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U.S. Underinsured Life Insurance Market

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Life Insurance in America Today

1. How well insured are U.S. households?
2. Where are the opportunities?
3. What motivates consumers to buy?
4. What stops consumers from buying?
5. How do consumers prefer to buy life insurance?

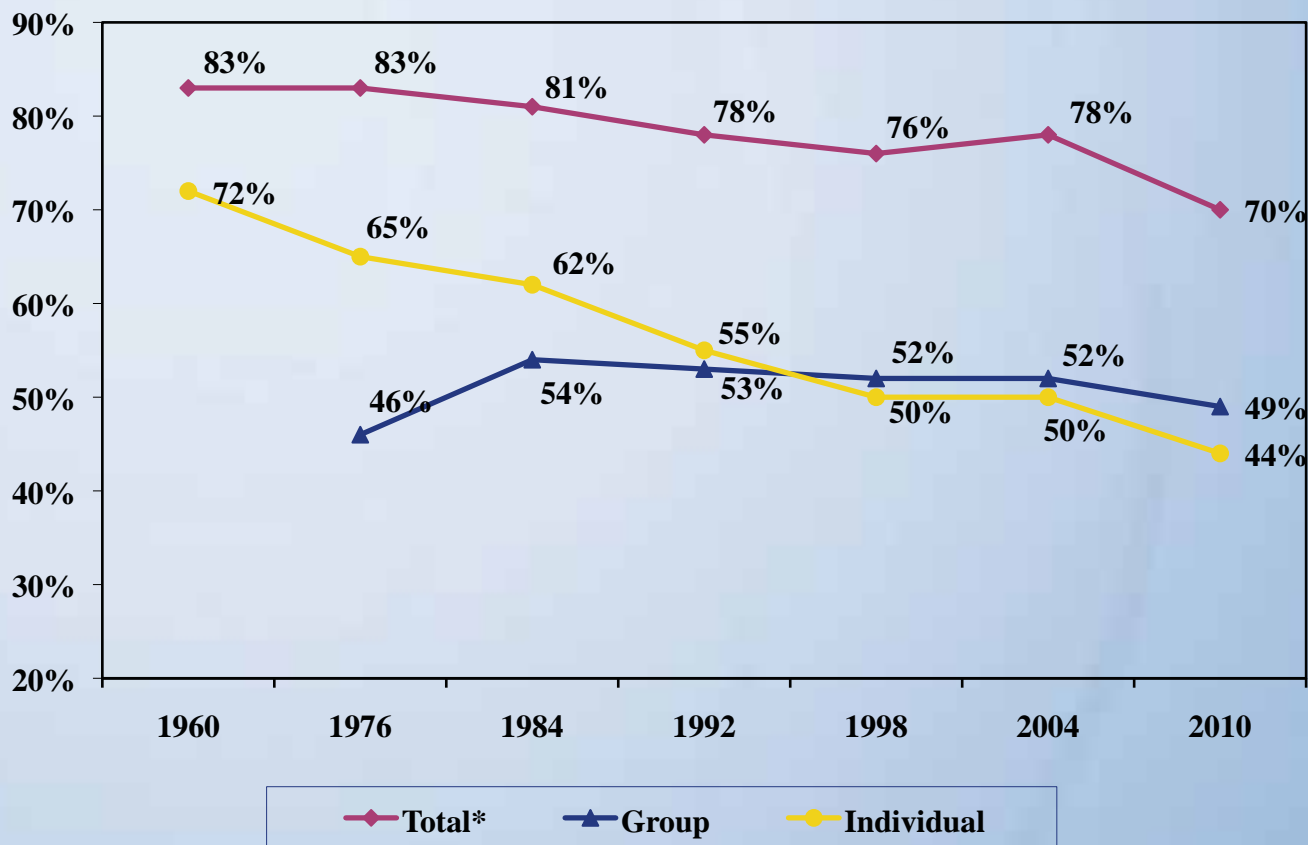
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Life Insurance Ownership Is Declining



•Total = Individual, Group, and SGLI/VGLI
U.S. Life Ownership Study

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Financial Situation If Primary

Wage-earner Dies by Household Income

	Low Income Under \$35k	Middle Income \$35-\$99.9k	High Income \$100k+
Immediate trouble paying everyday living expenses	67%	32%	12%
After several months would have difficulty keeping up with everyday living expenses	21	32	30
Could cover everyday living expenses well into the future	12	36	58

2010 U.S. Life Ownership Study

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\$ales Potential – Underinsured Households

- 50% say they need more life insurance
- 58 million HHs need more life insurance
- 25% say they are likely to buy in the next year
- 30 million are likely to buy

2010 US Life Ownership Study

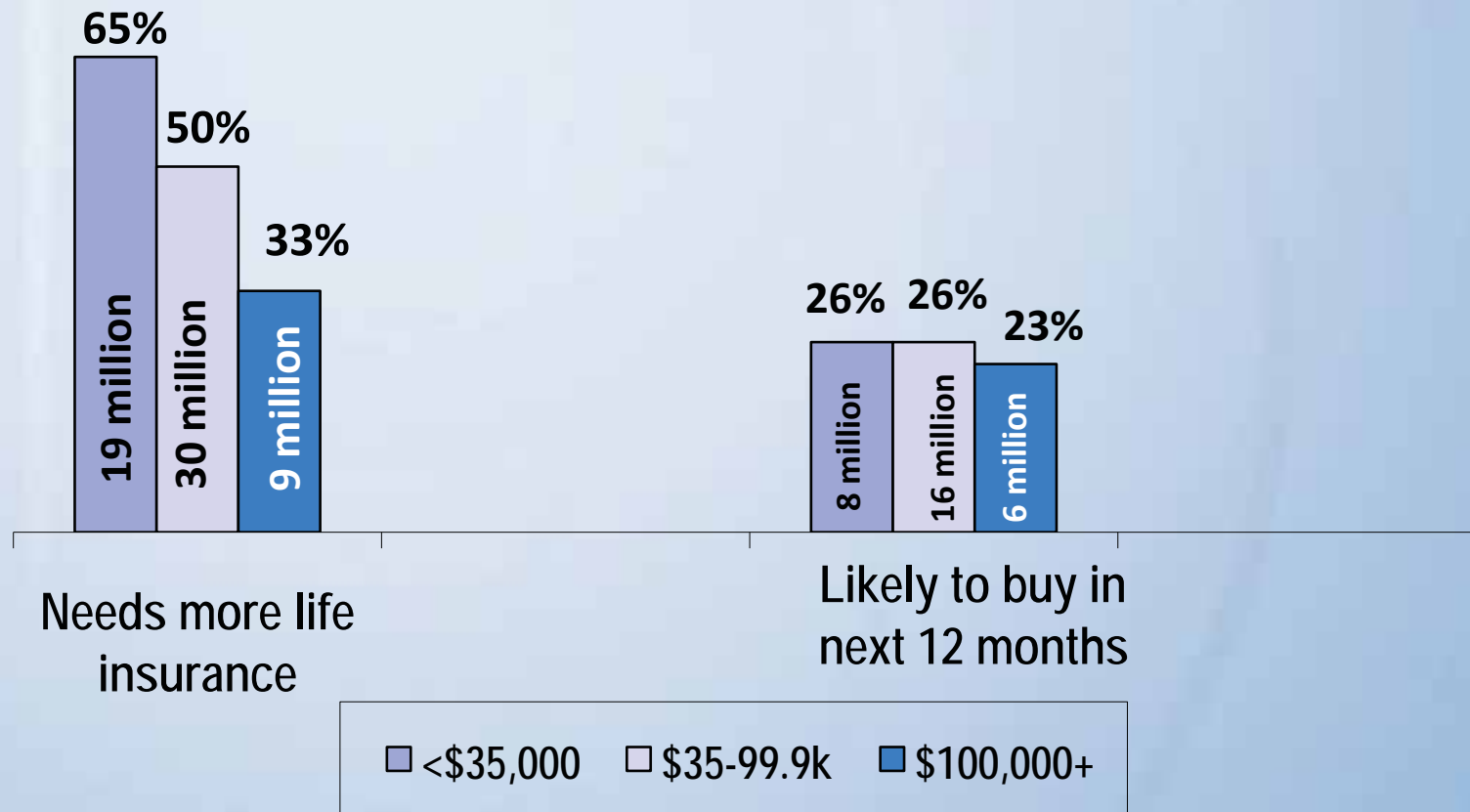
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Which Income Segments Need More Life Insurance and Are Likely To Buy?



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2010 U.S. Life Ownership Study and US Census

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What Motivates Consumers to Buy Life Insurance?



