U.S. CONSUMERS TODAY SERIES 1 OF 3

U.S. Consumers Today

The Middle Market

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Contents

Tables and Figures

Overview

The United States has endured almost a decade of challenging economic times with a recession and a housing market collapse followed by slow economic recovery. After this economic turmoil, how are middle-market consumers faring financially today, and what are their key financial concerns and goals? How can the financial services industry help this large segment of the U.S. population achieve financial security?

This report examines the current financial status of the middle market, their financial struggles, the types of protection products they own, where they most need help, and how they want to interact with financial services providers. Companies can use this information to understand how their own strategies for products, distribution, marketing, and branding can be modified to best reach the 40 million middle-market households (ages 25 to 64 with household incomes of $35,000 to $99,999).

Key Findings

- More than half of middle-market households are not saving regularly, so it is not surprising that they currently have low amounts of total investable assets.
- Saving enough for a comfortable retirement, building an emergency fund, paying off/reducing debt, and maintaining/achieving a good credit score are among their top financial goals.
- Lingering debt is an issue as the middle market seeks to fulfill their financial goals. One third have non-mortgage debt of $25,000 or more.
- The middle market is not financially prepared for death, disability, or critical illness — 51 percent say their families would need to make *significant* or *drastic* financial changes if they were to die, (57 percent say the same if they couldn't work for at least six months due to a disability, and 66 percent if they became critically ill.)
- Almost 3 in 4 middle-market consumers have life insurance coverage, but less than half have individual life insurance.
- The middle market wants financial professionals who are willing to listen to their needs and respond appropriately, and to educate and explain financial products to them. They also want a financial professional to evaluate their life insurance needs and coverage amounts.
- Seven in 10 middle-market consumers consider a company's reputation for service and for claims payment to be extremely or very important.
- Six in 10 middle-market consumers prefer to meet face to face with a financial professional when buying life insurance. Only 1 in 10 want to fill out an online application and have no contact.
- Three in 4 middle-market consumers are willing to consider buying life insurance through their auto insurance company or agent, and half of them are willing to buy through a bank. Only 21 percent would be willing to buy life insurance through Google or Amazon.

METHODOLOGY

U.S. CONSUMERS TODAY STUDY SAMPLE:

- LIMRA conducted an online survey in late 2013, with 6,015 consumers ages 25 to 64 with household incomes of $25,000–$149,999 who are the financial decision makers in their households.
- The data are weighted by age, gender, household income, marital status, race/ethnicity, and region.

MIDDLE-MARKET REPORT:

- This report is based on the 4,631 middle-market consumers ages 25 to 64 with annual household incomes of $35,000 to $99,999.
- It shows findings for the overall middle market and for three middle-income segments ages 25 to 64:

All middle market — Household incomes $35,000 to $99,999

Low-middle market — Household incomes $35,000 to $49,999

Mid-middle market — Household incomes $50,000 to $74,999

High-middle market — Household incomes $75,000 to $99,999

This is the first of three reports in the U.S. Consumers Today series. This report concentrates on the middle-income market, the second report looks at the generations, and the third report will explore differences and similarities in the financial attitudes and behaviors of women and men.

Recommendations

- **Offer to help with savings strategies** — The middle market is not saving, and these consumers have accumulated few investable assets. This need for savings strategies may provide a way for companies to reach the middle market. They seem ready for help — 3 in 4 middle-market consumers are interested in learning more about savings options and strategies, and 1 in 4 are *very i*nterested.
- **Encourage financial professionals to "listen, educate, and establish rapport"** — The three most important characteristics that the middle market seeks when selecting a financial advisor are the ability to listen to their needs and make appropriate suggestions, a willingness to explain and educate them, and a willingness to take the time to establish rapport so they can work with someone they feel they can trust.
- **Encourage financial professionals to reach out to uninsured middle-market prospects —** Middle-market consumers without any life insurance are the most likely to recognize need and have the highest propensity to buy — 44 percent think they need life insurance, and 29 percent say they are likely to buy in the next year.
- **Highlight service excellence and reputation for claims payment** — Ensure that your marketing messages and visuals highlight your service and claims payment history. Seven in 10 middle-market consumers consider these two characteristics to be extremely or very important when choosing a company.
- **Offer to evaluate life insurance needs and coverage amounts** — Half of the middle market is interested in learning how much life insurance they need. Recommend a strategy for their situation and a specific amount to buy. Past LIMRA research has shown that life insurance shoppers who receive a needs analysis or a recommendation to buy a specific amount are more likely to buy than are those who don't receive this information.[1]
- **Emphasize cost guarantees when selling whole life insurance —** Middle-market consumers choose permanent life insurance 2 to 1 over term life insurance when the higher initial cost of permanent insurance is paired with that cost being guaranteed for the life of the policy.
- **Look for creative ways to establish "trust" in your online venues** — Four in 10 middle-market consumers find it very difficult to know which online sources to trust for financial advice and two thirds say trust is more important than price when buying through online, the mail, or phone.
- **Offer the middle market life insurance through auto insurance providers —** Buying life insurance through their auto insurance company or agent appeals to middle-market consumers — 78 percent would be willing to buy life insurance through their auto carrier if they were in the market for life insurance.

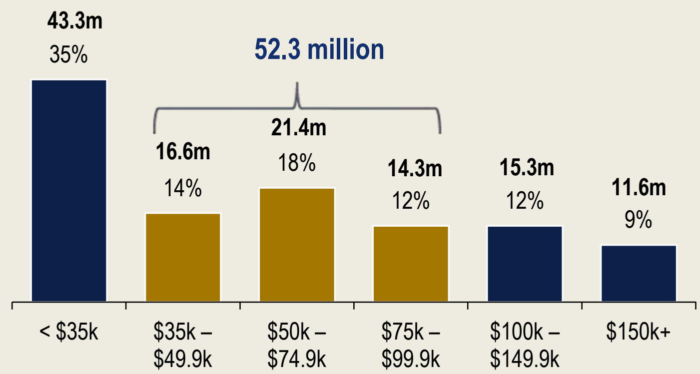
[1] *To Shop or Not to Shop for Life Insurance: Turning Shoppers into Buyers*, LIMRA, 2011,

A Large and Diverse Market

There are 52 million middle-market households with incomes between $35,000 and $99,999. And 40 million middle-market households are between ages 25 and 64 — ages typically having the highest need for protection products. The middle market is diverse, representing a wide range of ages, both married and single, with and without children in the household.

