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Life insurance consumer purchase behavior Tailoring consumer engagement for today's middle market

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Key takeaways for the life insurance industry

Deloitte surveyed over 1,700 middle market buyers and non-buyers of life insurance in the United States to understand how Life Insurance companies might better equip themselves to effectively reach an underserved market segment. From among the numerous insights and trends we uncovered that could help carriers and agents better engage customers to drive growth, four specific takeaways are worth highlighting.



A viable market opportunity exists

Our results indicate that the middle market represents a viable, interested, and underserved segment within the current Life Insurance landscape



The current approach is often flawed

Based on feedback from those surveyed, few firms are utilizing the critical marketing, product, and sales approaches to effectively reach the middle market



The importance of being a "First Mover"

The firms (carriers or disruptions) that recalibrate their approaches to the middle market will likely experience the most significant benefits



A data-driven approach can guide the shift

Deloitte has developed a proprietary information base that can help guide "first movers" in approaching and capturing middle market share

Considering a changing industry and evolving consumer base

Over the past five years, the individual life insurance industry has experienced slowed growth in the face of economic headwinds and frequent marketing ineffectiveness. Though industry growth remains sluggish, the economy is bouncing back, resulting in decreasing unemployment and increasing consumer confidence. Further, interest rates remain low in an effort by the government to encourage discretionary spending. As a result, many consumers have indicated a renewed desire to purchase financial products, with Life Insurance representing one of the ripest areas for potential growth.

To help reignite consumer appetites, carriers should adapt their go-to-market strategies, while working to overcome some common challenges:

Generational divide



Carriers should look to **new generations for growth** as the baby boomer generation—historically the most reliable customer base—continues to wane

Evolving customer expectations



Consumers of all generations, but particularly the younger demographics, want to research and buy through multiple channels, with emphasis on easy access to real-time information through digital channels

Diminishing effectiveness of traditional distribution



As customer expectations and behaviors shift, the way in which carriers have typically partnered with producers is becoming less effective

Ineffective sales and marketing strategies



Underserved markets are not being reached due to **outdated and ineffective marketing strategies** traditionally targeted at demographic/socioeconomic levels

Most current carrier models seem to focus on adapting existing go-to-market strategies to a digital marketplace. Our study suggests that the life insurance 'winners' of tomorrow will likely be those organizations that blend an advice-driven approach with a digitally enhanced engagement strategy to help meet evolving consumer expectations.



¹ 2014 Life Insurance and Annuity Outlook: Transforming for growth," Deloitte Center for Financial Services, 2014.

Understanding how to approach a ripe consumer market base

To understand what can drive consumer decisions and preferences, we designed a study to address four key questions:



Our population sample was split across men (54%) and women (46%) largely in the 25 – 54 age range – the Gen X and Gen Y consumers that many carriers are targeting. Income varied across population subsets but represented a median U.S. household income of approximately \$52,000. Survey respondents included representative samples of both buyers and non-buyers of life insurance, as well as buyers who retained their policies and those who let it lapse. The 1,700+ respondents were distributed as follows:



Analyzed together, the results can inform how carriers, or others, transform their consumer engagement strategies, shifting away from conventional wisdom and towards an engagement model designed to meet the demands of today's middle market.2

² This paper builds on previous Deloitte research titled "Voice of the Life Insurance Customer" (Friedman) published in 2012

Uncovering an effective approach

Our research informed a clear, effective approach to the middle market that carriers and other industry disruptors can take. Key themes to this approach emerged across the entire consumer lifecycle:

Customer awareness Build and know segments

Build segmentation including information on a select set of priority life events (e.g., marriage, having a child, buying a home, financial change) that tend to be reliable predictors of life insurance purchase

- Form holistic segment-specific engagement strategies that consider both life events and the role of advice since both drive awareness and purchase
- Identify and execute around segment-specific "triggering moments" within key life events

Purchasing decision Engage them effective

- Leverage engagement channel preferences of each segment effectively, combining digital capabilities with higher-touch, consultative customer interactions
- Leverage advisory position in the consideration and decision process to build customer understanding of how life insurance can support a customer's broader financial priorities (e.g., providing for family)

Customer retention Keep them engaged

- Plan and execute post-purchase follow-up that can reinforce the importance of life insurance and remind customers why they initially purchased to prevent lapsing
- Continue to execute engagement using a segment-specific mix of digital and higher-touch channels; direct contact can be more impactful than digital channels alone on preventing lapse

Reshaping life insurance distribution models to satisfy criteria across each stage of the customer lifecycle involves a deep data-driven understanding of emotional responsibility drivers across life events. Carriers should consider more targeted sales efforts based on customer likelihood to buy, an enhanced purchase process that can better connect customer concerns with life insurance's importance, and a post-sales support that continually reinforces the product's value.