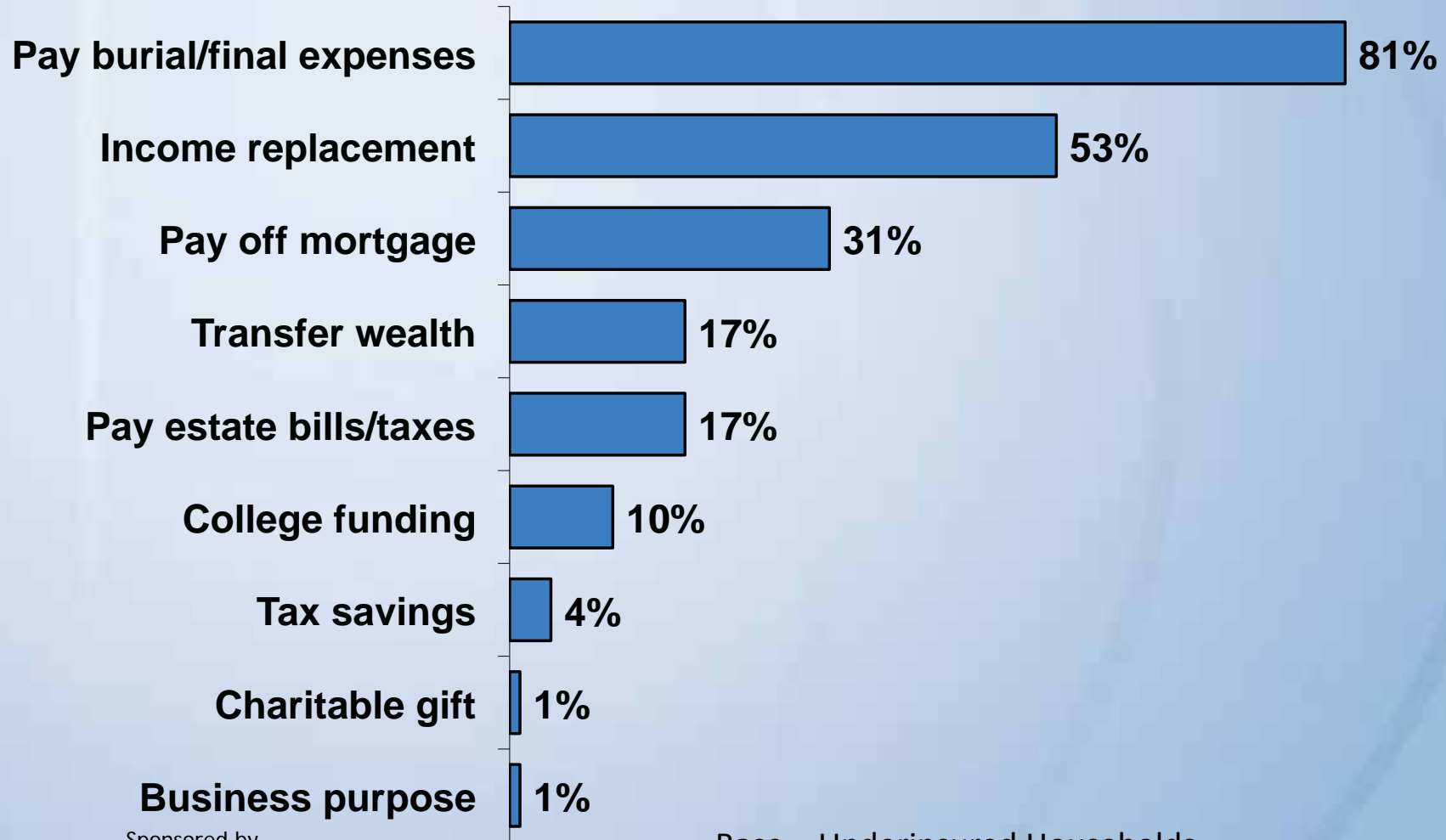
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Three Top Reasons Prompted To Shop for Life Insurance

Wanted to review coverage or thought I needed more	22%
Had or adopted a child	14%
Relative or close friend died	14%
Got married or divorced	12%
Agent or advisor contacted me	12%
Offered life insurance through work	11%

Why Underinsured Households Buy Life Insurance

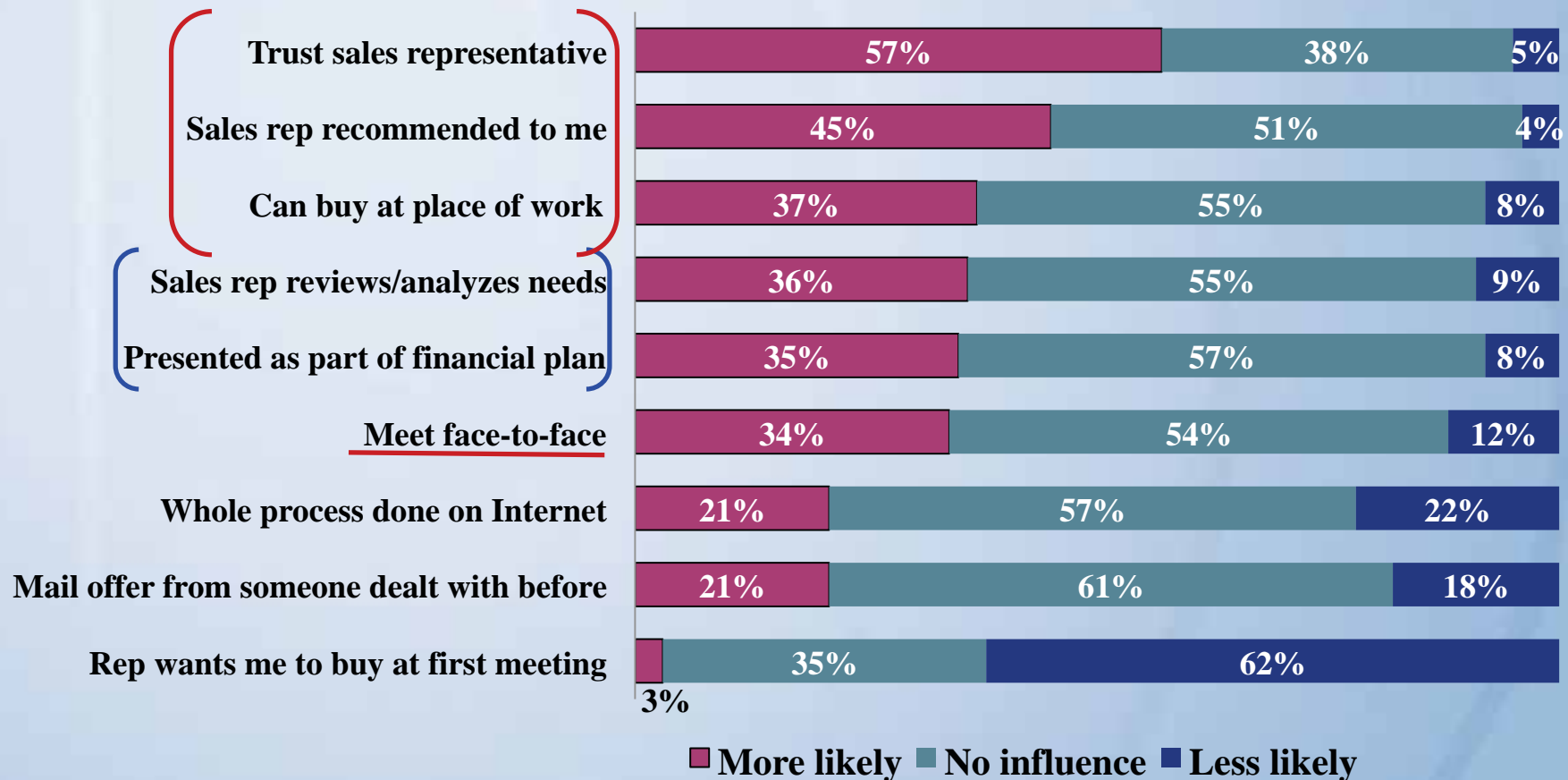


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Base = Underinsured Households
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2010 U.S. Life Ownership Study




What Influences Whether Underinsured Households Will Buy Life Insurance?



2010 U.S. Life Ownership Study

Base = Underinsured Households

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Establishing Trust Helps Close Sales

Life shoppers that met face to face:

Bought

Trusted advisor they met with

78%

Did not trust advisor they met with

50%

Referrals Help Get You in Front of Prospects and Close Sales

Many Buyers Willing To Provide Referrals:

- 54% of life insurance buyers did or would (if asked) provide a referral to the sales rep they bought from

Some Referral Opportunities Are Missed:

- 30% of life insurance buyers were willing to provide a referral but were never asked

77% of prospects meeting with a sales rep based on a referral or introduction bought life insurance

Doing a Needs Analysis Helps Close Sales

Shopped for life insurance:

Received
Needs Analysis

Bought after shopping

49%

Did not buy after shopping

28%

Recommending Amount to Buy Helps Close Sales

Shopped for life insurance:

An Amount to Buy
Recommended

Bought after shopping (face-to-face)

62%

Bought after shopping (any distribution)

48%

Did not buy after shopping

32%

What Keeps Consumers From Taking Action?