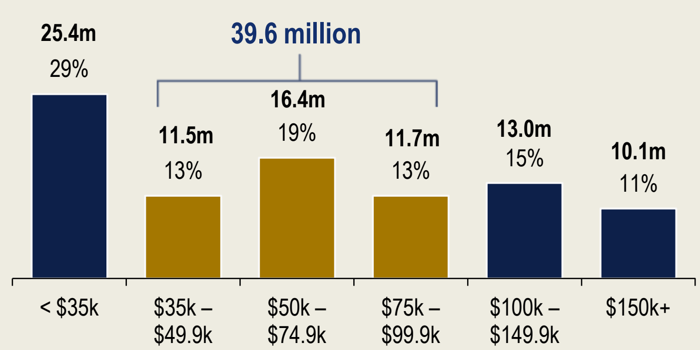
- Forty-three percent of U.S. households are middle market, with incomes between $35,000 and $99,999 (Figure 1a).
- Three in 4 middle-market households are between ages 25 to 64 (Figure 1b).

Figure 1a — U.S. Household Income



Source: U.S. Census Bureau based on 122.5 million U.S. households.

Figure 1b — U.S. Household Income for Ages 25 to 64



Source: U.S. Census Bureau based on 88.1 million U.S. households, ages 25 to 64.

- There are children under age 18 in 37 percent of middle-market households between ages 25 to 64, making this a prime market for protection products.
- Heads of middle-market households with the lowest incomes are the most likely to be single, suggesting only one income. One fourth of them have never been married, and their incomes have the potential to rise in the future if they become a dual-income household.
- All ages are fairly equally represented within each middle-market income segment (Table 1).

**Table 1 —
Middle Market Demographics for Ages 25 to 64**

	All Middle Market*	$35k – $49.9k	$50k – $74.9k	$75k – $99.9k
Marital status				
Married or living with partner	67%	53%	66%	78%
Divorced, separated or widowed	15	21	15	10
Single, never married	18	26	19	12
Child <18 in household	37%	34%	36%	40%
Age				
25 – 34	24%	26%	24%	22%
35 – 44	26	24	26	27
45 – 54	26	24	26	27
55 – 64	24	26	24	24

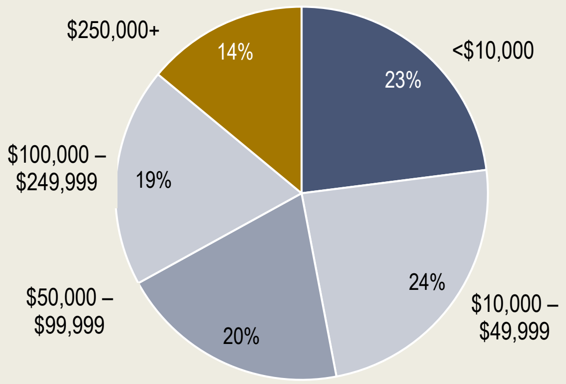
*Ages 25 to 64

Want Help With Savings Strategies

The middle market is finding it difficult to save, so it is not surprising that 2 in 3 households have less than $100,000 in investable assets. Since this includes retirement savings, many are not on track to have enough for a comfortable retirement. Currently more than half are not saving at all, but they want to. Many express a desire for help with savings options and strategies. They also are interested in learning about investment basics.

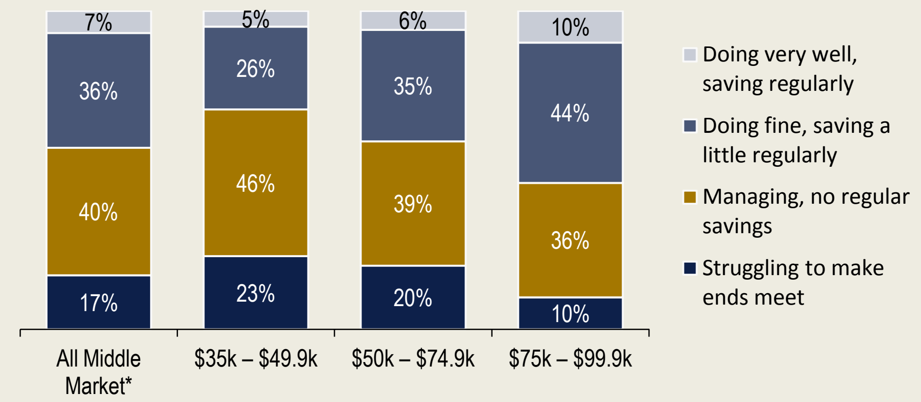
- Middle-market consumers have not been able to build a sizable amount of investable assets — 47 percent have less than $50,000 in investable assets, and 67 percent have less than $100,000 (Figure 2).
- This situation is not likely to change soon, since 57 percent are not saving regularly. Ability to save rises as household income increases, but even among households with incomes of $75,000 to $99,999, 46 percent are not managing to save regularly (Figure 3).

Figure 2 —
Investable Assets Are Low*



*Investable assets include money in checking or savings accounts, CDs, stocks, bonds, mutual funds, IRAs, Roth IRAs, 401(k)s, 403(b)s, profit sharing plans or Keoghs. Not included are primary or secondary residences and ownership interest in a business or professional practice.

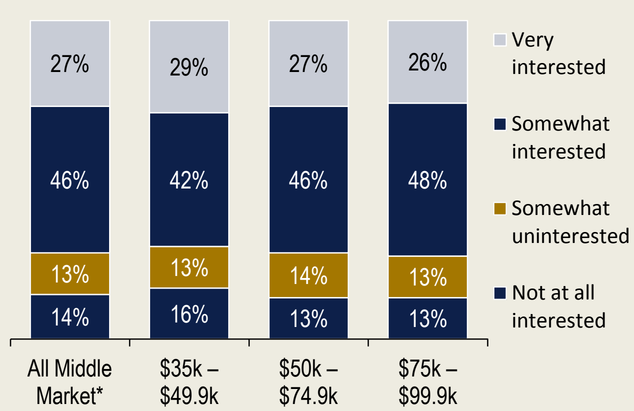
Figure 3 —
Many Are Not Saving



*Ages 25 to 64

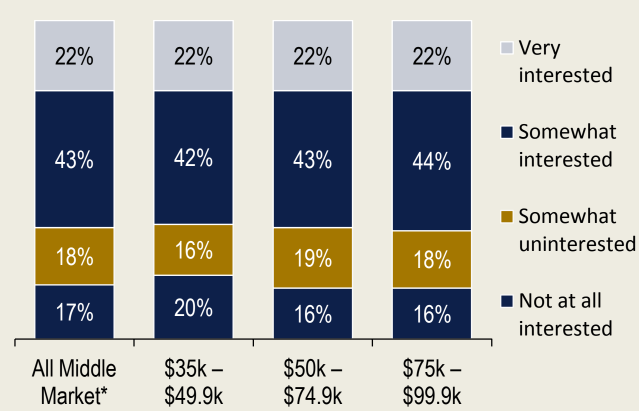
- Almost 3 in 4 middle-market households have an interest in learning more about savings options and strategies, and 1 in 4 are very interested (Figure 4).
- Households at all income levels are interested in learning investment basics, with 22 percent very interested and 43 percent somewhat interested (Figure 5).