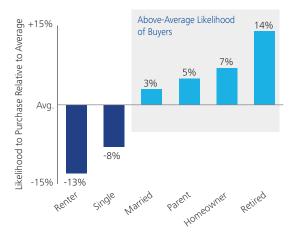
Improving awareness

Generating awareness for life insurance ownership is fundamental to driving increased life insurance sales. More importantly, however, is the need to generate awareness at the moment when the need for life insurance is greatest.

Our study confirmed that certain life events are reliable predictors of the likelihood to purchase life insurance. Specifically, individuals who got married, had a child, became a homeowner, or retired were more likely to have purchased life insurance relative to the average person. By contrast, renting a home and/or becoming single decreased the likelihood of having purchased life insurance.

These findings confirm that what carriers are doing has promise - targeting younger individuals who have not yet experienced these meaningful life events with the hope that, when they do, carriers can convert them to a life insurance buyer. What is key, however, is identifying those consumers and reaching them at the right time with the right messaging and information and placing emphasis on the life events with higher potential to draw consumers.

Likelihood of Life Insurance Ownership (By Life Event, vs. Average)



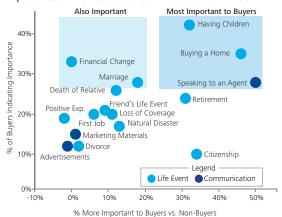
This underscores the importance of a segmentation schema that incorporates, if not prioritizes, stages of a person's life that are most impactful on propensity to purchase.

High impact life events motivate purchase

In particular, it can be beneficial to understand life events core to each stage of a person's life. These range from standard events such as marriage and children to less common ones, including natural disaster and gaining ones' citizenship. While all impact purchase behavior, certain events are significantly more impactful in driving consumer purchase. The most impactful events where a high percent of surveyed buyers indicate importance include:

- Having Children (43%)
- Buying a Home (35%)
- · Change in Financial Situation (33%)
- Marriage (28%)

Importance of Life Events and Communication Channels

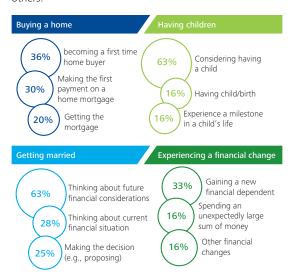


Understanding the importance of these life events should shape the timing, channel and messaging of marketing to better speak to specific consumer needs and mindsets. Lead identification as well as current sales and marketing messages are largely based on the assumption that selling starts with the agent, when in reality it starts with life events—which are often not adequately understood.

Triggering moments

A common misperception is life events are point-in-time when, in fact, they are small journeys in a consumer's life: "marriage," for example, may begin with the decision to propose and may end with thoughts on future financial decisions (e.g., family planning), with the wedding itself as a step in the journey. Similarly, homeownership may begin with the decision to purchase and potentially end with the resale of the home itself.

To that end, developing broad strategies that only speak to life events may not yield the desired results. Instead, carriers can look to specific triggering moments within a life event to improve consumer targeting and understand demands. Our research showed that within each event, there are generally one or two crucial moments that surveyed consumers deem important enough to drive purchase decisions by an order of magnitude greater than others:



The types of triggering moments vary across each life event. For instance, within homeownership, the top two moments that drive purchases among those surveyed have to do with financial outlays or a change in one's financial obligations. By comparison, within having children and getting married, the top moments are primarily based on future considerations.

What drives a buyer's sense of responsibility closely correlates to when a customer will likely recognize the need for life insurance. Carriers not only need to identify and reach buyers at the right moment, but they also need to engage them in the right way. As such, once carriers are able to identify and reach customers at the right moment, the next step should be to shape the engagement model to how a consumer wants to buy.

Meaningful advice is still king

A lingering image of the life insurance industry involves a door-to-door salesman with marketing materials and a firm belief in his or her products. Though perhaps outdated, the notion is not unfounded – the industry has long-relied on captive and independent agents to sell and retain customers.

Enhancing the purchase process

Though many carriers have increasingly experimented with direct-to-consumer distribution mechanisms, consultative advice tends to remain a highly-desired element of the purchase process, with real impact on driving followthrough to purchase. In fact, 52% of respondents who buy life insurance saw their interactions with agents or advisors as helpful during the pre-purchase process compared with 34% of non-buyers. This indicates despite increasing emphasis on digital distribution channels, advice can: (1) significantly impact the decision to buy or not buy life insurance and (2) provide clarity and foster confidence during the evaluation and decision process.

That said, digital distribution will remain largely if not increasingly important as younger consumers come to dominate the middle market. These consumers tend to rely heavily on online or mobile interactions for receiving information, engaging with companies, and making purchases. To that end, complementing digital channels with advice can provide today and tomorrow's consumers the convenience they often seek and the confidence involved in making important financial decisions.

To buy or not to buy

The decision to buy or not to buy life insurance goes well beyond life events and the helpfulness of advice.