Lack of Knowledge

Paying off Debt


**Saving for Retirement
Saving for College**

Procrastination

Meeting monthly living expenses



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Reasons Households Most Ready To Buy Soon Have Not Bought Life Insurance

Competing Financial Priorities:	Likely to Buy
Other financial priorities	77%
Can't afford	68%
Prefer to put money in other financial products	42%
Lack of Knowledge:	
Difficult to know what type to buy	56%
Difficult to know how much to buy	56%
Worry about making the wrong decision	50%
Procrastination:	
Haven't gotten around to it	54%
Haven't received information relating to my needs	39%
No one has approached me	35%
Unpleasant to think about dying	34%
Avoid high pressure sales	53%

How Do Consumers Want To Buy Life Insurance?



**Direct by Mail
or Phone**

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Face to face



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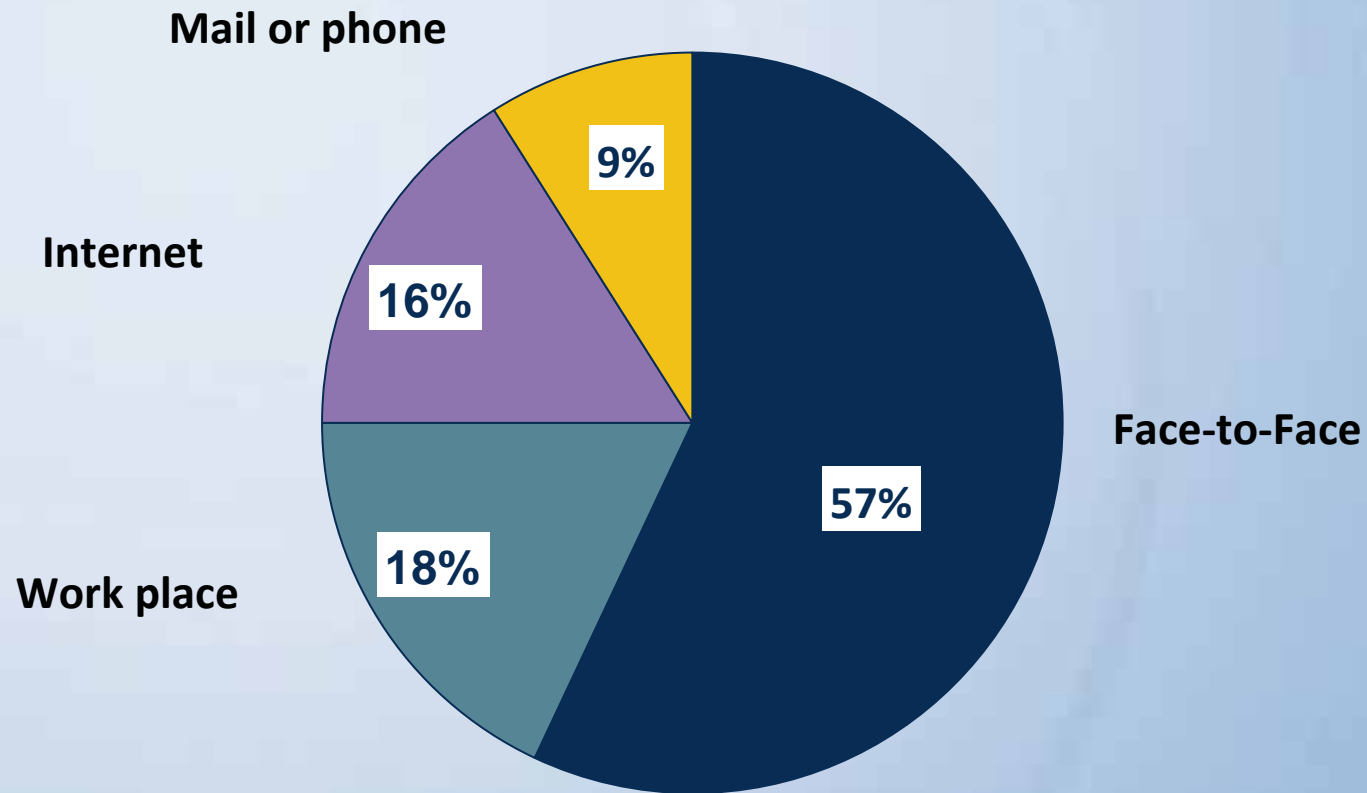


Internet

Workplace

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How Underinsured Households Want to Purchase Next Life Policy



Base = Underinsured Households

2010 U.S. Ownership Study

Top Reasons Consumers Prefer To Buy Face to Face

Can gauge or establish trust and honesty	27%

“Because trust is built and confirmed face to face.”

“I can gauge the trustworthiness of the agent and their recommendations.”

Prefer personal interaction, can speak to someone, meet face-to-face	25%

“Prefer face-to-face meetings when signing a major purchase contract.”

“I prefer to talk to a live person when buying life insurance – especially insurance I am not familiar with.”

Top Reasons Consumers Prefer To Buy Face to Face

Can ask questions	19%
Can get <i>immediate</i> feedback to questions, interact back & forth	14%

“(I am) able to ask questions as they arise during discussion. (Advisor able to explain terms I do not know or understand.)”

“Can get immediate answers to any questions.”

Can get additional information, explanations, advice, and recommendations	18%

“Because a financial professional can tell me of the advantages and disadvantages of various policies and advise me as to which policy would be best for my situation.”

2010 U.S. Ownership Study

Top Reasons Consumers Prefer To Buy At The Workplace

Open End Question	Percent
Easy, convenient, can do at own pace/time	33%
Cheaper, discounted, better value/deal	26%
Trust (trust employer, employer screens/selects company and policies)	20%
Convenience of payroll deduction	13%
Avoid pressure to buy	10%

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Top Reasons Consumers Prefer To Buy On The Internet

Open End Question	Percent
Avoid pressure to buy	49%
Easy, convenient, can do at own pace or time	46%
Ability to research, compare, shop around	21%

2010 U.S. Ownership Study,

Top Reasons Consumers Prefer To Buy Direct (Mail/Phone)

Open End Question	Percent
Avoid pressure to buy	47%
Easy, convenient, can do at own pace/time	33%
Comfort level/confidence with this method and don't trust other methods	14%

2010 U.S. Ownership Study,

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HARTFORD ATLANTA MIAMI TORONTO LONDON KUALA LUMPUR SHANGHAI HO CHI MINH CITY SEOUL

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Barriers to Protection: A research initiative

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The Problem: Who isn't covered?

