



# Insurance Audit

Trends and Attitudes on Health, Home and Auto

August 2009

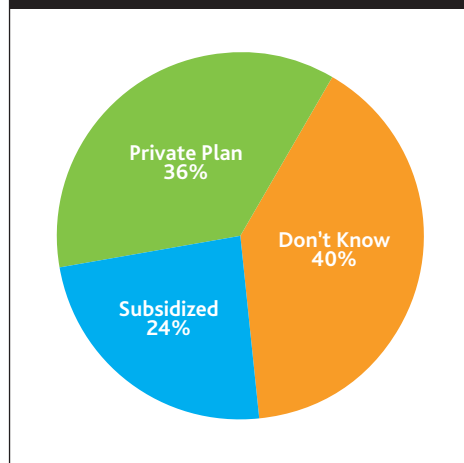
## Executive Summary

Discussions on health care, changes in the economy and reductions in employer insurance coverage are affecting how Americans are learning about and purchasing insurance products. Consumers view the three categories of Health, Property and Casualty, and Life Insurance differently and they use different sources to get information and make purchases. The latest Nielsen Insurance Audit from Nielsen Claritas (released every two years) identifies some of the emerging insurance trends (such as a decline in life and health insurance) and purchasing behaviors with American consumers. The study collected responses from more than 35,000 consumers in May and June of 2009.

## Health Insurance

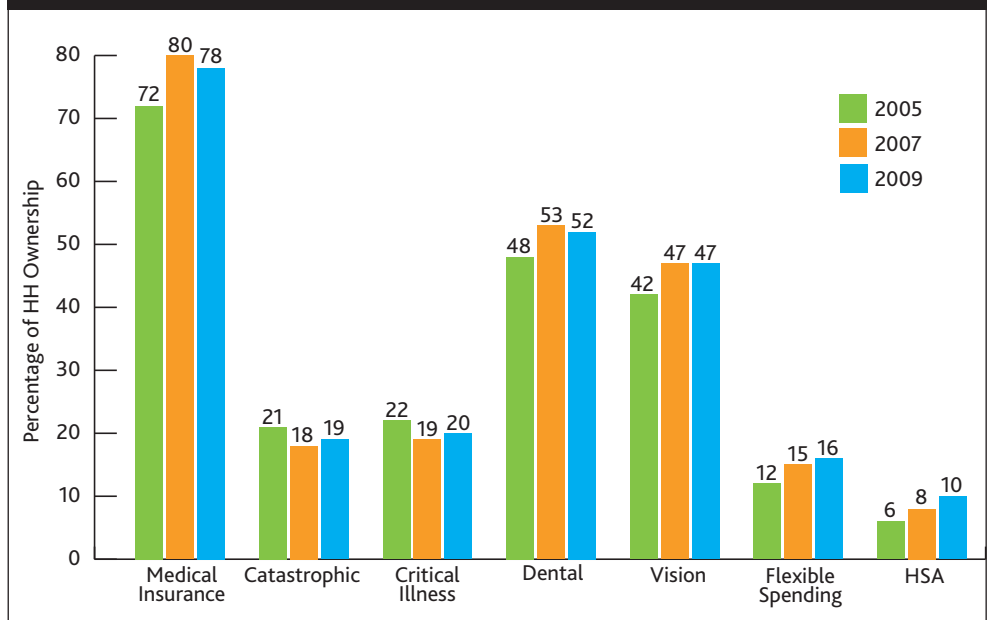
Given the proposal of a public health plan, consumers were asked if they would prefer a less expensive yet less comprehensive public health plan subsidized by the government to a privatized insurance plan that offered more benefits and flexibility. It appears that although the private plan was the plan of choice, many of the respondents (40%) could not commit to an answer without further information about what the details of the plan would include. It is imperative that health insurance carriers start to increase their brand awareness, value proposition and targeting efforts so that consumers make the most informed decisions once a public plan becomes available.

Subsidized Public vs. Private—Health Insurance



When we drill down into the penetration of different medical insurance types, the study notes that overall medical insurance is down slightly, but dental and vision insurance are higher—an interesting finding is that for both vision and dental, it's the employer-based coverage that is down, but individual coverage is up—so when consumers lose their coverage from work, they fill that gap on their own. Health Savings Accounts and Flexible Spending Accounts are also both up but not from individual plan purchases. In this case, employers are increasing benefits and stepping up these offerings. The same scenario is also true for critical illness coverage.

Percentage of Household Ownership—Health Insurance



## Property and Casualty Insurance

With regard to shopping and switching coverage, some consumers kept their options open to new offers, with 46% of the respondents saying they have shopped for auto insurance in the past three years. However, only one quarter of those respondents reported actually switching carriers during that time. In addition, only 16% of residential insurance customers changed carriers in the past three years.

