



Life insurers can be more consumer-centric to help people make better decisions when buying life insurance, says Swiss Re's latest *sigma* study

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- **Report looks at why consumers do and don't buy life insurance**
- **Insights from behavioural economics can lead to more people making better decisions around insurance**
- **To assist consumers, life insurers need to simplify products, improve the consumer buying experience, adapt distribution strategies to the digital age, and foster long-term relationships**
- **Life insurers can help consumers better understand the value of insurance, moving away from the industry's often-adopted "insurance is sold not bought" approach**

**Zurich, 4 December 2013 – Swiss Re's latest *sigma* study "Life insurance: focusing on the consumer" assesses the dynamics in the selling and buying of life insurance. A key finding is that consumers do not want to be 'sold to'. Instead, they want to be empowered in making informed decisions in their purchasing of life insurance.**

One would think that because life insurance can help increase households' welfare, consumers would purchase sufficient protection to mitigate risks to their families' standard of living. However, estimates of the mortality "protection gap" – the extent to which families are insufficiently covered in the event of death of a breadwinner – tell a very different story: in most countries, the majority of households are underinsured.

#### **Common reasons why consumers don't buy life insurance**

Evidence from surveys in the Americas, Asia and Europe highlight common themes as to why people do not buy life insurance. These include price, concerns about value for money, perceived lack of need, product complexity, cumbersome buying processes, and lack of trust in the industry. Many consumers turn away from buying life insurance simply because they don't fully understand the benefits of it or are put off by a lengthy and convoluted buying process.

"Life insurance has a real value when it comes to protecting people from financial hardship," says Thierry Léger Head of Swiss Re Life and Health Products. "Better knowledge of people's behaviours and needs will enable the insurance industry to provide improved quality and coverage."



## **Behavioural economics can help explain consumer choices**

This *sigma* turns to behavioural economics for further understanding of consumer decision-making around life insurance purchases. Consumer choices are influenced by different behavioural biases and these can hinder 'rational' decision making, especially when it comes to making complex decisions such as the purchase of life insurance. Biases such as 'overconfidence', 'information overload', or 'status quo bias' can lead consumers to view their situation as more benign than it actually is or push them to put off the decision to buy life insurance.

Many aspects of behavioural economics are context-specific and cannot be generalised. "Nonetheless, an appreciation of behavioural influences can guide insurers to improve their products and the selling process, which in turn can help individuals overcome their biases and ultimately make better choices in managing their and their families' exposure to risk events," says Lukas Steinmann, co-author of the *sigma* study.

## **Consumers don't want to be sold to**

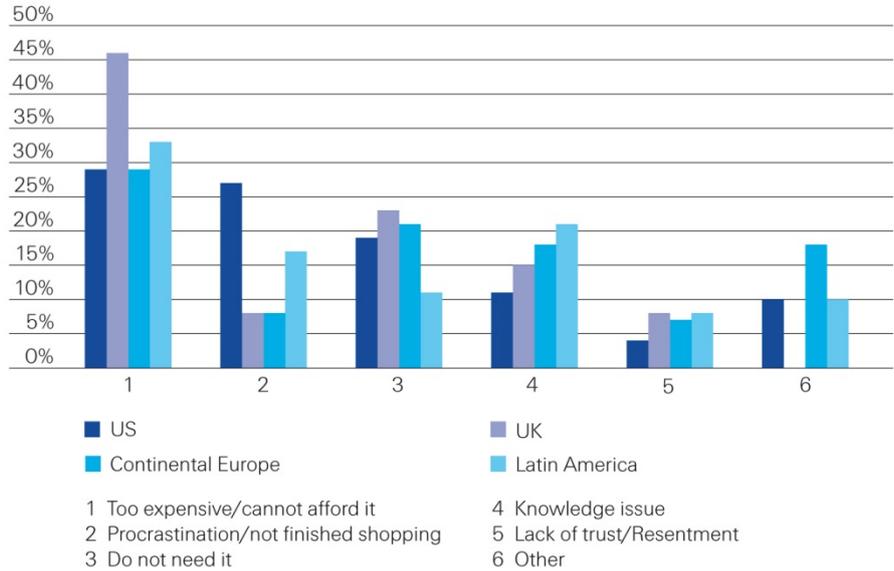
Sales agents remain the main channel of life insurance product sales the world over, but a key finding of the report is that increasingly the consumer wants to research options and make proactive buying decisions based on objective information from unbiased sources and trusted peers. With easy access to information, the modern consumer is empowered and increasingly independent in his or her purchasing choices. In this environment, the challenge, and opportunity, for insurers is to change their approach so that their products and services are 'bought, not sold'.

This *sigma* report offers suggestions as to how insurers can become more consumer-centric. The areas to consider include simplification of product design, streamlining the underwriting process, improving consumer communication and education, building long-term relationships with consumers and, with the growth of mobile and internet technology, being innovative in the use of different distribution platforms.

"A very large proportion of consumers can be described as 'non-shoppers' when it comes to life insurance" says Milka Kirova, co-author of the *sigma* study. "If insurers understand the reasons for this, they will be better positioned to design products that people want and make life insurance more accessible for all. In turn, increased uptake of life insurance improves individual and societal welfare."



## Main reasons why consumers do not buy life insurance



Sources: US: *Buyers and Non-Buyers*, LIMRA, 2012; Continental Europe: *European Insurance Report: Customers for Life*, Swiss Re, 2012; UK: *The Insurance Report, Facing Life's Responsibilities*, Swiss Re, 2011; Latin America: *Latin America Insurance Report 2013*, Swiss Re, forthcoming.

### Swiss Re

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### Notes to editors:

#### How to order this *sigma* study:

The English, German, French, and Spanish versions of the *sigma* study No 6/2013, "Life insurance: focusing on the consumer", are available electronically on Swiss Re's website: [www.swissre.com/sigma](http://www.swissre.com/sigma). The versions in Chinese and Japanese will appear in the near future.

Printed editions of *sigma* No 6/2013 in English, French, German and Spanish are also available now. The printed versions in Chinese and Japanese will be available shortly. Please send your orders, complete with your full postal address, to [sigma@swissre.com](mailto:sigma@swissre.com).

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