Figure 4 —
Interest in Learning Savings Options/Strategies



*Ages 25 to 64

Figure 5 —
Interest in Learning Investment Basics



*Ages 25 to 64

Debt Remains Challenging

The majority of middle-market households say they are keeping up with their debt payments, including their mortgages. But non-mortgage debt is quite high, and after paying everyday living expenses and making debt payments, discretionary income is likely to be limited.

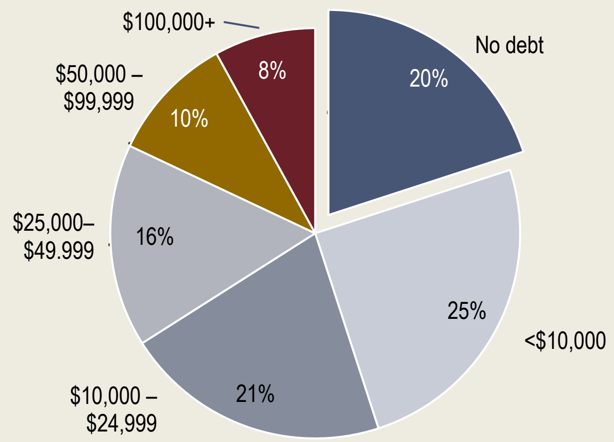
- Three fourths of middle-market households keep up with payments — for mortgages, loans, and credit cards.
- Households with the lowest incomes are almost twice as likely to be struggling with debt payments as those with the highest incomes (Table 2).
- Over half of the middle market has at least $10,000 of non-mortgage debt, and one third owe $25,000 or more. While 1 in 5 middle-market households have no debt, an almost equal percentage have $50,000 or more in non-mortgage debt (Figure 6).

Table 2 —
Some Struggling With Debt* Payments

	All Middle Market**	$35k – $49.9k	$50k – $74.9k	$75k – $99.9k
Keeping up with payments	75%	69%	73%	83%
Barely keeping up with payments	19	22	21	14
Slowly falling behind or already behind on payments	6	9	6	3

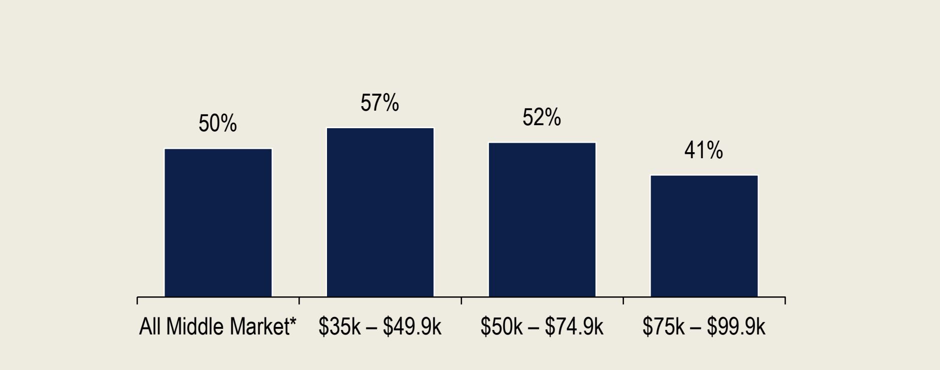
*Includes mortgage, loans, credit cards
**Ages 25 to 64

Figure 6 —
Non-Mortgage Debt Is High



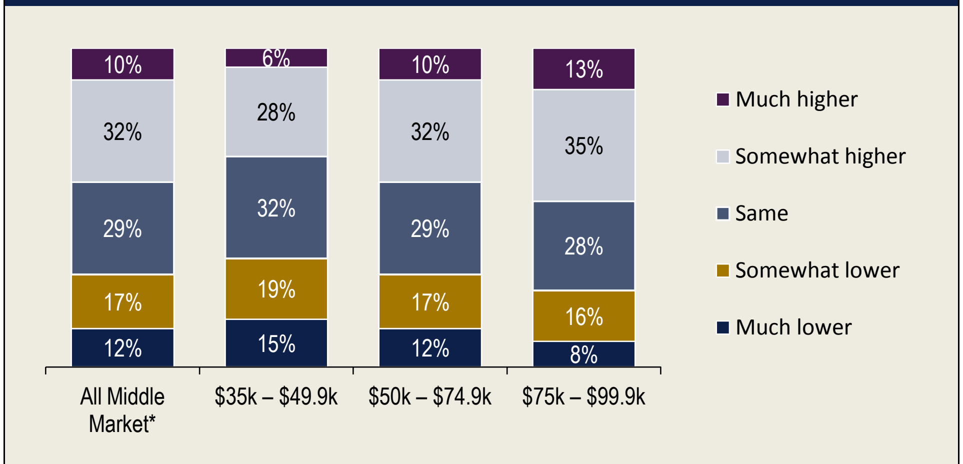
- With high debt and low savings, financial emergencies can be challenging for the middle market. Fifty-seven percent of low-middle-market households would need to borrow to cover a $5,000 financial emergency, while 41 percent of high-middle-market households would need to do so (Figure 7).
- Income is the same or lower for 58 percent of middle-market households, compared to five years ago (Figure 8). This doesn't bode well for the middle market's ability to increase discretionary income any time soon.

Figure 7 —
Need to Borrow to Cover $5,000 Financial Emergency



*Ages 25 to 64

Figure 8 —
Income Increases Modest in Past Five Years



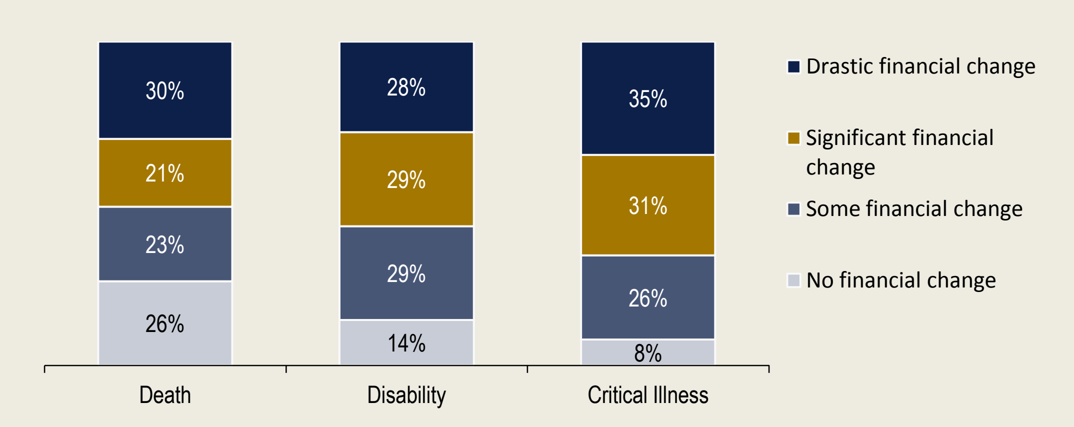
*Ages 25 to 64

Not Financially Prepared for Death, Disability, or Critical Illness

Most middle-market families would need to make significant or drastic financial changes due to the death, disability, or critical illness of a family member. But consumers believe that having cancer, a heart attack, or a stroke would have a greater financial impact on the family than either death or disability. Perhaps this is because they have already experienced someone in their immediate or extended family having one of these medical events.