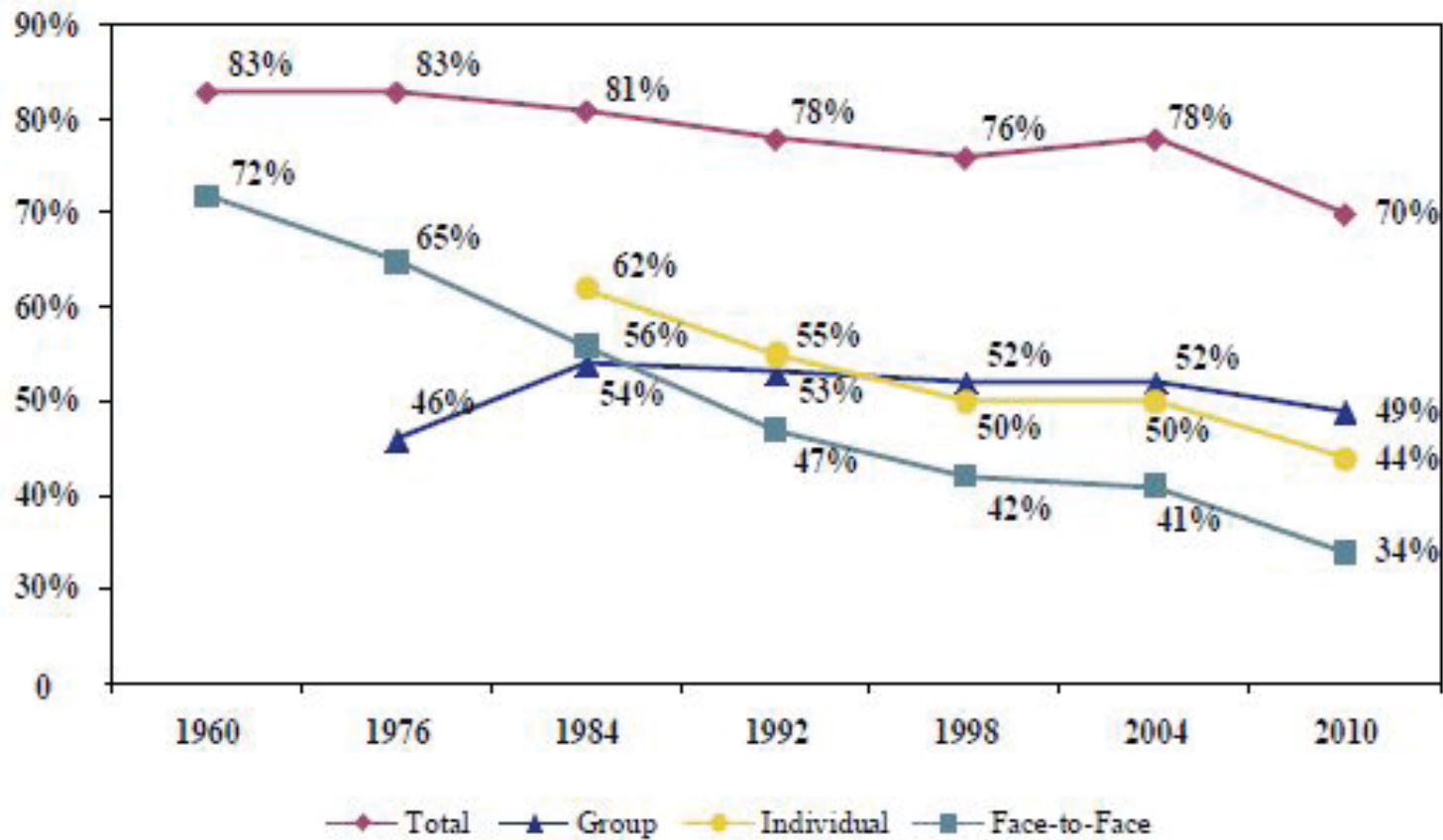


More value, Less protection?

- Over 100 Million Adults in the United States don't have *any* Life Insurance
 - About half of the Adult Population in the U.S. doesn't have insurance.
 - For the Adult Population that does have Life insurance, the National Average is around \$156K.
 - When looking at the United States in total (including the uninsured) the National average of Life Insurance coverage decreases to \$79K.
- The top categories of adults who are uninsured are:
 - 61% of **Singles** are uninsured
 - Of the uninsured population 61% are **Homeowners**
 - **Families with less than \$50K**
 - **Large families** (more than 5 children)

Declines across all segments

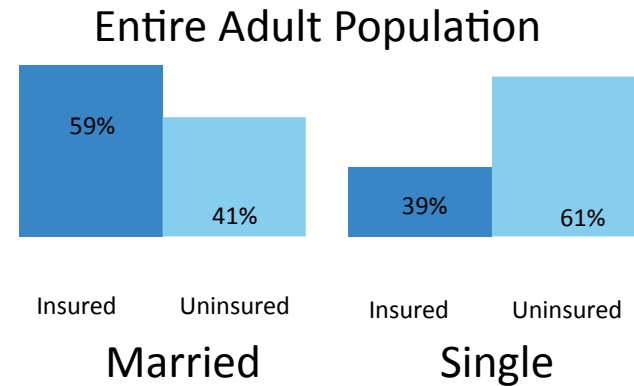
Trends in U.S. Life Insurance Ownership



Family Stage Influences Choices

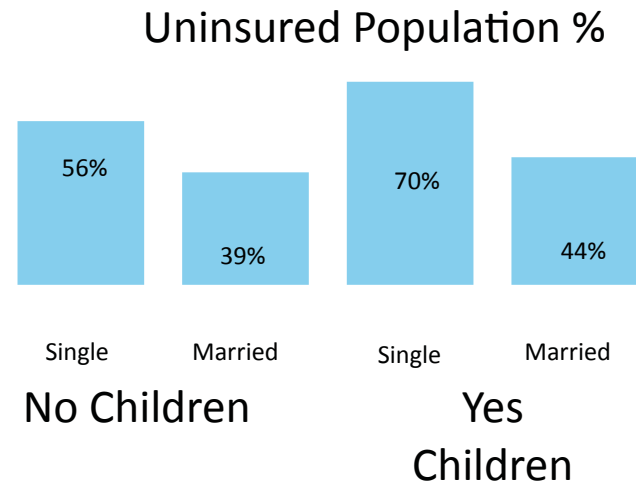
■ Marital Status

- The Adult Single Population is 50% more likely to be uninsured than the married population
- 61% of the Adult Single Population is not insured

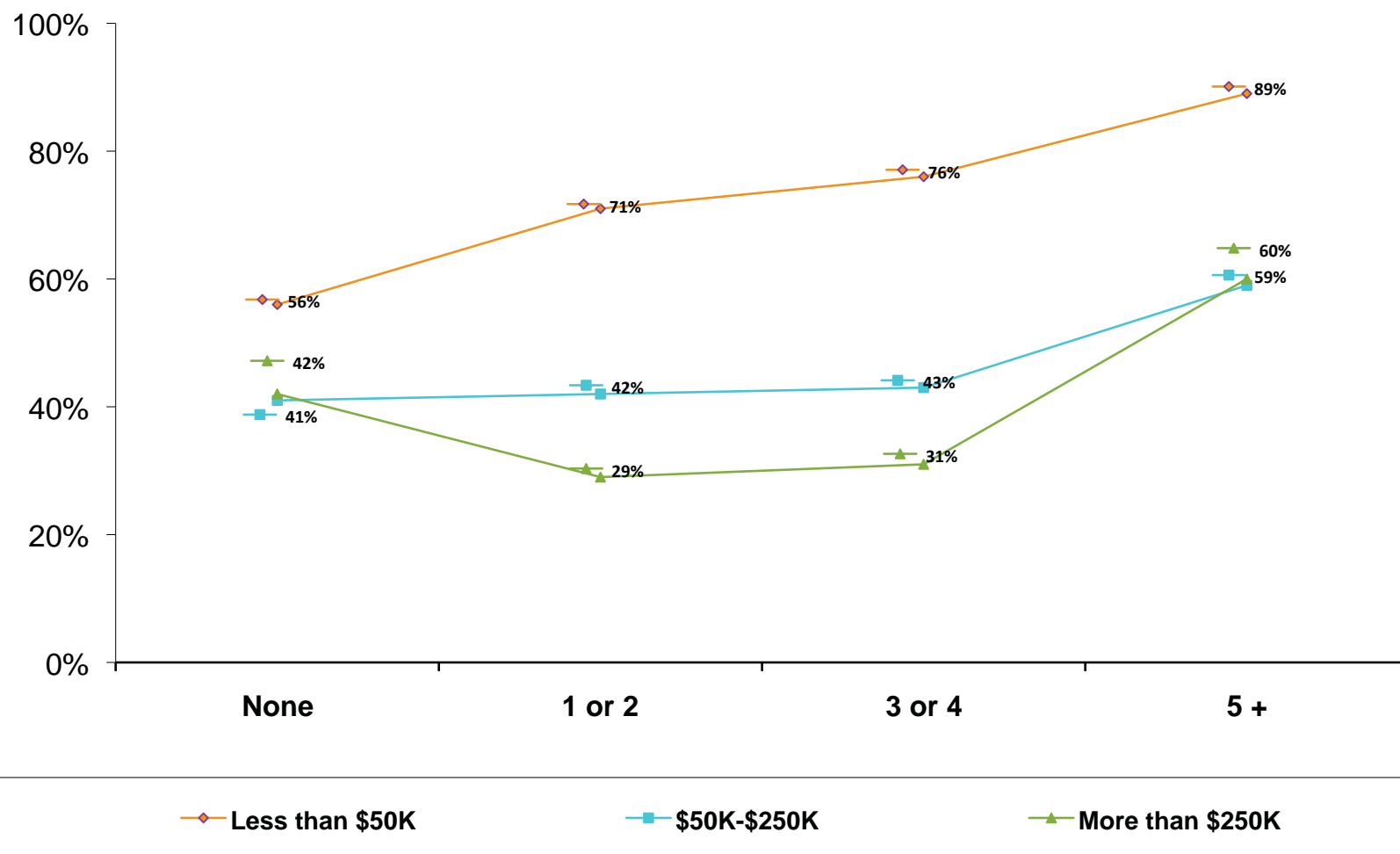


■ Marital Status – Presence of Children

- 70% of Single Parents with Children have no Life Insurance
- The percentage of uninsured Married adults is around 40%, regardless if they have children

