Consumer Satisfaction With Life Insurance: A Benchmarking Survey

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This research explores consumer satisfaction relevant to the purchase of life insurance products and compares satisfaction in a broker or agent assisted transaction with satisfaction when no broker or agent is used, direct placement. Benchmarks are identified for consumer satisfaction with the life insurance product, the agent, and the institution. The research shows that trust, competence, and product appropriateness play an integral part in consumer satisfaction. Practicing financial planners can apply the implications of this study in their own practices, and/or future researchers can determine whether consumer satisfaction increases or decreases as distribution and marketing methods evolve.
Key Words: *Customer satisfaction, Financial counseling, Life insurance*

Introduction

The primary objective of this study is to benchmark consumer satisfaction relative to life insurance agents, the life insurance industry, and specific life insurance products. We hypothesize that consumer satisfaction with the life insurance purchase is primarily a function of the trust the consumer has in the agent and/or the insurance company, the consumer's perception of the agent's competence, the product selected by the consumer, the consumer's analysis or feeling regarding financial safety, and consumer goals. We collect data regarding a series of questions related to the consumer's satisfaction with their own selection of life insurance coverage. This information, combined with basic demographic data, allows us to benchmark consumer satisfaction and factors influencing customer satisfaction.

Virtually all of the research in this area has focused on the sales process, the agent, or the company as means of improving the welfare of the insurance company and/or the insurance agent. To the best of our knowledge, no academic studies have focused on the consumer and their satisfaction with the products they own, the agents from whom they purchase, or the companies who underwrite the products and maintain the agent relationship. It is our objective to directly examine consumer satisfaction, explain the method and findings, and thus preserve a benchmark for future comparisons so changes in marketing methods and changes in consumer satisfaction can be compared.

The general trend in personal financial services has been a move toward a direct placement financial product marketplace. Direct placement marketing of financial products includes all non-agent or broker assisted transactions such as internet sales, direct solicitations by mail, and magazine advertisements, including applications for responding directly to product providers. Direct placement is also alternatively referred to as direct response sales or direct marketing. There has been substantial movement in the investment arena away from load-based mutual funds to no-load funds, away from brokerage based trading to on-line trading and fee-based asset management, and away from direct financial institution loans/accounts to on-line or consolidated financial transactions. The life insurance industry is also part of the movement to the direct placement approach. The movement, however, is slower than in other financial areas. The distribution system for life insurance is currently two pronged, consisting of the traditional agent system and the direct system of distribution. LIMRA International (1998) examines the distribution system of worksite, face-to-face, and direct consumer meetings during the preceding 12 months via a survey mailing to a predesigned consumer panel. This industry driven survey finds that the direct method of purchase is increasing, consumers usually use only one channel of purchase, non-traditional agents (e.g., financial institutions) are increasing, and competition among producers within the same household is increasing. Scully (1996) discusses the fragmentation with the changing distribution system and how to more effectively market life products in today's environment. Kim, Mayers, and Smith (1996) look at the choice of distribution system from the insurers' perspective, while Barrese, Doerpinghaus and Nelson (1995) look at service

differences between independent and captive agents.

Analysis of the appropriate distribution system usually involves discussions concerning a commission-based versus a fee-based system of compensation similar to that in the mutual fund industry. Ferling (1991) and Otis (1991) both propose that consumers are likely to be better off under a system of fees. Scully (1996) reports that Australian agents have recently had to report commissions they receive to the consumer and the result is a reduction of first-year commissions from 90% to 40% and a 40% reduction in the field staff. Gravelle (1994) creates a model under which a theoretical consumer can choose either a fee-based or commission compensation. The potential transaction is broken into two separate components, information and product, where the consumer must first become informed (via fees) and then choose whether or not to buy a product. The purchase can then be made with or without the help of the individual providing the information service. The model shows that the fee-based distribution method is not always the most preferable. In other words, the cost involved to become informed that the product currently owned is inferior exceeds the benefit from switching.