- Middle-market consumers say their families would need to make significant or drastic financial changes if they were to die (51 percent), couldn't work for at least six months due to accident or illness (57 percent), or became critically ill (66 percent) with cancer, a heart attack, or a stroke (Figure 9).
- The financial impact of death, disability, or critical illness would be the most "drastic" for the low-middle-market segment (Table 3).
- The financial impact from the loss of the primary wage earner would impact middle-market households quickly — with 31 percent feeling the financial impact within a month, and 48 percent by six months. Only 14 percent of middle-market consumers say they could survive financially for at least five years before feeling a financial impact.[2]

Figure 9 —
Financial Impact on Family Due to Respondent's Death, Disability, or Critical Illness



[2] 2014 *Insurance Barometer Study*, LIMRA, 2014.

Table 3 —
Financial Impact on Family Due to Respondent's Death, Disability, or Critical Illness
By Household Income

	$35k – $49.9k	$50k – $74.9k	$75k – $99.9k
Respondent death			
Drastic financial change	34%	29%	30%
Significant financial change	17	22	22
Some financial change	21	24	24
No financial change	28	25	24
Respondent disability (can't work for at least six months)			
Drastic financial change	34%	28%	23%
Significant financial change	25	30	30
Some financial change	26	28	32
No financial change	15	14	15
Respondent critical illness (cancer, heart attack, stroke)			
Drastic financial change	40%	35%	30%
Significant financial change	29	31	34
Some financial change	23	26	28
No financial change	8	8	8

Retirement Needs Are Top-of-Mind

Regardless of income level, middle-market consumers' top concern and most important goal is being able to save enough for a comfortable retirement. But they need help to achieve that goal, since few are comfortable with the planning they have done to date, and few are comfortable with their overall level of financial knowledge.

- After saving enough for retirement, top financial *concerns* are: the ability to maintain their living standard if they are unable to work for at least six months, if a wage earner were to die, or if they had to pay for a major medical crisis out-of-pocket (Table 4).
- Financial *goals* that are almost as important as saving for retirement are: maintaining or achieving good credit scores, building an emergency fund, and paying off or reducing debt (Table 5).
- Only 23 percent of middle-market consumers are comfortable with their level of financial knowledge, and 20 percent are comfortable with the planning they have done to achieve their goals (Table 6).

Table 4 —
Financial Concerns
*(Percent who rate each item as "extremely," "very" or "somewhat" concerned)**

	All Middle Market**	$35k – $49.9k	$50k – $74.9k	$75k – $99.9k
Retirement related				
Save enough for retirement	80%	82%	80%	80%
Carry debt into retirement	60	61	61	56
Current living standards				
Maintain if wage-earner is injured, ill	70%	67%	71%	70%
Pay for a major medical crisis	65	71	66	60
Maintain if wage-earner dies	60	57	60	60
Pay everyday living expenses	58	65	59	49
Education related				
Pay for child's education	42%	38%	42%	44%
Pay own college loans	22	23	23	19
Adult child or parent needs financial help	48%	47%	49%	47%

*Based on a 7-point scale
**Ages 25 to 64

Table 5 —
Financial Goals
(Percent who rate each goal as "extremely" or "very" important)*

	All Middle Market**	$35k – $49.9k	$50k – $74.9k	$75k – $99.9k
Savings goals				
Retirement	71%	67%	71%	75%
Emergency fund	62	63	62	63
Large purchase (vacation, remodel)	32	31	32	32
Child's education	30	29	30	32
For a home	18	22	17	17
Debt reduction goals				
Payoff/reduce credit card or loans***	62%	63%	64%	58%
Pay off own education loans	19	21	19	18
Pay education loans of child	19	20	19	17
Miscellaneous goals				
Maintain good credit score	67%	67%	66%	69%
Achieve good credit score	59	60	58	59
Pay credit card balances each month	59	58	59	61
Develop/follow monthly budget	52	56	52	49

*Based on a 7-point scale
**Ages 25 to 64
***Excludes mortgage and student loans

Table 6 —
Financial Knowledge and Achieving Financial Goals
(Percent "very strongly" or "strongly" agree)*

	Comfortable With Level of Financial Knowledge	Comfortable With Planning I Have Done to Achieve Financial Goals	I Do Not Know How to Reach Financial Goals
All Middle Market	23%	20%	11%
$35k – $49.9k	21%	19%	10%
$50k – $74.9k	22%	19%	11%
$75k – $99.9k	24%	23%	10%

*Based on a 7-point scale

Few Have Financial Plans

Only 2 in 10 middle-market consumers have a formal financial plan prepared by a professional or one they wrote themselves. The likelihood of having a written financial plan increases only slightly as incomes increase, but having the ability to save a set amount of money each month increases as income rises.

- One in 4 middle-market consumers have no written financial plan, but regularly save a set amount of money each month.
- Almost 2 in 3 low-middle-market households have no financial or savings plan. The likelihood of having a financial or savings plan increases with income, but still half of high-middle-income households don't have any plan (Table 7).
- Two thirds of middle-market consumers don't have a basic will.