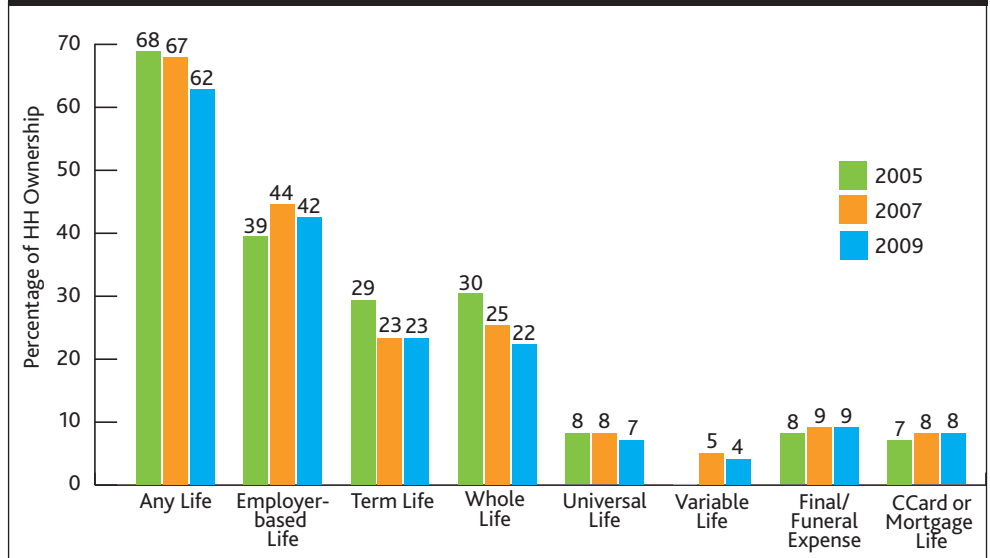
Most respondents stated that they would be willing to pay a little more for auto insurance if it means they get better coverage; with 52% of the participants either strongly agreeing (15%) or agreeing somewhat (37%). Interestingly, 45% of the respondents said they actually did have their auto and home insurance policies with the same insurance company.

And good news for carriers who offer both auto and residential coverage to their customers: 62% of respondents would prefer to have their auto and residential insurance at the same carrier. The majority of respondents surveyed (73% selected 8-10 on a 10-point scale where 10 is extremely likely to recommend) said they would be extremely likely to recommend their primary auto and residential insurance carrier to friends and family. Insurance companies with a referral program will likely benefit from this feeling of satisfaction and goodwill.

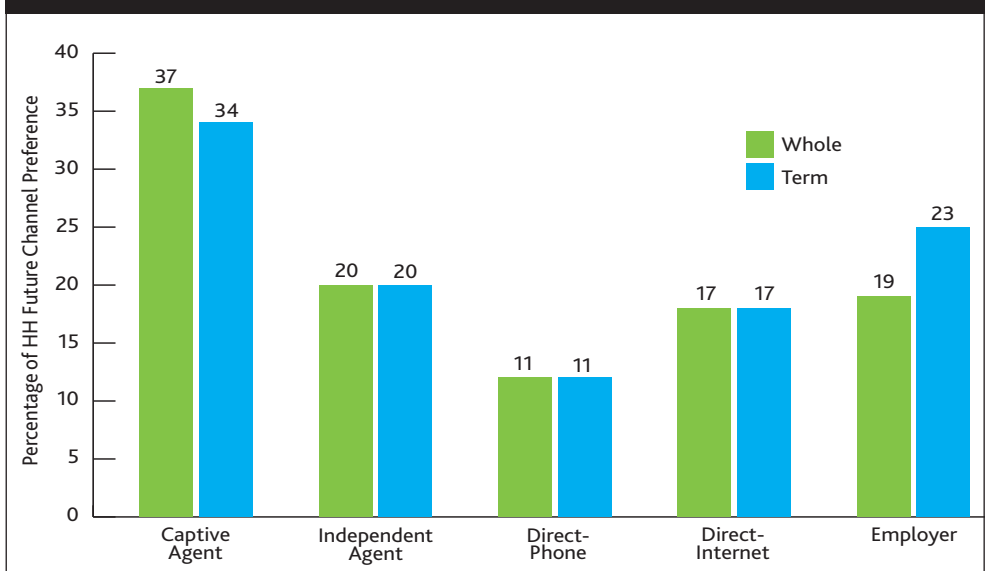
## Life Insurance

Despite the aging population, the percentage of households with life insurance policies has decreased steadily from 2005. Individual life policies have also experienced declines (i.e., whole, universal life and variable life) but individual term policies remained constant between 2007 and 2009 at 23%. Reasons for this could be that fewer employers are offering life insurance as part of their benefit packages or due to rising unemployment.

### Percentage of Household Ownership—Life Insurance



### Future Channel Preference For Individual Life Insurance



Agent recommendations and covering final/funeral expenses topped the list of reasons why individual life insurance policies were purchased. However, future channel preference for both types of policies moved away from the agent. More consumers want to purchase life insurance through direct channels and their employer compared to 2007.

Insurance companies will have to increase relationships with employers, offer alternative direct channel options and provide clear educational materials to make up for the

lack of the personal relationship with the agent—particularly when trying to influence the decision to purchase these policies for the first time. With penetration rates for life insurance policies declining, insurance carriers will need to deal with multiple issues to grow this business, including a challenging economy, lack of importance as part of retirement and investment planning.