Although we do not specifically consider the adequacy of coverage, the appropriateness of various life product types, or gender-based differences in life insurance ownership, these issues are addressed in the literature. Gandolfi and Miners (1996) and Ghee and Moore (1989) provide evidence of differences in quantity of coverage and similarities in types of policies purchased and the reason for purchase. Auerbach and Kotlikoff (1991) examine the adequacy of coverage and find that married women tend to be underinsured. They argue the share of social security benefits going to a surviving spouse under Social Security should be increased.

LIMRA International (1997) provides extensive reporting of trends in the industry based on data provided by contributing companies. In addition, LIMRA International (1996) published a study titled "Consumer Preferences for Buying Life Insurance Now and in the Future." This represents the only study that attempts to examine consumer preferences. The study is designed by the insurance industry as a means of helping agents and insurance companies better align their interests with those of the consumer. Our study is designed to examine satisfaction of the consumer rather than preferences of the consumer.

This study is limited to individual life insurance

purchases as opposed to group life. Group life, although very significant, represents less than half of the life insurance in force (American Council of Life Insurers, 1999, p. 22) and does not involve selection by individual consumers. The group life purchasing decisions are usually made by the employer or the employer and an employee committee. Accordingly, most employees have no input into the purchasing decision, making employee satisfaction with the method of purchase difficult or impossible to measure. The study also compares agent assisted versus direct placement of individual life insurance.

We find that consumers, for the most part, are highly satisfied with their agent and their life insurance company. Consumer satisfaction with the agent is driven by the "perceptions" of the consumer -- they believe their agent is trustworthy, knowledgeable, is using appropriate products and explains the products well. On the other hand, more readily "measurable" items such as academic background, professional designations, a long business history, and individual characteristics, such as age, gender, or marital status, do not correlate to consumer satisfaction. Consumer satisfaction with the insurance company is more difficult to capture. It includes "perceived" trust, safety, and "measurable" handling of paperwork. None of the unique personal consumer characteristics influenced consumer satisfaction with their life insurance company.

This paper is divided into three sections. The first section discusses the overview and survey development including a discussion of demographics and characteristics of the people surveyed. The second section examines the survey results and discusses the information contained in the tables developed from the survey data. The last section, the conclusions, summarizes the conclusions drawn from the study and applications of those conclusions for financial planners, insurance professionals and researchers.

Overview and Survey Development
We build on previous consumer research in the personal finance field on the issues related to consumer satisfaction of personal life insurance. The focus of this paper is not to generate techniques that more effectively market life products, but to determine the satisfaction of consumers with their product, agent, and life insurance company.

The research is designed to address the following broad questions:

1. Are consumers satisfied with their life insurance agents?
2. Are consumers satisfied with their life insurance companies?
3. Are consumers satisfied with the life insurance products they own?

There has been no previous objective benchmark of consumer satisfaction relative to life insurance. Prior inquiries into marketing approaches have been primarily left to the industry and the industry has generally found strongly positive comments from consumers. (Covaleski, 1995). The general media and recent Gallup Polls have usually found that insurance salespeople score very poorly regarding the "most trustworthy" professions. These nearly polar perspectives of the life insurance agent need clarification.

We hypothesize that consumer satisfaction with the life insurance agent is a function of four primary factors: trust, competence, product selection, and consumer goals. In addition, our hypothesis regarding life insurance institutions is that consumer satisfaction is a function of safety, trust, product selection, and appropriate handling of paperwork. We expect that consumers who *perceive* their agents are trustworthy, competent, care about their goals, and have a wide product selection are going to be more satisfied with their agent. Consumers who *perceive* their life insurance firm provides a portfolio of products that will meet their financial needs, hires or associates with competent representatives, and creates a trusting relationship are more likely to be satisfied with their life insurance company. We have no prior expectations regarding consumer satisfaction with agents and companies based on the type of life insurance product owned.