Table 7 — Have Financial Plan

	All Middle Market*	$35k – $49.9k	$50k – $74.9k	$75k – $99.9k
Professional formal written plan	12%	11%	12%	14%
Self formal written plan	7	6	7	7
No written plan, save set amount	24	19	23	29
No written plan, save leftover	30	31	29	29
No financial plan	27	33	29	21
	100%	**100%**	**100%**	**100%**
Have will	33%	30%	31%	37%

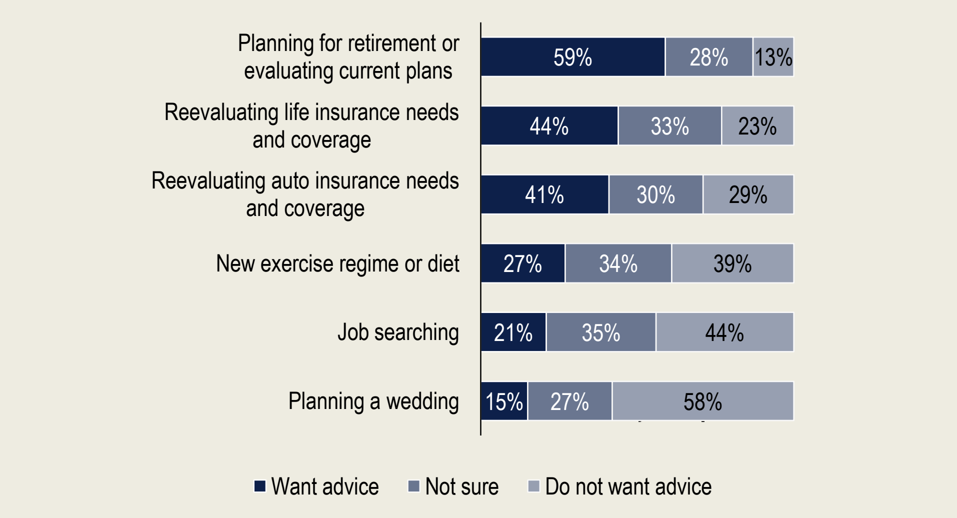
*Ages 25 to 64

Professional Advice Valued

Middle-market consumers consider professional advice more necessary when evaluating retirement plans, life insurance needs, and auto insurance coverage than for wedding planning, job searching, or exercise and diet plans. An opportunity exists for financial professionals to offer middle-market consumers help with savings plans (including retirement savings), wills, and evaluating current life insurance and auto insurance.

- Almost 6 in 10 middle-market consumers say they need professional financial advice when planning for retirement or evaluating current plans. More than 4 in 10 also need professional advice when reevaluating life insurance needs or auto insurance coverage. Another 3 in 10 are just "not sure" whether or not they need professional advice (Figure 10).
- Few middle-market consumers actually reject the need for professional advice when it comes to retirement plans, life insurance, and auto insurance, which offers an opportunity to reach out to them to review current retirement savings, life insurance coverage, and auto coverage.

Figure 10 —
Need for Professional Advice



Financial Advisors Should Listen and Educate

When selecting a financial advisor, middle-market consumers say the most important attributes are an advisor who is willing to educate and explain what they don't understand and who listens to what they say and responds accordingly. Besides getting the financial help and information they need, they want to establish a rapport and trust with the advisor.

- Out of nine possible characteristics that consumers might seek when selecting a financial advisor, the advisor's ability to educate, listen, and develop trust are the three most desired attributes (Table 8).
- Past LIMRA research shows that consumers who want to buy life insurance face to face with a financial professional choose this option because they can gauge the trustworthiness of the agent and his/her recommendations.[3]
- It is extremely or very important that the company the financial advisor represents has a brand the consumer respects (58 percent) or is familiar with (48 percent).

[3] *Trillion Dollar Baby Growing Up: The Sales Potential of the U.S. Underinsured Life Insurance Market*, LIMRA, 2011.

Table 8 —
Important Characteristics When Selecting a Financial Advisor*

Financial professional…	All Middle Market**	$35k – $49.9k	$50k – $74.9k	$75k – $99.9k
Is willing to educate/explain				
Extremely/very important	77%	76%	77%	78%
Somewhat important	12	12	12	13
Listens/responds accordingly				
Extremely/very important	77%	75%	76%	79%
Somewhat important	13	13	13	13
Develops a rapport and trust				
Extremely/very important	62%	61%	62%	64%
Somewhat important	24	24	24	24
Represents a company whose brand respondent respects				
Extremely/very important	58%	58%	57%	59%
Somewhat important	26	25	27	26
Represents a company respondent is familiar with				
Extremely/very important	48%	49%	47%	49%
Somewhat important	32	32	33	32
Shows how life insurance fits with overall financial				
Extremely/very important	45%	48%	45%	44%
Somewhat important	28	25	29	28
Is compensated in a way respondent understands				
Extremely/very important	45%	43%	45%	46%
Somewhat important	26	25	27	26
Is recommended by others				
Extremely/very important	26%	28%	25%	26%
Somewhat important	35	33	35	35
Is recommended by parents/in-laws				
Extremely/very important	22%	24%	21%	22%
Somewhat important	26	25	28	23

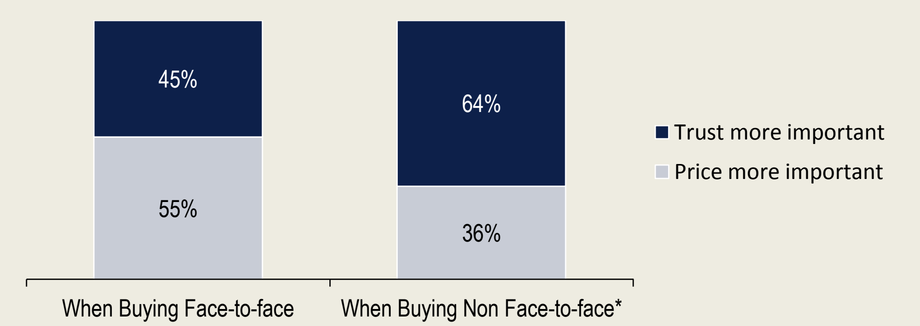
*Based on a 7-point scale
**Ages 25 to 64

Trust Trumps Price Online

More middle-market consumers say it is hard to know which online sources to trust than say it is difficult to find a financial professional to trust. The heightened uncertainty about whom to trust online seems to elevate trust as being more important than price when people buy life insurance through non-face-to-face methods.

- Sixty-four percent of middle-market consumers say trust is more important than price when buying life insurance through non-face-to-face means. On the other hand, when buying life insurance face to face, price is more important for 55 percent of middle-market consumers (Figure 11).
- Four in 10 middle-market consumers very strongly or strongly agree it is difficult to know which online sources to trust for financial advice, while 1 in 4 very strongly or strongly agree it is difficult to find a financial professional to trust (Table 9).

Figure 11 —
Trust vs. Price When Buying Life Insurance



*Online, mail, phone

Table 9 —
Trust in Financial Professionals and Online Sources of Financial Advice*

	All Middle Market**	$35k – $49.9k	$50k – $74.9k	$75k – $99.9k
It is difficult to find a financial professional whom I can trust to give advice that is best for me				
Very strongly/strongly agree	25%	24%	25%	25%
Somewhat agree	26	26	26	26
It is hard to know which online sources of financial advice to trust				
Very strongly/strongly agree	39%	40%	40%	37%
Somewhat agree	29	26	29	32

*Based on a 7-point scale
**Ages 25 to 64

Company Reputation Is Key

Good reputations for service and for claim payments are extremely or very important to 7 in 10 middle-market consumers when choosing a life insurance company; and a company's brand is important to almost half of them.