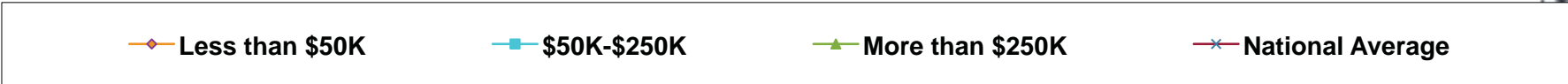
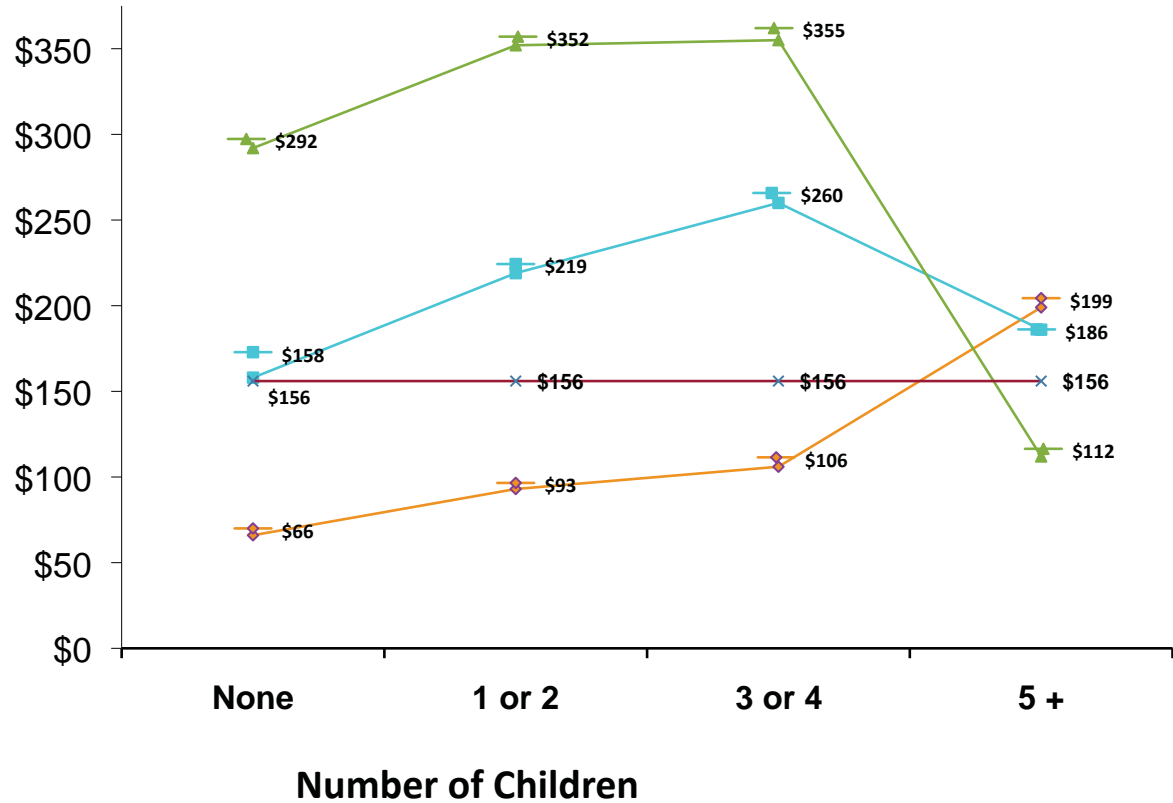