We created a survey that proposed a series of statements related to the issues described above. Each of these statements was written so those consumers responding to the survey would answer by circling a number from 1 to 5. In this survey, 1 represents 'strongly disagree' with the statement, 3 is 'neutral', and 5 represents 'strongly agree' with the statement. The survey methodology employed in this paper is based on the original work of Likert (Likert, 1932; Hayes, 1998). The statements asked of consumers in our study were broken into agent- and company-based and are listed in Tables 2 and 5 respectively. We chose the survey method as the means of gathering unbiased data for analysis. Two alternative collection techniques are feasible – mail and telephone. We chose not to contact consumers via telephone because the technique requires:

1. The ability to contact each individual.
2. The ability to directly speak with the chosen consumer.
3. That the individual has time to respond completely to the survey when reached.

The basic objective was to generate a survey data set that is the least likely to have a response bias. The authors believe that contact by telephone is less likely to result in reaching the chosen consumer in the household. If the researcher, in the interest of expediency, gathers information from whomever answers the phone, the ability to identify consumer groups is lost and possible bias is introduced. In addition, telephone surveys requires significantly higher time and cost commitment.

The mail method of surveying also has weaknesses. The greatest disadvantage is the anticipated low response rate to surveys. It is also possible, but unlikely, that someone other than the recipient completes the survey. Given that the research topic, in the eyes of the consumer, is not exciting or entertaining, we expect a below average response rate. Significant cost savings in academic bulk mailing rates relative to using a phone survey technique offset these disadvantages. We also considered multiple mailings to non-respondents, but decided on a slightly larger initial mailing because of budget constraints. Sufficient responses to support conclusions would render a second mailing unnecessary, although a second mailing was preserved as an option if needed. It was not.

The mailing list was purchased from a major vendor, Polk Publishing, Inc. We purchased 2,500 names and addresses with the requirement that the mailing list be distributed to represent America with appropriate distribution by geographic region based on the relative size of each Metropolitan Statistical Area (MSA). A problem with this method is that mailing list companies are in business to provide lists that are composed of nearly identical individuals. Each MSA was weighted relative to the entire population so that an appropriately random set of names could be drawn from the population. Mailers were sent to consumers in all 50 domestic states. To help minimize the non-response problem by reducing the number of personal questions, we purchased information regarding age, gender, marital status, and income class for each consumer. The mailing list was guaranteed to be 97% deliverable.

The full dataset of 2,500 consumers was composed of 51% males, 70% married, and an average age of 49 years. Income for each consumer was classified as one of eight different income categories. Household incomes

of less than $30,000 represented 24% of our sample, while household incomes in excess of $60,000 represented 25% of our sample. An additional 17% of the sample did not have income information available.[a] From the mailing list of 2,500 consumers, 299 surveys were returned by June 1, 1998. Bulk mailing through the U.S. Postal Service does not return undeliverable letters. The resulting response rate is 12%, assuming the guarantee rate of 97% deliverability provided by the vendor.[b] Of these, six were unusable yielding a sample size of 293. Of the usable surveys, 83% of respondents (n=243) indicated they currently own some form of life insurance. An additional 16% (n=48) did not own any form of life insurance, while the remaining 1% (n=2) did not know if they owned life insurance. The primary attributes are provided in Table 1, Panel A. The response rate was within our anticipated 10 to 20% range given the weaknesses of the chosen method. This can be contrasted with a 1 to 3% response rate for consumers purchasing products through direct mail and response rates exceeding 30% for studies that used multiple mailings, response incentives, were narrowly focused, or were more interesting to consumers than life insurance.

Survey Results
Demographics by Method of Life Insurance Purchase
Table 1, Panel B provides a further breakdown of the demographics of life insurance ownership as it relates to each of the subsamples. Consumers who owned life insurance were asked to decide what best describes their purchasing experience: (1) through a local agent only; (2) through a direct purchase from the insurance company; or (3) through both a local agent and direct purchase. This creates the three distinct subsamples. The largest proportion of consumers in our sample, 54% (n=132), use only a local life insurance agent while an additional 23% (n=56) use both a local agent and purchase directly from the company. This means that 77% of respondents use local life insurance agents. An additional 19% (n=47) of life insurance owners indicate they only purchase life insurance directly from the insurance company rather than using a life insurance agent. The remaining 3% (n=8) did not know how they purchased their life insurance.

