

Increasing Awareness of Life Settlements

By Insurance Studies Institute (ISI), January 29, 2010

in Collaboration with The Carlson School of Management at the University of Minnesota (Carlson)

The industry is losing major market opportunities by its failure to communicate the value of life settlements.

The Problem: Exhaustive research and surveying by Carlson School has identified shortfalls in messaging employed to communicate the “option” of life settlement to seniors. Low awareness and familiarity coupled with negative perceptions and messages of non-value plague the life insurance secondary market’s (LISM) momentum, and are preventing the LISM from reaching its potential.

The Solution: Carlson has identified ways that LISM stakeholders can reposition their messaging and establish consistency. The study reveals highly effective strategies for developing messages that resonate with seniors.

The maturation of the life insurance secondary market has attracted considerable focus from regulators, legislators, and the media. There has not been a lack of opinions about “death investments.” What has been missing, however, is a well-constructed and consolidated message from the LISM stakeholders. Consumers want to make educated decisions regarding the appropriateness of a life settlement. Legislators and regulators need to make educated decisions to appropriately protect seniors and to assure their rights to manage their financial affairs. In the fall of 2009, Insurance Studies Institute (“ISI”) completed and published a report of the “Portrayal of Life Settlements in Consumer-Focused Publications,” in which ISI noted the copious amounts of misinformation and sensationalized media articles relating to life settlements.

Because the many LISM stakeholders have diverse motivations, messages communicated to the public have been varied and mixed. Messaging has been short-sighted, and too focused on each individual stakeholder’s particular objectives. No single stakeholder has successfully created a message based on what resonates most with the consumer, who has been left to decipher whether or not life settlements are a sensible option based on mixed messages and exaggerated claims.

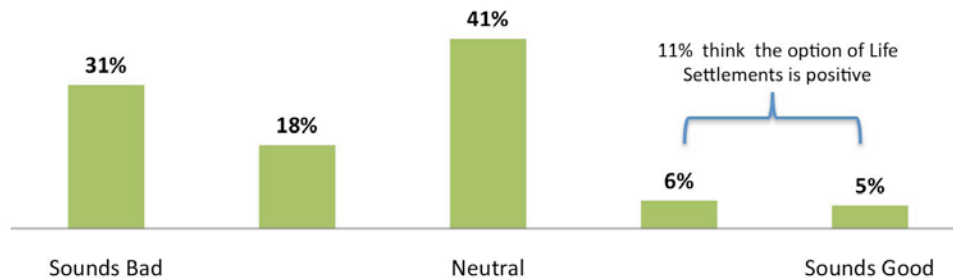
Seeing a need for the LISM to more effectively tell its story, ISI commissioned the Brand Management Enterprise team at the University of Minnesota’s Carlson School of Management, in September 2009, to research and develop strategies to educate and raise awareness of consumers’ options regarding life settlements.

Carlson’s Surveying and Research Reveals an Industry in Marketing Disarray. There is no consistency in how life settlements have been positioned to seniors, and references to life settlements portray them as everything from “a valuable resource for seniors” to “betting on death.” Current messaging is missing its mark. For example, the LISM often aims to tout life settlements by challenging the credibility of insurance carriers and the wisdom of owning a policy. This message does not resonate with consumers for two pivotal reasons: first, they know little about the secondary market option; and second, consumers do not want to feel like they made a mistake when they initially purchased the policy from a trustworthy insurance carrier. No clear communication of value has been made to the consumer. In order to grow, the LISM must gain consumer acceptance. In addition to analyzing the diversity in positioning, the findings also detail seniors’ decision-making processes and how these processes impact the LISM.

¹When a consumer embarks upon the life settlement process, often the only communication they receive is from their insurance agent or financial representative. That person in turn brings that policy to the market, which is made up of many parties who assist in the completion of the transaction. A life settlement broker works with the insured’s financial representative to receive bids from life settlement providers, who purchase policies for third-party investors. Medial underwriters assist in the process by providing life expectancy estimates so that the providers can determine the value of the policy. Other servicing firms include tracking agents, collateral managers, escrow agents, auditors, and information service providers. Together, these parties make up the Life Insurance Secondary Market (“LISM”).

²“Portrayal of Life Settlements in Consumer-Focused Publications,” Insurance Studies Institute, 2010.

Liking the Option of a Life Settlement



Will LISM Members Change Their Messaging Strategy to Seniors Knowing That:

- Only 10% of seniors rely on a financial advisor for financial advice?
- Using the cash surrender value as a point of emphasis does not resonate with consumers?
- Of the top 13 values held by American seniors, financial security only ranks tenth?
- Seniors aren't looking to make the best decision; they're looking to make the decision that feels good?
- More seniors learn about life settlements from print media than any other source?

Insurance companies, the government, financial advisors, and the media all have agendas for the LISM, and are disseminating conflicting information to support their disparate causes. Data from the study brings this conflict into focus, and identifies how the LISM must align its marketing message with seniors' values. Aside from providing a detailed report on the state of communication in the LISM, this document outlines steps toward streamlining the message of life settlements to policyholders.

The study reveals valuable knowledge on the positioning of life settlement to seniors. Details of these findings and recommendations are available in the full research report:

1. Seniors trust themselves the most when making a financial decision.
2. Messaging needs to focus on communicating "the option of life settlement" to seniors, rather than the message that life insurance companies are taking advantage of seniors.
3. The LISM needs to develop an "influence, push, and pull" strategy.
4. Messaging needs to be delivered to more advisors. One advisor has limited clients and is not well positioned to find additional clients qualified for life settlements.
5. Reposition life settlement as an option for "unwanted policies." Remove focus on terms such as "cash," "lapsed," and "life settlement," and de-emphasize the concept that insurance companies are taking advantage of seniors.

Information derived from this study can reshape the LISM's perception of seniors' communication and enable major strides in seniors' awareness of life settlements. LISM industry stakeholders concerned with the growth and maturation of the industry need to take notice, because the current perception of successful messaging is skewed.

The full report, "Increasing Awareness of Life Settlements," is needed by all stakeholders seeking to expand the life insurance secondary market. It provides specific action steps. The report is available from the Insurance Studies Institute for a \$2500 contribution – which will go toward continuing ISI's research.

To learn more:

Paul Siegert, ISI President and CEO
p: 970.262.1047
e. psiegert@insurancestudies.org