- When considering which company to choose, 44 percent of middle-market consumers say a national presence and 45 percent say convenient local offices are extremely or very important.
- Recommendations from online communities aren't on the radar screen for most middle-market consumers when it comes to choosing a life insurance company (Table 10).

Table 10 —
Importance of Each Characteristic When Choosing a Company*

	All Middle Market**	$35k – $49.9k	$50k – $74.9k	$75k – $99.9k
Reputation for claims payment				
Extremely/very important	73%	73%	72%	74%
Somewhat important	16	16	16	16
Reputation for good service				
Extremely/very important	72%	72%	71%	73%
Somewhat important	17	17	18	18
Company brand				
Extremely/very important	48%	49%	49%	46%
Somewhat important	35	31	35	37
Company operates nationally				
Extremely/very important	45%	47%	44%	44%
Somewhat important	25	23	26	27
Company has local offices I can visit				
Extremely/very important	44%	50%	44%	41%
Somewhat important	27	24	27	29
Company recommended by parents, relatives, coworkers				
Extremely/very important	28%	31%	27%	27%
Somewhat important	32	29	33	33
Company recommended by online communities				
Extremely/very important	17%	17%	17%	16%
Somewhat important	20	18	20	21

*Based on a 7-point scale ** Ages 25 to 64

Dependence on Group Insurance Benefits

Less than half of middle-market consumers or their spouses/partners would be protected if they were to die — and only 1 in 6 if they become disabled or critically ill — if they did not have group coverage through their employers. Also, almost 8 in 10 middle-market consumers ages 25 to 64 receive their medical coverage through employers.

- Middle-market ownership of individual life insurance increases slightly as income increases.
- Ownership of group insurance products increases as household income rises (Tables 11a/11b.)

Table 11a — Respondent Insurance Ownership

	All Middle Market*	$35k – $49.9k	$50k – $74.9k	$75k – $99.9k
Individual insurance				
Own individual life	46%	42%	46%	48%
Own individual disability income	16	17	16	16
Own individual critical illness	15	16	14	14
Group insurance				
Own group life	60%	50%	60%	66%
Own group disability income	43	35	43	49
Own group medical	78	73	78	84

*Ages 25 to 64

Table 11b — Spouse/Partner Insurance Ownership

	All Middle Market*	$35k – $49.9k	$50k – $74.9k	$75k – $99.9k
Individual insurance				
Own individual life	46%	41%	46%	47%
Own individual disability income	15	13	15	15
Own individual critical illness	14	14	14	13
Group insurance				
Own group life	56%	44%	55%	64%
Own group disability income	38	24	38	46
Own group medical	78	69	78	81

*Ages 25 to 64

More than 1 in 4 Do Not Own Life Insurance

More than 1 in 3 low-middle-market consumers, 1 in 4 mid-middle-market consumers, and 1 in 5 high-middle market consumers have no life insurance coverage at all.

- Across all middle-market income levels, less than half of consumers ages 25 to 64 have individual life insurance coverage.
- Group coverage is critical to middle-market consumers as it provides some protection to 2 in 10 low-middle-market consumers and 3 in 10 high-middle-market consumers who might not have life insurance otherwise (Tables 12a/12b).

Table 12a —
Respondent Individual and Group Life Insurance Overlap

	All Middle Market*	$35k – $49.9k	$50k – $74.9k	$75k – $99.9k
Own individual life only	13%	14%	13%	13%
Own group life only	27	22	27	31
Own both	33	28	33	35
Own neither	27	36	27	21

*Ages 25 to 64

Table 12b —
Spouse/Partner Individual and Group Life Insurance Overlap

	All Middle Market*	$35k – $49.9k	$50k – $74.9k	$75k – $99.9k
Own individual life only	14%	15%	15%	13%
Own group life only	24	17	23	28
Own both	32	26	32	35
Own neither	30	42	30	24

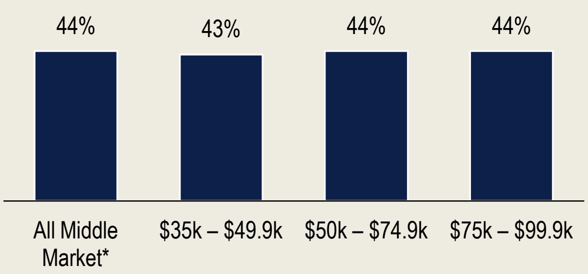
*Ages 25 to 64

Uninsured Have Greatest Need and Propensity to Buy

Middle-market consumers without any life insurance are the most likely to say they or their spouse/partner need coverage and to believe they might buy in the next year. Middle-market consumers who already have some coverage are only half as likely as the uninsured to say they need more.

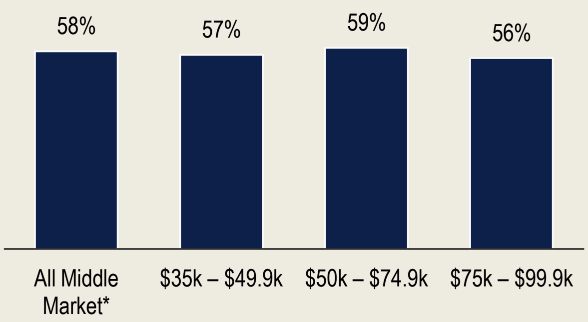
- Forty-four percent of uninsured middle-market consumers say they need life insurance, and 29 percent think they might buy in the next year. Propensity to buy doesn't change as income rises (Figures 12a and 13a).
- Almost 6 in 10 married respondents say their uninsured spouse/partner needs more life insurance, and one third say they are likely to buy in the next year (Figures 12b and 13b).

Figure 12a —
Uninsureds Who Need Life Insurance — Respondent



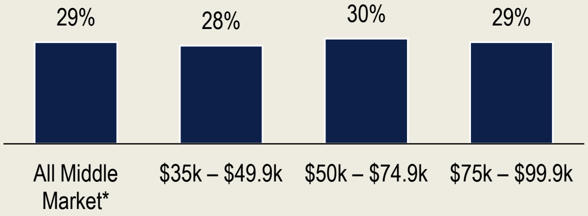
*Ages 25 to 64

Figure 12b —
Uninsureds Who Need Life Insurance — Spouse/Partner



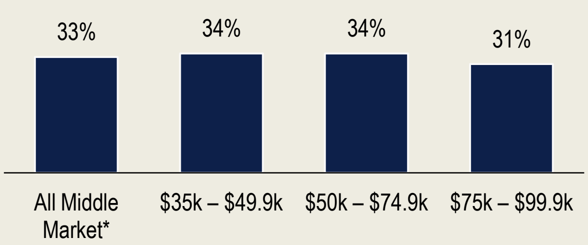
*Ages 25 to 64

Figure 13a —
Uninsureds Likely to Buy Life Insurance — Respondent
(Percent who say they are "very" or "somewhat" likely to buy)