Presence of Children and Household Income

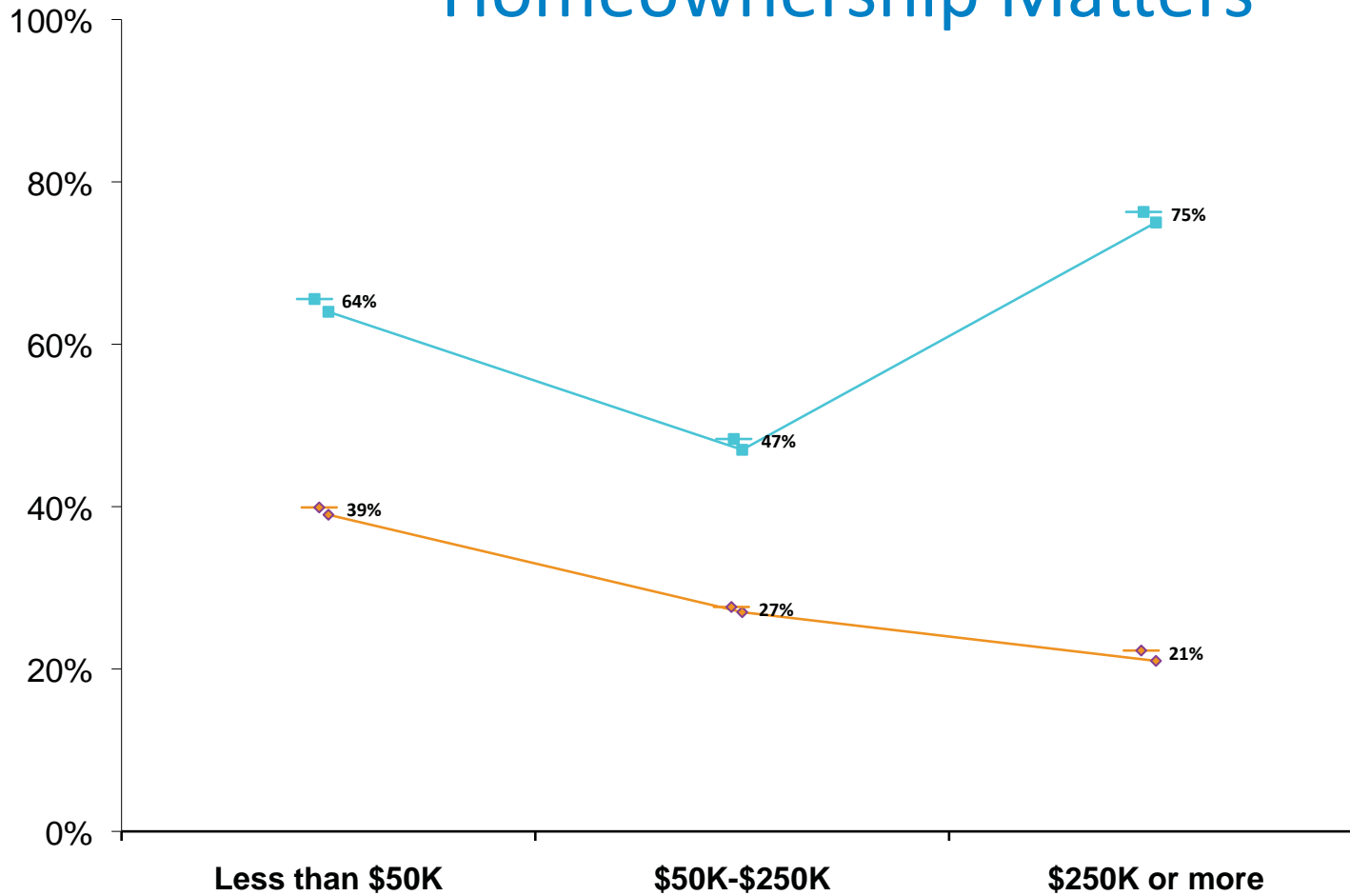


Presence of Children

Life Insurance Coverage in Thousands

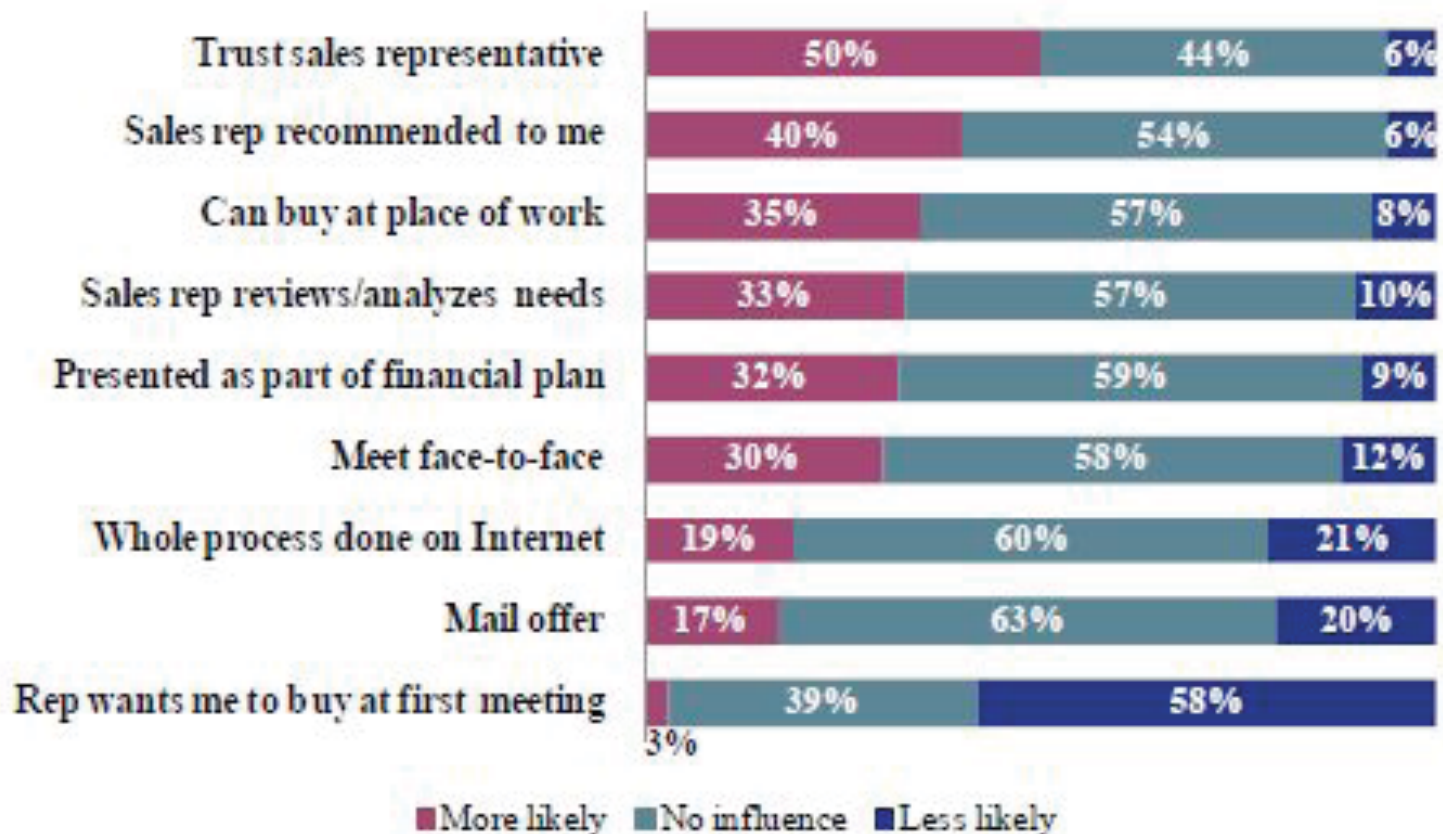


Homeownership Matters



The critical role of trust

Influences on the Life Insurance Buying Decision



Life Insurance Coverage Gap Research

Future Beneficiaries: Four Knowledge Needs

1. Protection expectations & perceptions
2. Life Insurance coverage specifics/
knowledge
3. Current economic state
4. Barriers to purchase

Existing Beneficiaries: Five Knowledge Needs

1. Life Insurance knowledge prior to event
2. Benefit received
3. How claims intended to be or actually spent
4. Household's resultant situation
5. Recommendations for others

Core Research Questions

- How vulnerable are US households in the event the primary breadwinner dies?
- What are consumer expectations and perceptions regarding Life Insurance coverage amounts?
- How did beneficiaries utilize the death benefit they received and how well did it meet their expectations?
- What were the effects of not having enough Life Insurance coverage?
- What can be done to overcome barriers to receiving adequate coverage?
- ***Do coverage amounts and costs vary by region and over time?***

36

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Beneficiaries: “I wish I had known...”

About Life Insurance

- To Plan for No Income

- Due to the economy, some study participants had lost their jobs at the same time they lost their partner’s income. The death benefit ended up supporting the every day living needs of the surviving spouse.

- What Everything Costs

- Some had no idea how much medical bills and funeral costs would be when they decided on the amount of the policy.

- What to Do with the Proceeds

- A majority of those that had larger claim amounts needed and wanted financial advice as to how best invest the proceeds.

The Research Questions: What Barriers Exist? How to Surmount Them?



Comprehensive Methodology

Gain Deeper Insights and Project Findings

- Quantitative: 2,500 Respondents or More
 - Cross section of adult population
- 5 Consumer Focus Groups
 - Single Male Parents, Single Female Parents,
 - Married with/without Kids,
 - Sandwich Generation
 - Gain permission to tape for PR purposes
- 5 Financial Advisor Observation Groups
 - Gain permission to tape for PR purposes

“The Conversation”: Financial Strength of HH

“The Conversation” Questions

Core Questions

- Have you had “The Conversation”? Was life included?
- When and how often?
- Who with?
- What was outcome...what action taken?
- What words were used?
- How long last? Short, long, in depth?
- What materials were used?
- Who has the power in the conversation?
- Describe feelings before, during & after the conversation?
- What would have been the best _____?

Potential Groups

- Single Parents (perhaps male/female break)
- Married with and without children
- Sandwich Generation
- Gender/ethnicity etc?

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Events and Triggers

When Did it Happen?

1. Preparing for retirement
2. During budgeting
3. Buying house, car etc...
4. If something bad happened

Trigger Events

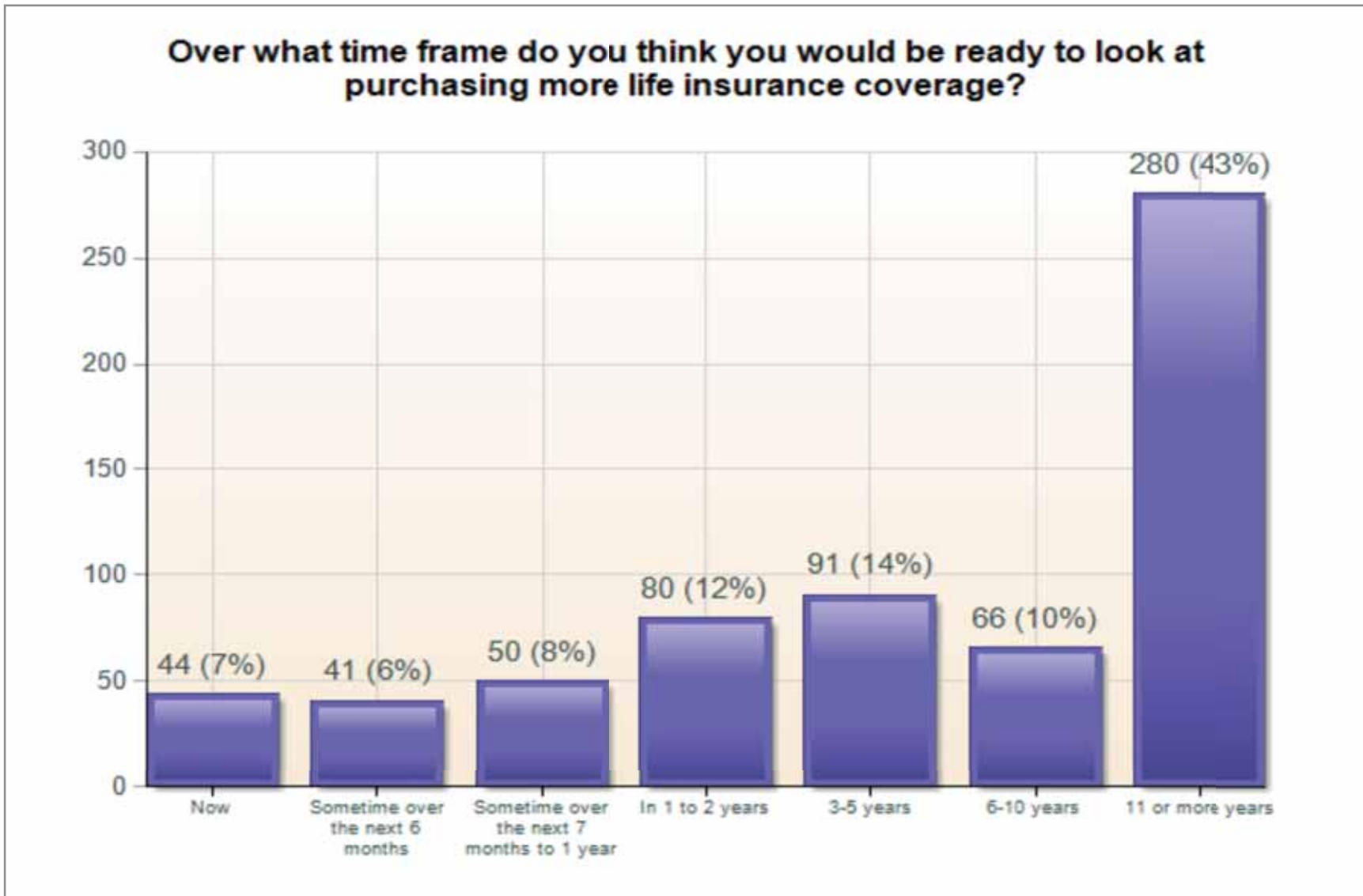
- Statement in mail
- Someone retires
- Article in paper or media
- Fight with spouse
- Marketing message
- Death or illness
- National crisis
- Near death experience
- Change or loss of job
- Having baby
- Advisor interaction
- Legal review
- Change in marital status