Satisfaction with Agent
We examine similarities and differences between those consumers who purchase life insurance directly from a local agent versus those consumers who purchase both from a local agent and via a direct purchase from the insurance company.

The results for agent statements (Table 2) are as expected. Responses are generally above a "mean" possible response of 3 for both subgroups. The response to the statement "I plan to change life insurance agents in the near future" was below 3 but lower scores on this question indicate high satisfaction due to the nature of the question. Three of the four statements related to the financial needs and goals of the consumer are less than 3 for consumers who use both a local agent and purchase direct from the insurance company. This was the only area of below average consumer satisfaction relative to agents. This indicates that by-and-large consumers are

Table 1

Sample Comparison on Primary Attributes

Panel A: Comparison of groups for age, income, life insurance, marital status, gender, college education, and technology availability.

	Life Insurance Ownership			
	Own life ins.	No life ins.	Ins. un-known	Non-resp., unusable surveys
# resp.	243	48	2	2207
Median amount ($)	120,000	0	----	----
Mean ($)	224,563	0	----	----
Mean age	49.2	48.6	60.5	49.5
% married	74.5	60.4	0.0	49.8
% single	23.5	39.6	50.0	27.9
% male	56.4	60.4	0.0	49.8
% with ug degree	31.3	39.6	50.0	----
% with grad. degree	29.6	20.8	0.0	----

Panel B: A breakdown of the subsample of respondents indicating life insurance ownership regarding age, income, life insurance, marital status, gender, college education, and technology availability.

	Method of Life Insurance Purchase			
	Agent only	Agent and direct purchase	Direct purchase only	Own but did not indicate method
# resp.	132	56	47	8
Median amount ($)	130,000	158,000	80,000	150,000
Mean ($)	249,800	269,624	120,569	133,333
Mean age	51.3	56.4	45.2	47.9
% married	76.5	78.6	63.8	75.0
% single	21.2	17.9	36.2	25.0
% male	54.5	64.3	51.1	62.5
% ug degree	25.8	42.9	34.0	25.0

% grad. degree	30.3	26.8	27.7	50.0

Age, income classification, marital status, and gender were provided as part of the sample purchase from Polk Publishing Inc. Additional information was survey data.

The median income for each category was used for each consumer in the corresponding category. For example, $25,000 was used for the $20,000 to $30,000 category. For the category greater than $150,000, $150,000 income was used.

satisfied with their agents in the areas we are examining and do not generally plan on changing agent representatives. Additionally, consumers who use only agents are a bit more satisfied than consumers who use both an agent and the direct purchasing methods. In fact, the average response of the agent and direct group to every statement is slightly less positive than the score for each question in the agent only category. This may be because those consumers who become disenchanted with their agent are more likely to look at alternative methods of purchase, but not initially eliminate the traditional agent. This is a plausible and reasonable possibility given the long-term nature of most life products (e.g. whole or universal life) and the consumer's desire to retain past product purchases. The lower satisfaction may also be caused by the switch to direct purchases. Direct purchase consumers may begin to question the necessity of the agent and thus become dissatisfied with the agent.

When we look at differences between the two subgroups of consumers only two issues related to agents are statistically different. First, those consumers who use only a local agent are more likely to believe that an agent is more competent the longer the agent has been in the profession. These consumers also believe more strongly that their local agents better understand their financial goals and needs than consumers who also purchase directly from the life insurance company. Again, this result is consistent with our observation that a disenchanted consumer is more likely to look for alternative purchase avenues and represent a larger proportion of the agent-direct group.

To further examine the issue of consumer satisfaction with agents, we subdivided the full sample on the basis of being satisfied versus unsatisfied with their agents. The sample was subdivided into two unequal segments of consumers who responded 'strongly agree' or 'agree' (satisfied) and 'strongly disagree' or 'disagree' (unsatisfied) to determine if there were certain attributes that influenced this difference. As Table 3 shows, most elements of trust, competency, product selection, and

meeting goals and needs were significantly higher for those consumers satisfied with their agents than those dissatisfied. The only item that was not significantly different was the issue of academic background -- agent background has no impact on satisfaction or dissatisfaction. Additionally, those consumers who were dissatisfied with their agent were more willing to change representatives.

