their aspirational savings goals.

- **Living expenses** — Concern over living expenses is currently at its lowest level in the history of the Insurance Barometer study. It has declined steadily since 2016 and at a steeper rate than the other three categories. Consequently, concern over living expenses has dropped close to the level of life insurance.

- **Life insurance** — Life insurance occupies the bottom tier in the FCH, below that of living expenses. However, 2019 marks the highest relative position of life insurance in the FCH. With concern over living expenses at record low levels, it is the best environment for marketing life insurance in the history of the Insurance Barometer study.
Figure 33 contains an illustration of the hierarchy as it stands in 2019. This rendering serves as a reminder that issues at the top of the hierarchy may work as filters on financial communications.

If so, messages targeting issues at the bottom of the hierarchy (i.e., life insurance) should include references to relevant issues at the top. Since life insurance can secure the means to address all of the financial concerns listed, this is a relatively easy adjustment for life marketers to incorporate.
Concern over health-related financial risks

Concerns over health-related expenses consistently rank among the American consumer’s top financial fears (Figure 34).

Figure 34 — Health Coverage Concern Trends

- **Disability** — Concern over financial risks related to a disability dropped slightly in 2019, but it remains an important concern for many consumers. Note that concern over disability risks is higher than for medical risks since 2015.

- **Long-term care** — The level of concern related to long-term care (LTC) increased slightly in 2019, one of only a few items to register a rise. This rise in LTC-related concern brings it equal to disability and above the concern level for medical-related expenses.

- **Medical** — Levels of concern for medical related financial risks have declined gradually since 2016 and have continued that trend in 2019. This is now the lowest ranked item in the health category, a complete reversal from 2011 when it held the highest concern levels in the entire FCI.

Concern over long-term savings goals

Retirement savings is a top financial concern for most consumers. This concern occupies a large portion of “mind share” within the financial mindscape of American consumers. Marketers can leverage this knowledge in financial communications in order to capture the consumer’s attention (Figure 35).
Figure 35 — Savings Goal Concern Trends

- **Retirement** — Concern over retirement savings has gradually declined since 2016. Lower concern here suggests more opportunity on other topics with lower priority.

- **Emergencies** — Saving for emergencies joins the index in 2019, using data collected over the past three years. It is the second ranked savings goal, but concern levels have dropped steadily since 2017.

- **Investments** — Losing money on investments is an important item in that it projects the American investor’s outlook on financial markets. Concern for this item increased in 2019, 1 of only 2 items in the FCI that registered an increase over 2018. This implies that consumers with investible assets are seeking safer investment products, making them suitable candidates for annuities and permanent life insurance products.

- **Education** — Concern over funding dependents’ education declined for the third consecutive year. This item appears low in the hierarchy of savings topics, but it becomes extremely important for parents and grows in importance as their children approach college age.

### Concern over living expenses

Concern over living expenses is sensitive to changes in the economic or political environments. Concern declined during the recovery from the Great Recession, but spiked during the 2016 election year cycle. Since that time, concern in this area has steadily declined, signaling a stronger financial foundation among American households (Figure 36).

The theory of the FCH suggests these topics are the top priorities when consumers have difficulty satisfying necessities. The drop in concern on all items in this category indicates more consumers are in position to pursue aspirational financial goals, such as retirement savings and insurance coverage.

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• **Monthly bills** — Concern over monthly bills is the highest among living expenses. Yet, concern levels on monthly bills have declined consistently since 2016, suggesting consumers are in better financial circumstances.

• **Credit card debt** — The levels of concern on credit card debt increased noticeably in 2015 through 2017. In the past two study periods, concern has declined steeply. This is encouraging news for other areas of the finance industry, as it suggests debt services command a smaller share of the consumer’s wallet.

• **Mortgage or rent** — Concern over mortgage or rent payments has declined steeply since 2016. This item generates very low concern, suggesting the financial requirements are not burdensome. This provides additional evidence that consumers are in better financial condition in 2019 compared with the past few years.
Concern over life insurance

Among the four FCI components, concern over life insurance is the lowest. Concern levels stabilized for 2 of the 3 items in this area over the past two years (Figure 37). Overall, concern on life insurance items has increased relative to the other FCI components, because the decline in this category is slower than in the other three areas. As a result, life insurance concerns are somewhat more prominent in the financial mindscape of American consumers.

Figure 37 — Life insurance Concern Trends

- **Income replacement** — Concern for this item is about equal to the average of the FCI in 2019, which is the highest relative position for any life insurance item in the history of this study. This suggests that more consumers are thinking about this issue and are more willing to address the matter.

- **Final expenses** — Concern over burial costs and related final expenses remains the second priority among life insurance topics. Concern has remained steady in the past two study periods, while concern for many other items declined steeply. Consequently, more consumers will be open to addressing this need.

- **Leaving an inheritance** — This item does not generate a lot of concern among most consumers, and concern levels have dropped steeply since 2016. This is not a great indicator for life marketers in the estate planning market, as it suggests a traditionally powerful reason for owning life insurance is becoming less relevant.
2019 Top Financial Concerns

All 13 financial topics recorded high levels of financial concern from some consumers, so they all appear on the Top Financial Concern list (Figure 38). The most commonly cited item on this list is retirement savings, mentioned by 1 in 4 consumers with a high concern level.

Figure 38 — 2019 Top Financial Concerns*

- Long-term care expense is the second item on the Top Financial Concern list, which tells financial marketers that strong demand exits for related solutions, such as combination life products (i.e., life insurance with living benefit riders).

- There are clear associations between insurance products (i.e., life, long-term care, disability, and critical illness coverages) and the Top Financial Concern list. These associations are direct, through insuring the policy owners, and indirect, by protecting the policy owners dependents. Making these associations clear in the mind of the consumer makes financially themed communications more relevant.
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 concerns among American consumers and relate these findings with financial behaviors, with a particular focus on life insurance.

In January 2019, LIMRA and Life Happens engaged an online panel to survey adult consumers who are financial decision makers in their households. The survey generated over 2,000 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.

- 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.
- The weighting adjustment 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 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)
FINANCIAL CONCERN INDEX METHODOLOGY NOTES

- The Financial Concern Index (FCI) measures the level of pressure inside the American consumers’ “financial mindscape”, the mental space where money matters are deliberated.

- To signify significant levels of concern, the FCI uses the top-2 points of the 5-point response scale shown below:
  - Response scale: Extremely concerned, Very concerned, Concerned, Somewhat concerned, Not at all concerned, or Not applicable

- The FCI uses the first year of the study (2011) as the index base. In that year, approximately 30 percent (0.292) of the respondents indicated they were “very” or “extremely” concerned about the 13 topics in the survey. This proportion of the sample represent the average level of “financial concern” among American consumers.

- The calculation of the FCI uses the base year as the denominator (0.292), and each year’s proportion of concerned respondents as the numerator. $\text{FCI} = \frac{\text{proportion concerned in study period}}{0.292}$; where $x = \text{study period in question}$:
  - For 2011, $\text{FCI} = \frac{0.292}{0.292} = 1.00$

- The FCI trend line uses a standard linear regression; the equation to calculate the least squares fit for the trend line is: $y = mx + b$; where $m$ is the slope and $b$ is the intercept.

- The FCI included 12 items from 2011 to 2016. In 2017, we added “saving for an emergency fund” to the savings goals component. We tracked the new item for three years before adding it to the FCI, at which point the FCI calculation changed.

- The FCI now uses a weighted average of the four sub-components (i.e., life insurance, savings goals, living expenses, and health expenses). Each category receives a 25 percent weight, so the overall FCI remains evenly balanced across the four topics.
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