*Ages 25 to 64

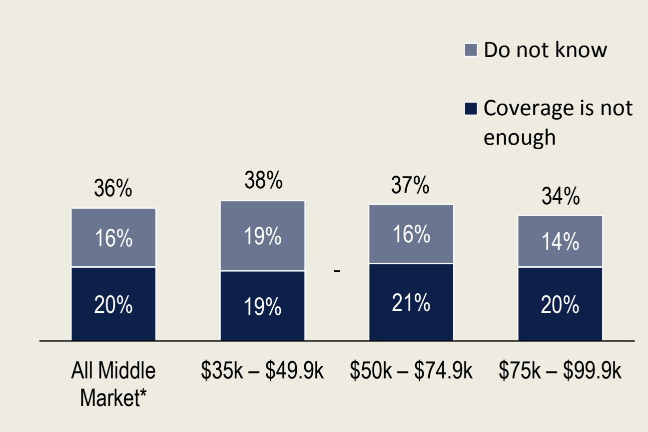
Figure 13b —
Uninsureds Likely to Buy Life Insurance — Spouse/Partner
(Percent who say they are "very" or "somewhat" likely to buy)



*Ages 25 to 64

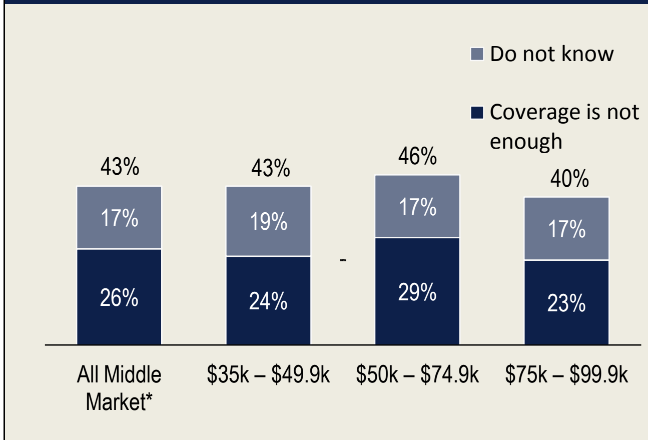
- Most middle-market consumers who already have life insurance are comfortable with their current coverage. Only 2 in 10 believe they need more coverage, and one fourth of married consumers say their spouse/partner needs more (Figures 14a/14b).
- One fourth of middle-market consumers with some life insurance think they might buy more within the next year either for themselves or for a spouse/partner (Figures 15a/15b).

Figure 14a —
Insureds Who Need Life Insurance — Respondent



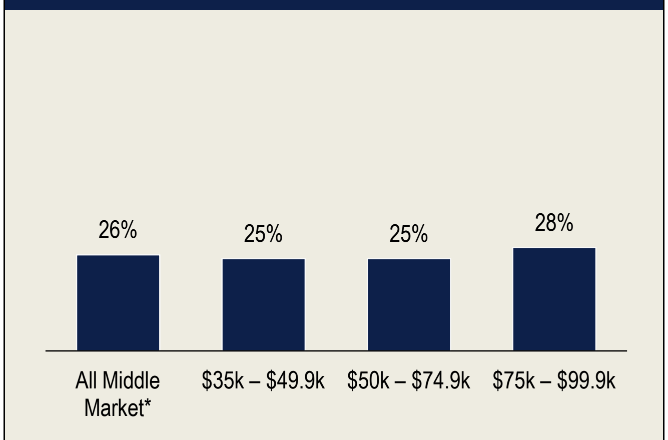
*Ages 25 to 64

Figure 14b —
Insureds Who Need Life Insurance — Spouse/Partner



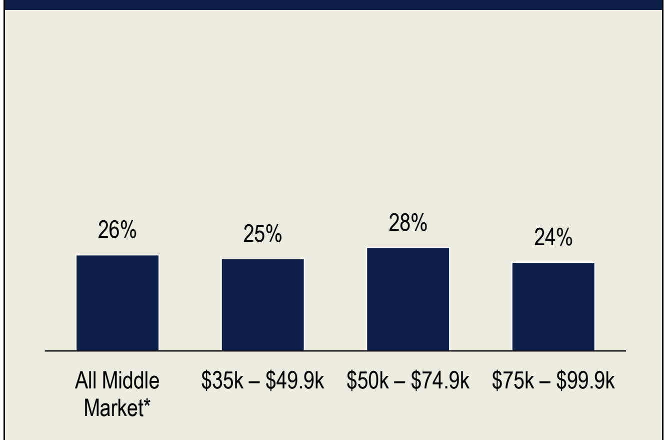
*Ages 25 to 64

Figure 15a —
Insureds Likely to Buy Life Insurance — Respondent
(Percent who say they are "very" or "somewhat" likely to buy)



*Ages 25 to 64

Figure 15b —
Insureds Likely to Buy Life Insurance — Spouse/Partner
(Percent who say they are "very" or "somewhat" likely to buy)



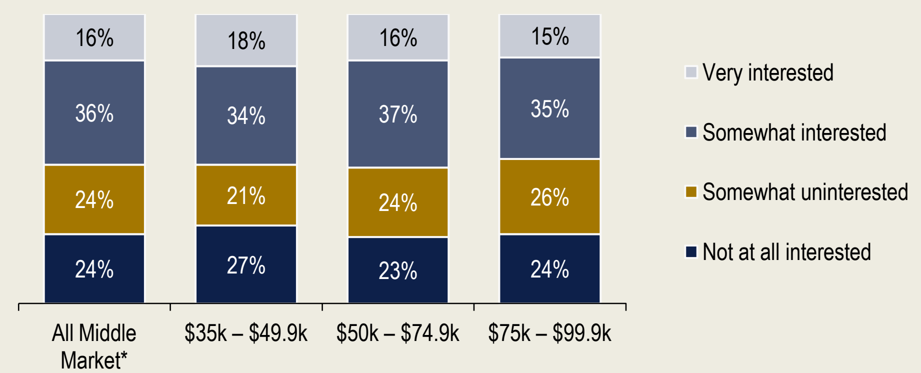
*Ages 25 to 64

Interest in Determining Right Coverage Amount

Twenty-seven percent of middle-market consumers say they are very or somewhat likely to buy life insurance for themselves in the next year, and 28 percent say the same for their spouse/partner. But almost twice as many of them are interested in learning how much life insurance they actually need — providing an opportunity for financial professionals to offer to review coverage amounts.