As we hypothesized initially, consumer satisfaction with an agent is a function of four elements: trust, competence, product selection, and consumer goals. In addition, we also consider individual characteristics of the respondent, such as education, that we believe also influence consumer satisfaction. We initially examine this relationship with the following model and then reduce the model to two other forms. Results are provided in Appendix Table 1.

$$SATAGNT = a_0 + b_1 AGE + b_2 INCGRP + b_3 EDUCATE + b_4 QUANT + b_5 MARITAL + b_6 GENDER + b_7 TRUST1 + b_8 TRUST2 + b_9 TRUST3 + b_{10} COMP1 + b_{11} COMP2 + b_{12} COMP3 + b_{13} COMP4 + b_{14} PROD1 + b_{15} PROD2 + b_{16} PROD3 + b_{17} GAN1 + b_{18} GAN2 + b_{19} GAN3.$$

Table 2
Attitudes Toward Agents by Agent Only Versus Combination

Statements	Agent only	Agent + direct	z value
I am satisfied with my life insurance agent.	3.76	3.60	0.87
I completely trust my agent.	3.57	3.40	0.94
I plan to change life insurance agents in the near future.	*1.75*	*1.91*	-0.85
I have a long business history with my insurance agent.	3.24	3.00	1.11
My agent is knowledgeable.	3.81	3.73	0.52
Professional designations (e.g., CLU or CFP indicate increased agent competence.)	3.14	3.04	0.57
The academic background of an agent is important in determining agent competence.	3.32	3.33	-0.03
An agent is more competent the longer the agent has been in the insurance profession.	3.45	3.09	1.90 ‡
My agent fully met my needs with a life insurance product.	3.67	3.55	0.62

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My agent explains insurance products exceptionally well.	3.60	3.44	0.94
My agent uses financial products that always meet my financial needs.	3.04	*2.85*	0.97
My agent has asked me about my financial goals and needs.	3.38	3.02	1.61
My agent understands my financial goals and needs.	3.34	*2.94*	1.78 *
My agent always puts my financial goals and needs above his/her own.	3.02	*2.89*	0.60

*Significant using a two-tail test at p < 0.1.

The multiple regression shows that only five variables in this model are statistically significant and marital status is the only demographic variable that appears to be relevant.[c] This model exhibits some degree of multicollinearity and has a relatively large adjusted R^2 of .82. All of the variables exhibiting significance in this model were of expected sign and the intercept was not significantly different than unity. Examination of the five coefficients sum to 0.774. This implies that if the response to each question rises by '1', then consumer satisfaction with their agent will rise by 0.8 points. Given the explanatory weakness in the remaining demographic variables, we examined a reduced model of agent statement responses and the marital status demographic variable. The coefficient on marital status and trust both show a significant drop of nearly 60% and are insignificant, professional designations is now significantly negative, and the question related to agent explanation of products is now significantly positive. Model 3 is a reduced model that has strong explanatory power, coefficients are of expected sign, and is similar to the full model as the six significant coefficients add to 0.691.[d] This model has increased explanatory over the full model (R^2=.84) and general stability within the coefficients. The results suggest consumers strongly consider trust, agent knowledge, explanation of products, appropriateness of products, and meeting financial needs and goals as positive aspects when evaluating their agent. The results also show, as expected, that those consumers strongly considering changing life insurance agents are less satisfied with their current agent.

Consumer Satisfaction with the Life Insurance Institution
The results provided in Table 4 are related to examination of consumer satisfaction with the life insurance institution that underwrites their policies and are similar to the agent results. In addition, we also include the subsample of direct-only owners of life insurance, as their responses are appropriate only with regard to the life insurer underwriting their policy as they do not deal with a local life insurance agent. Generally, consumers are pleased with the insurance companies that underwrite their policies. This result is as expected given the earlier results showing that those consumers are relatively satisfied with their agents.