The Opportunity

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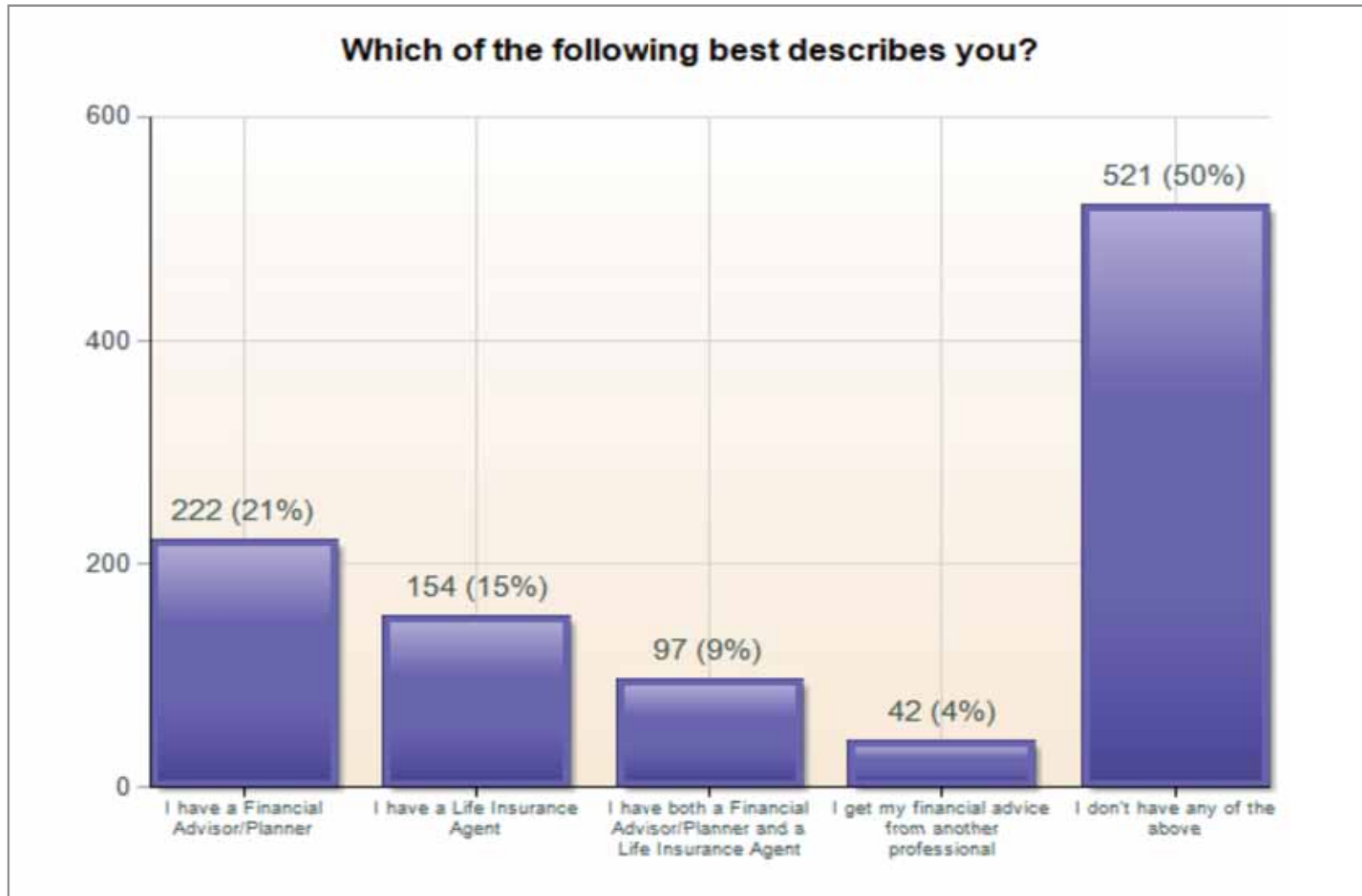
Evidence of Opportunity: Pent Up Demand



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Barrier 1: The missing opportunity for communication



50% do not have a relationship with either a financial advisor or agent

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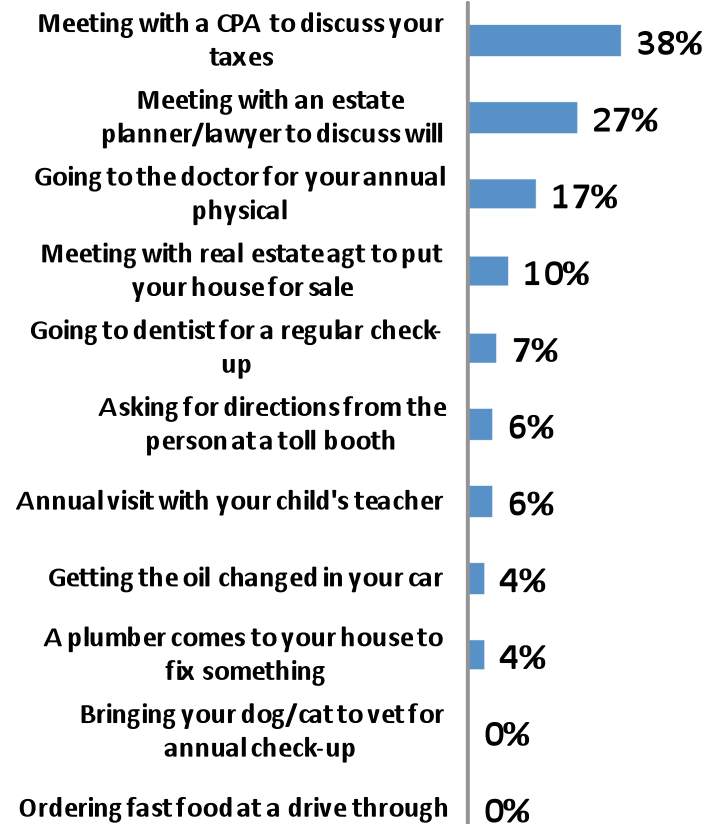
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The Advice of FA's is valued

Consumers associated meeting with a Financial Advisor with how they would feel about meeting with a CPA to discuss their taxes (38%) or meeting with an Estate Planner (27%).

Other similarities included meeting with a doctor for your annual checkup (17%) and meeting with a real estate agent to put your house on the market (10%).

Meeting with a Financial Planner is most like:

