Speed in Policy Execution Most Critical Driver of Satisfaction among Life Insurance Shoppers, J.D. Power Finds

Complicated Application Processes and Unclear Value Propositions Create Holes in Purchase Experience

TROY, Mich.: 10 Nov. 2020 — The percentage of Americans who own life insurance continues to decline, largely driven by eroding interest among mass market consumers under the age of 45. As alternative forms of wealth creation become more accessible, the perceived need for life insurance is waning. According to the J.D. Power 2020 U.S. Life Insurance New Business Study, released today, the most common reasons consumers avoid purchasing life insurance is the perception that it’s not necessary, too expensive or too complicated to purchase. The study finds these perceptions are easily overcome when carriers, advisors or sales agents execute simple best practices with prospects throughout the process.

“Shopping for a life insurance policy can be a long and complicated undertaking for many consumers,” said Robert M. Lajdziak, senior consultant of insurance intelligence at J.D. Power. “We know the products are generally perceived as complex, many consumers feel they either do not need life insurance, have enough coverage through work or, in some cases, have enough assets to meet their long-term goals and provide for dependents in the event of premature death. However, misaligned perceptions of cost, product complexity and the application process leave many mass market and mass affluent households uninsured or underinsured.”

When carriers and/or sales agents overcome these objections by setting expectations for the process, ensuring prospects understand costs and coverage, and keeping them up to date on the status of their application, more consumers are completing the process and purchasing a policy.

Following are some key findings of the 2020 study:

• **Life insurance sold, not bought:** Only 44% of consumers shopping for individual life insurance sought out applications for multiple brands. This means most consumers only shop one brand, adding to the industry adage: life insurance is sold, not bought.

• **Cash is king but multiple factors drive purchase motivations:** More than three-fourths (76%) of consumers who purchased an individual life insurance policy said the insurer they chose offered them the lowest price. Comparatively, among consumers who abandoned the purchase process, only 61% said the carrier was offering the lowest price.

• **Increasing likelihood of closing a prospect:** In terms of new business, the individual life insurance industry has a 24% close rate; however, the overall yield rate of new business is only 0.3%. Simple best practices in the sales process such as explaining the entire application process, keeping customers up to date on the status of their application, and ensuring they understand the costs and coverage significantly increase the likelihood of a prospect purchasing a policy.

• **Medical exams are not necessarily a deal breaker:** Shoppers that purchase a policy are 54% more likely to say medical underwriting (e.g., fluids required/medical exam) was part of the application process, compared with shoppers who received a quote but did not purchase the policy.

The 2020 U.S. Life Insurance New Business Study measures the experiences of shoppers of the largest life insurance companies in the United States. The study measures overall customer satisfaction based on the
application process. Shoppers can convey their experiences in the application and quote processes with up to five brands—although only one brand is required.

The study is based on responses from 3,918 consumers who shopped for individual life insurance in the past 12 months. It was fielded from June through August 2020.


To view the online press release, please visit http://www.jdpower.com/pr-id/2020174.

J.D. Power is a global leader in consumer insights, advisory services and data and analytics. A pioneer in the use of big data, artificial intelligence (AI) and algorithmic modeling capabilities to understand consumer behavior, J.D. Power has been delivering incisive industry intelligence on customer interactions with brands and products for more than 50 years. The world's leading businesses across major industries rely on J.D. Power to guide their customer-facing strategies.

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Media Relations Contacts
Geno Effler, J.D. Power; West Coast; 714-621-6224; media.relations@jdpa.com
John Roderick; East Coast; 631-584-2200; john@jroderick.com


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