Direct-only owners of life insurance are significantly more trusting of their life insurance company than those who are agent-direct purchasers of life insurance, but not of the agent-only subgroup. We expected that agent-only and direct-only would represent extreme responses because of their chosen method of purchasing life insurance and those individuals who use both techniques would lie in between these two subgroups of consumers. It appears that the agent-only and the direct-only subgroups are more alike than the subgroup that uses both techniques. There is no significant difference between the subgroups in five of nine questions and the agent-direct subgroup is significantly less trusting than the direct-only group based on two additional statements. The direct-only group is also significantly less likely to acknowledge the existence of advertising related to their life insurance company. This is unexpected given our

Table 3
Attitude Toward Agent by Satisfied or Unsatisfied

Statements	Satisfied	Unsatisfied	z-value
I completely trust my agent.	4.15	1.92	9.28*
I plan to change life insurance agents in the near future.	1.26	3.58	-7.31*
I have a long business history with my insurance agent.	3.71	1.96	6.48*
My agent is knowledgeable.	4.39	2.24	9.80*
Professional designations (e.g., CLU or CFP indicate increased agent competence.)	3.38	2.55	3.23*
The academic background of an agent is important in determining agent competence.	3.41	3.16	0.95
An agent is more competent the longer the agent has been in the insurance profession.	3.58	2.42	4.06*

My agent fully met my needs with a life insurance product.	4.21	2.00	8.77*
My agent explains insurance products exceptionally well.	4.15	2.04	9.73*
My agent uses financial products that always meet my financial needs.	3.55	1.50	11.45*
My agent has asked me about my financial goals and needs.	3.70	2.25	4.98*
My agent understands my financial goals and needs.	3.80	1.88	8.19*
My agent always puts my financial goals and needs above his/her own.	3.59	1.63	7.68*

*Significant using a 2-tail test at p<0.1.

Sample composed of agent and agent plus direct purchases is broken into those respondents who were satisfied with their agents (Strongly Agree or Agree) to those who were not satisfied (Strongly Disagree or Disagree).

initial assumption that sales must be generated from advertising rather than from a sales force and that the consumer was enticed to contact the company initially from an advertisement. We note that some proportion of these consumers could be purchasing the product based on a referral of a financial planner, accountant, or advisor without actually seeing an advertisement. However, we have no survey information available that would help resolve this question.

Again, the agent-only and direct-only purchasers are more satisfied, though insignificantly different, than those who purchase using both techniques. The three attributes most highly rated by consumers are safety, trust, and effective handling of paperwork/claims. The statement related to the effectiveness at handling paperwork is not surprising given that the primary points at which paperwork occurs is at the point-of-sale and the final claim date. The initial point-of-sale generates commissions for agents and sales for direct sellers and one would expect that paperwork would be expedited quickly and carefully. The final claim obviously should not play a role unless it was a claim on another family member.

A comparison of consumer satisfaction with their life insurance companies (Table 5) shows that there is again a significant difference between satisfied (4 or 5) and unsatisfied (1 or 2) consumers. These significant differences arise in trust, company safety, meeting financial goals and needs, handling of claims and paperwork, and length of business relationship. Only

with regard to the recognition of advertisements is there no significant difference.[e]

We again examine the multiple regression equation for consumer satisfaction based on statement responses to life insurance institution questions and the original set of demographic variables included in the agent multiple regression equation. Results are provided in Appendix Table 2 and the full model is described by:

$$\text{SATINST} = a_0 + b_1\,\text{AGE} + b_2\,\text{NCGRP} + b_3\,\text{EDUCATE} + b_4\,\text{QUANT} + b_5\,\text{MARITAL} + b_6\,\text{GENDER} + b_7\,\text{TRUST1} + b_8\,\text{TRUST2} + b_9\,\text{TRUST3} + b_{10}\,\text{SAFE} + b_{11}\,\text{ADS} + b_{12}\,\text{CLAIM} + b_{13}\,\text{GAN} + b_{14}\,\text{PROD}$$