Non-buyers cite a variety of reasons for not purchasing insurance, including unclear benefits, complexity, and lengthy application process. There is a clear disconnect between prospective buyers' views on short term financial goals and priorities and the potential longer-term financial benefits associated with purchasing life insurance.

Of particular note are the 45% of non-buyers surveyed who cite competing financial priorities as their reason for not purchasing. Similarly, 66% and 61% of non-buyers surveyed cite providing for their family and paying bills respectively as important financial priorities, but only 27% believe having life insurance is important.



Success is most likely to occur when the carrier or agent explicitly links the value of life insurance to priority goals of the prospective customer, and the prospective customer learns and values the role that the product plays to them.

Once a middle market consumer buys, ensuring he or she keeps the policy often involves compelling engagement methods. The most effective life insurance carriers may very well be those that figure out how to keep their customer's first policy from lapsing and keep their customers coming back.



Retaining a life long consumer and avoiding policy lapse

Why policies lapse

In our study, the majority of lapses are tied to change in, or concern about financial standing. This suggests that carriers that are able to identify policyholders experiencing a financial change have an opportunity to retain these consumers by aiding them in navigating these changes.

However, a noteworthy portion of the lapsed population highlighted "Other" reasons for letting go of their policies. The "Other" reasons (i.e. "I forgot I had it and was not reminded by the company") suggest a post-purchase call-to-action for carriers. Consumers suggest they forgot they owned the policy or received incomplete billing information due to limited interaction with the company after purchase. This forgetfulness suggests that simple and understandable follow-up communication underscoring the benefit of life insurance might prevent lapse.

Reason	% cited	
Change in Financial Position	27.7%	
Other (see below)	24.9%	
Did Not Want to Pay	16.9%	
Lost Job	10.1%	
Job Started Offering It	9.3%	

"I forgot I had it and was not reminded by the company'

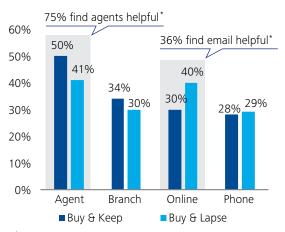
carrier so I paid up and it

Meaningful post-purchase engagement

Interestingly, interpersonal interactions were both preferred and viewed as most helpful, while digital and/or impersonal channels were viewed as less helpful by those surveyed and less preferred across buyer populations. Further, while a large portion of the surveyed population do find digital interactions helpful, those who experienced personal interactions showed a greater propensity to retain their policies. This underscores that the pre-purchase guidance on the right product and post-purchase reinforcement of the product's value were appreciated.

This insight presents a ripe opportunity for many carriers to refine and better tailor their customer engagement models and interactions to better help them select the right product and coverage and feel confident in their purchase for the long-term.

Post-purchase interaction preferences



* Includes those who indicated it as Helpful or Very Helpful

Many carriers have an opportunity to adapt their go-to-market strategies to more effectively reach and engage with their consumers across the lifecycle.

Implications for carriers

Effectively delivering against these items will likely involve carriers revamping and/or overhauling their existing consumer identification and engagement strategies. In doing this, carriers should be able to:

- · Generate significant consumer data to identify and proactively predict life events
- Develop robust predictive analytics capabilities to identify timing of life events and moments within events that matter most
- Train agents and carrier representatives to effectively educate consumers on the potential benefits of life insurance
- Deploy an integrated, multi-channel communication strategy across digital and "human" communication channels
- Implement incentive structures based on creating long-term consumers
- Utilize an engagement model that incorporates past and predicted consumer characteristics

Carriers may have a particular opportunity to unlock a significantly underserved market. Life insurance is important, and those consumers that have had or know the experience of collecting insurance proceeds can likely attest to the benefits. Unfortunately, the importance of life insurance remains under-appreciated.

Those carriers that reach consumers at the right time; connect the dots between the emotion of a life event and the value of life insurance; and engage consumers in a way that marries advice with digital capabilities will likely be the frontrunners to capture nearly \$15 trillion in unmet need³ and grow faster and healthier than their peers.

We believe that accessing this market is important to long-term effectiveness. Our insights, combined with our industry knowledge and innovative skill sets, can help clients reshape their approach to better drive sustained value.



³ Deloitte, "2014 Life Insurance and Annuity Industry Outlook"

Authors

Kevin Sharps	David Hitsky	Stacy Hodgins	Chin Ma
Principal	Principal	Senior Manager	Manager
Deloitte Consulting LLP	Deloitte Consulting LLP	Deloitte Consulting LLP	Deloitte Consulting LLP
+1 415 783 4686	+1 212 618 4331	+1 212 313 2775	+1 212 618 4155
ksharps@deloitte.com	dhitsky@deloitte.com	shodgins@deloitte.com	cma@deloitte.com

With significant contributions by Max Roosevelt, Bryan Rozycki, Grace Wu, and Brandon Sileck.

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