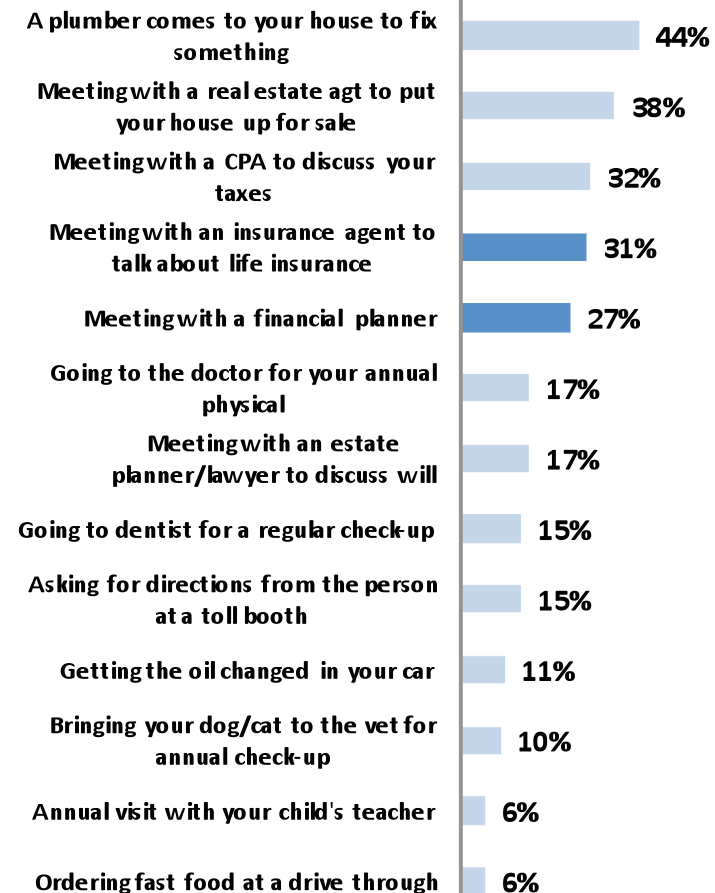


And associated with anxiety

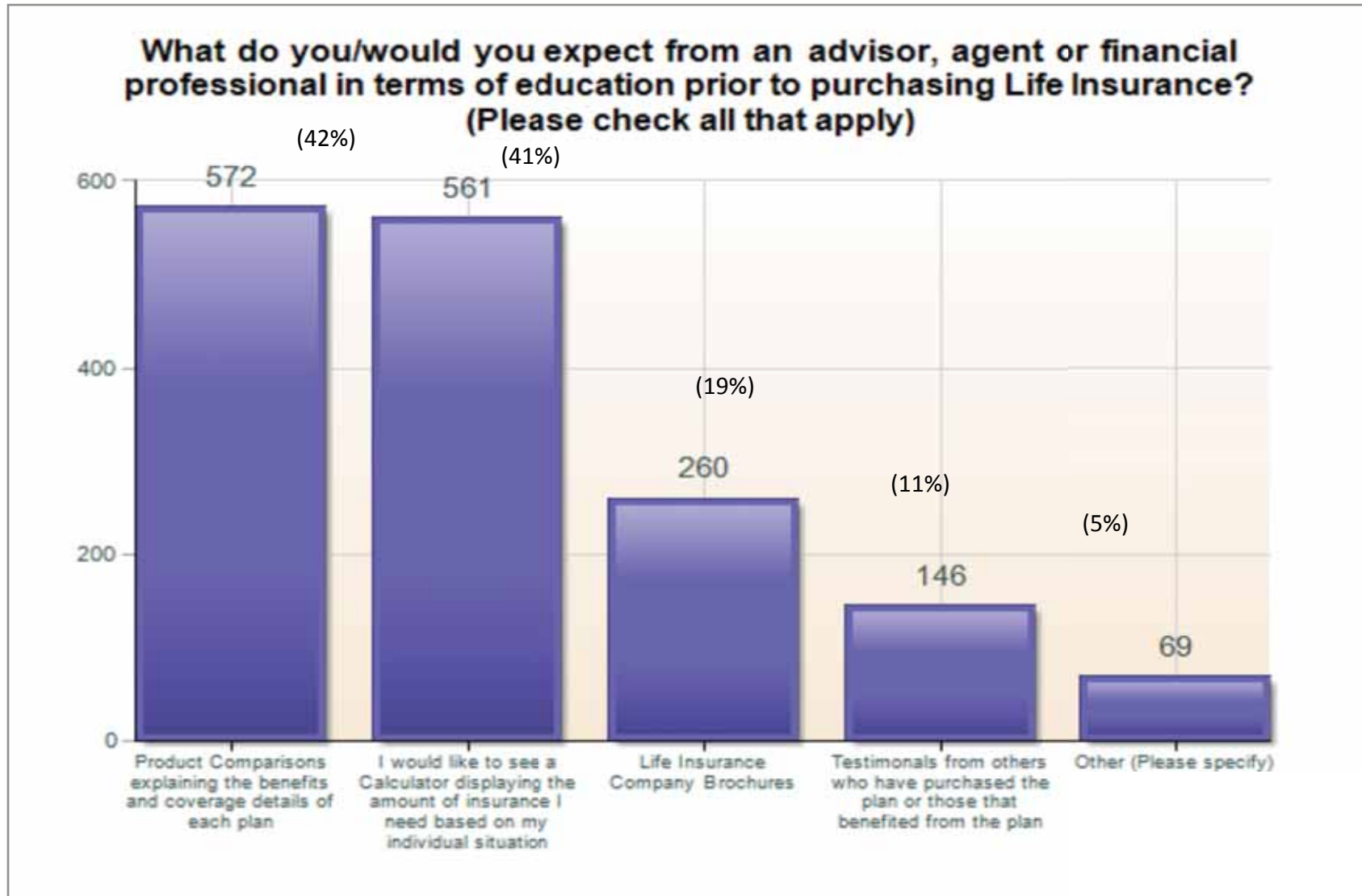
Nearly half (44%) said that having a plumber come to their house was among the most discomforting or “painful” things for them and their family, as was meeting with a real estate agent to put your house on the market (38%).

Other “painful” moments included meetings with a CPA (32%), an insurance agent (31%), and a financial planner (27%).

Most “painful” to me/my family – CHOOSE 3



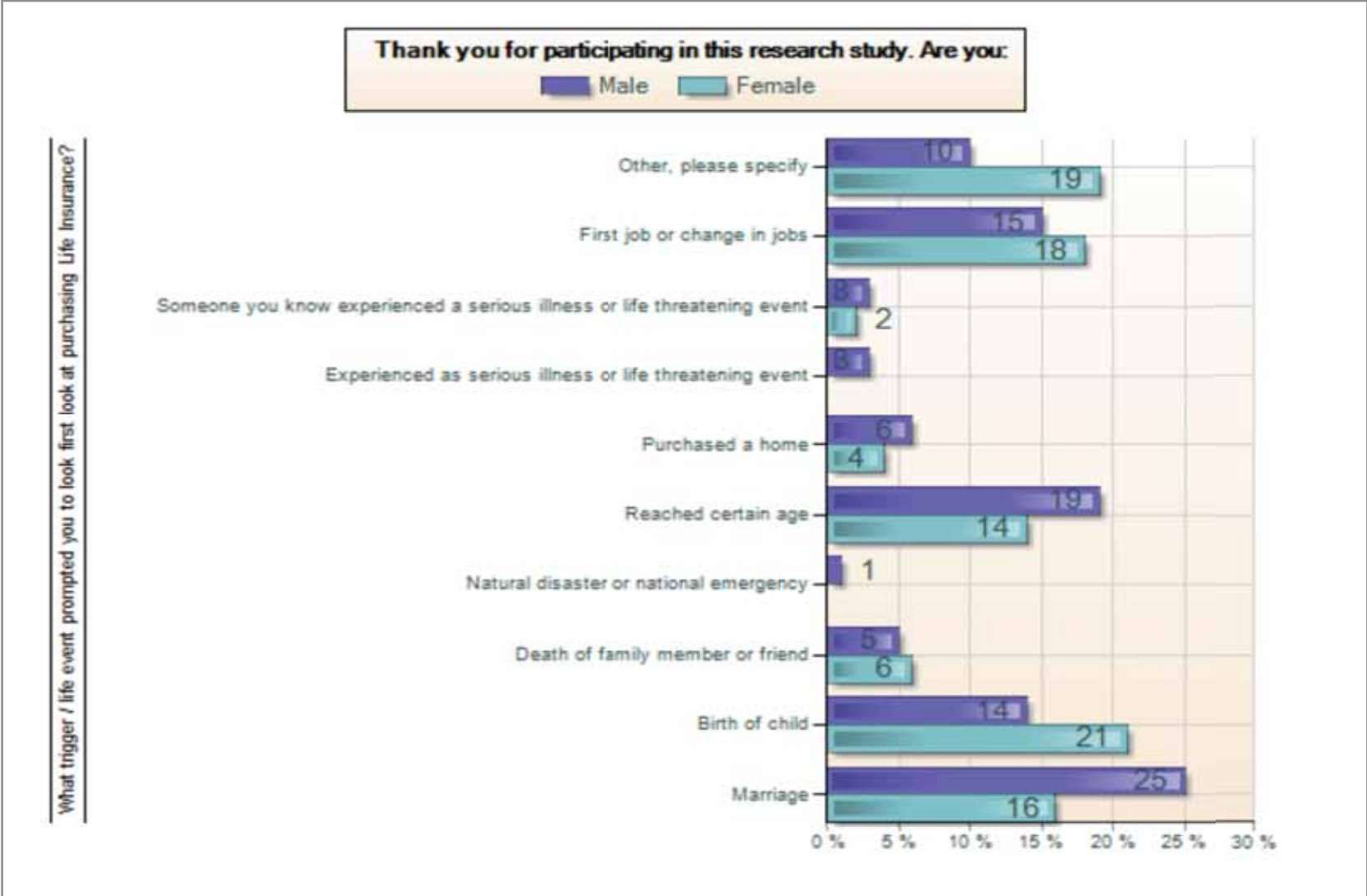
The Opportunity in Self-Directed Education



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One Opportunity: Gender and Life Triggers



Stay Tuned. More to Follow.

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