- Regardless of income level, about half of middle-market consumers are interested in learning more about how much life insurance they need (Figure 16).
- Consumers find it difficult to know how much life insurance to buy. Life insurance shoppers who receive a needs analysis or a recommendation to buy a specific amount are more likely to buy than are those who don't receive this information.[4]

Figure 16 —
Interest in Learning About How Much Life Insurance Is Needed



*Ages 25 to 64

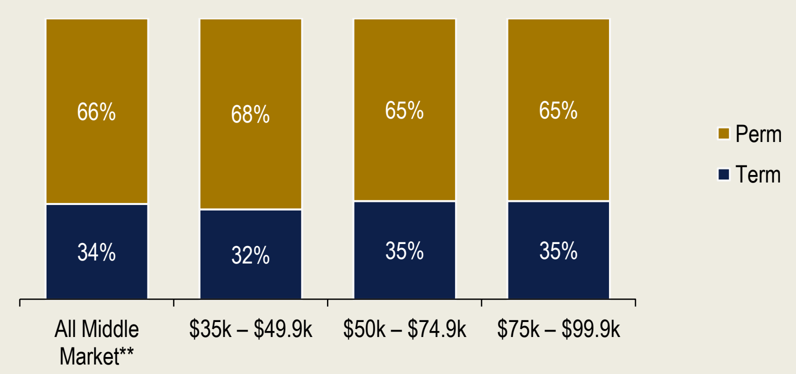
[4] *To Shop or Not to Shop for Life Insurance: Turning Shoppers Into Buyers*, LIMRA, 2011.

The Appeal of Permanent Insurance

Middle-market consumers are twice as likely to prefer permanent insurance over term insurance when given an explanation that balances the higher initial cost of permanent insurance with the guaranteed premium for the life of the policy.

- When given the trade-off of lower-cost coverage now that can increase significantly later (in the case of term policies) or higher initial cost that would be guaranteed for the life of the policy (in the case of permanent policies), the premium guarantee appeals to middle-market consumers (Figure 17).
- However, middle-market life insurance buyers are more likely to buy term life insurance (62 percent) than permanent life insurance (44 percent).[5] Term life insurance tends to make sense for the middle market as it offers the simplicity and affordability that consumers desire.

Figure 17 —
Prefer Perm or Term*



*Prefer permanent life insurance that is more expensive now than term, but the cost is guaranteed for as long as you keep the policy or prefer term life insurance that is cheaper now, but cost rises significantly after 15 years.

**Ages 25 to 64

[5] *To Buy or Not to Buy Life Insurance: Buyer and Nonbuyer Differences*, LIMRA, 2011

Cross-Selling Opportunities for Auto Insurers

Half of middle-market consumers prefer to buy individual life insurance face to face with a financial professional. And 3 in 4 consumers are willing to have that conversation with their auto insurance company or agent.

- Six in 10 middle-market consumers want to consult a financial professional when buying life insurance.
- Almost 2 in 10 do not prefer face-to-face contact when buying life insurance — instead they would rather complete an application online, phone a call center, or purchase coverage through the mail (Figure 18).
- Buying life insurance through auto insurance providers or banks appeals to middle-market consumers. There is little interest in buying life insurance online through Google or Amazon (Figure 19).

Figure 18 —
Preference When Buying Individual Life

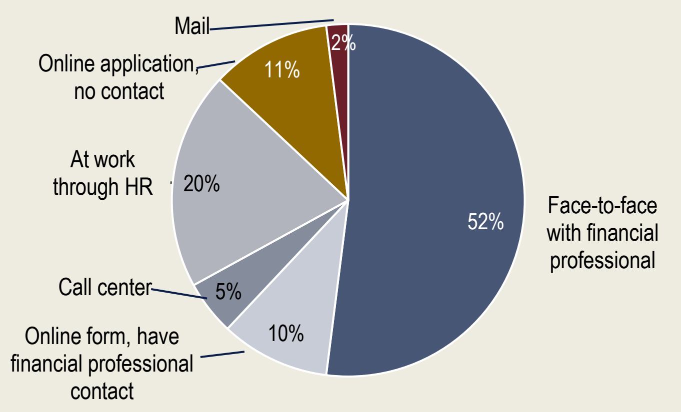
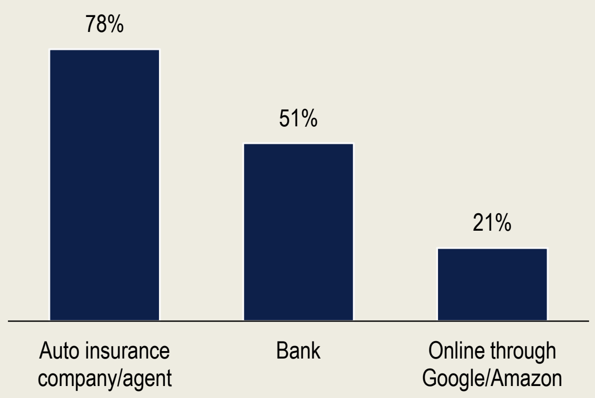


Figure 19 —
Willingness to Buy Life Insurance Through . . .

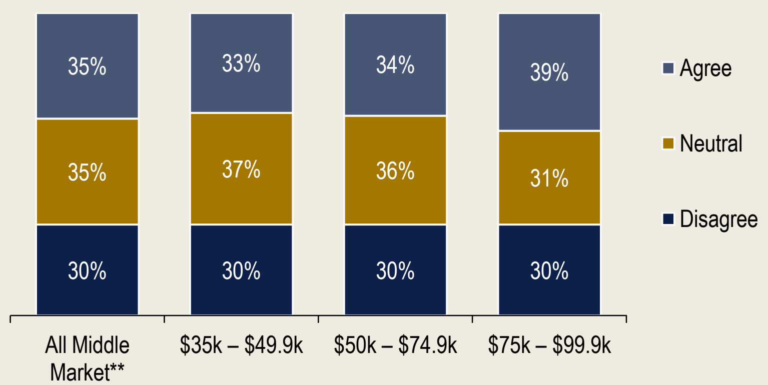


Mobile Technology Is Not Required

Two in 3 middle-market consumers either say it is not important or they have no strong feelings about financial services companies offering cutting-edge mobile technology for their smartphones or tablets.

- Just 35 percent of middle-market consumers think it is important for financial services companies to have cutting-edge technology for their mobile devices (Figure 20).
- Although smartphones and tablets are seldom used to access life insurance policyholder services now, they are most popular among Gen X and Y policyowners — making demand for access to services from these devices likely to increase in the future.[6]

Figure 20 —
Important That Companies Have Cutting-Edge Mobile Technology for Smartphones and Tablets*



*Based on a 7-point scale
**Ages 25 to 64

[6] *Pinpointing Preferences 2014: Life Insurance Policyowner Service Channel Preferences*, LIMRA, 2014.

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