



# MARKETS

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## Message Received: Actionable Insight to Close the Ownership Gap

I would guess most readers of this commentary are aware life insurance ownership has trended downward over time to current historically low levels. While similar patterns have been seen in Canada, LIMRA's last Life Insurance Ownership Study reported that just 59 percent of U.S. households owned some form of life insurance, down from 70 percent in 1960. This statistic has to be among the most frequently cited results of all LIMRA research, as it is regularly referenced in industry press, speeches, and discussions.

When these findings were released, reactions to the decline in ownership were quite mixed. Many took them as an indication that the industry was just plain ineffective. Others viewed the situation as being ripe with opportunity. Regardless of the reaction, however, the operative question that surfaced was: What can be done to reverse the decline?

Over the past several months I have heard from a couple of LIMRA advisory groups that have focused on this question. In providing direction for our research program, they have delivered a strong and clear message:

*You have been telling us for some time now that far fewer people have life insurance coverage than in the past, and there is a notable gap between the coverage people have and what they think they should have. We get that. Now can you tell us what we (the industry and individual companies) can do about it?*

When I step back and look at our current and planned research initiatives, I'm confident in stating the message has been received. We are targeting considerable effort at identifying specific actions that have the potential to help close ownership gaps. While there is not room in this piece to go into detail on the various initiatives I am referring to, I will provide a sense of what we are up to.

**“We are targeting considerable effort at identifying specific actions that have the potential to help close ownership gaps.”**

As a starting point, it may be helpful to understand just what is different today that may account for the differences in ownership levels. Toward this end, one initiative examines a host of hypotheses explaining the changes over time.<sup>1</sup> The hypotheses are organized around four themes: Decreasing Affordability, Decreasing Concern, Culture Shift, and Industry Issues.

The fact that the ownership gap exists despite a large proportion of consumers recognizing they have a need for coverage (or additional coverage) suggests the decision to purchase is not based purely on rational processes. As such, the principles of behavioral economics (which strive to understand deviations from rationality when it comes to financial decision-making) have strong potential to provide direction toward actionable steps. While LIMRA previously has applied behavioral

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economics to life insurance sales, we have new efforts underway to gain further understanding in this area.<sup>2</sup>

Another approach examines the manner by which the industry markets to prospects for its products and services. Applying analytic segmentation techniques within key markets can get beyond basic demographic differences by identifying meaningful subgroups based on attitudinal differences related to life insurance. Rather than treating target markets as homogeneous entities where one size fits all, companies will be more efficient and effective when they understand the relative opportunities and tailor approaches to the specific preferences of unique subgroups. LIMRA recently was involved in two such research initiatives applying segmentation techniques to enhance marketing efforts — one focused on the middle market and a second on Generations X and Y.<sup>3</sup>

One last angle is to look for ways the industry makes it difficult for consumers to engage and do business with us. For example, we can examine the manner in which we as an industry communicate with the public and the extent to which the industry vernacular is misunderstood and disengaging. To better understand these issues, we also conducted a study of industry language, which provides countless examples of how our jargon is not generally understood and identifies important themes for more effective communication going forward.<sup>4</sup>

Again, we at LIMRA recognize there is a need to go beyond documenting the decrease in life insurance ownership — to suggest ways the industry can reverse the trend. Recognizing, of course, that the issues related to the decline are multifaceted and far from simple, we are working to identify actionable steps to help ensure that those who need life insurance coverage can — and do — easily obtain it. 🌐

<sup>1</sup> *Life Insurance, Why So Down? Consumers React to Theories of Declining Life Insurance Ownership*, LIMRA, 2014.

<sup>2</sup> To learn more, please see the article earlier in this issue “Bending the Curve in Life Insurance Ownership: A Behavioral Economics Perspective” by Lucian Lombardi and Jennifer Douglas.

<sup>3</sup> *Demystifying the Middle Market: An Actionable Understanding for Life Insurance*, LIMRA and Epsilon, 2014, and a joint 2014 Gen X and Gen Y segmentation study conducted by LIMRA and Maritz Research, in partnership with Clear Voice Research.

<sup>4</sup> *Get Real Already: Authenticating Industry Language*, LIMRA and Maddock Douglas, 2014.

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