The full model, along with the two reduced models, were developed using the same methodology as discussed with the agent regression equation[e] The results in this model are very consistent. The adjusted R^2 for each model is .60, all significant variables are identical, and the coefficients for each significant variable are amazingly stable. The models suggest that consumer satisfaction with their life insurance institution is a positive function of trust, safety, meeting their goals and needs, and appropriately handling paperwork. Again, any plan to change companies is significantly negative and appears to be capturing other unspecified relationships.[e]

Table 4
Attitudes Toward Life Insurance Company by Agent Only, Agent+Direct, and Direct Only.

Statements	Agent only	Agent + direct	Direct only
I am satisfied with my life insurance company.	3.73 (n=132)	3.56 (n=55)	3.84 (n=45)
I trust my life insurance company.	3.73 (n=125)	3.46 (n=52)	3.93 § (n=42)
I plan to change life insurance companies in the near future.	1.63 (n=124)	1.98 † (n=55)	1.59 (n=44)
I have a long business history with my insurance company.	3.38 (n=124)	3.38 (n=55)	3.14 (n=44)
The companies who underwrite my life insurance policies are safe.	4.03 (n=124)	3.93 (n=55)	4.02 (n=42)
I regularly see or hear advertisements presented by my life insurance companies.	3.07 (n=124)	3.27 (n=55)	2.49 ‡ (n=43)

My life insurance company handles all claims and paperwork efficiently and effectively.	3.46 (n=119)	3.43 (n=51)	3.41 (n=44)
My life insurance company puts my goals and needs above their own.	2.83 (n=122)	2.69 (n=55)	2.57 (n=44)
My life insurance company provides a variety of financial products that meets all of my financial needs.	3.37 (n=125)	3.32 (n=53)	2.95 * (n=43)

§ Significant using a 2-tail test at p<0.05 versus agent+direct subgroup

† Significant using a 2-tail test at p<0.1 versus both agent-only subgroup and direct-only subgroup.

‡ Significant using a 2-tail test at p<0.01 versus agent+direct subgroup and at α<0.05 versus agent-only subgroup.

* Significant using a 2-tail test at p<0.1 versus agent-only subgroup.

Table 5.
Attitude Toward Company by Satisfied or Unsatisfied With Life Insurance Company

Statements	Satisfied	Unsatisfied	z-value
I am satisfied with my life insurance company	4.38 (n=145)	1.57 (n=23)	24.9‡
I trust my life insurance company.	4.20 (n=138)	1.86 (n=22)	11.5‡
I plan to change life insurance companies in the near future.	1.33 (n=138)	3.22 (n=23)	-5.8‡
I have a long business history with my insurance company.	3.74 (n=138)	2.04 (n=23)	6.5‡
The companies who underwrite my life insurance policies are safe.	4.35 (n=138)	2.48 (n=23)	6.8‡
I regularly see or hear advertisements presented by my life insurance companies.	3.14 (n=137)	2.83 (n=23)	0.9
Mu life insurance company handles all claims and paperwork efficiently and effectively.	3.84 (n=135)	1.95 (n=21)	8.8‡
My life insurance company puts my goals and needs above their own.	3.14 (n=136)	1.43 (n=23)	11.1‡

My life insurance company provides a variety of financial products that meets all of my financial needs.	3.58 (n=139)	2.04 (n=23)	6.1‡

‡Significant using a 2-tail test at p<0.01.

Consumer Satisfaction and the Life Insurance Product
We examine consumer satisfaction based on the type of product owned by consumers. Each product is examined relative to consumer satisfaction with their agent and their life insurance company by each purchase method subgroup. The two predominate forms of life insurance products owned by consumers in our survey are term and whole life insurance. Each consumer subgroup is equally happy with both products with the exception of direct-only consumers whose satisfaction with term insurance companies is much higher than the whole life insurance companies (Table 6). In fact, roughly 70% of term owners and whole life insurance owners are satisfied with both their agents and their life insurance company when the product is purchased through an agent-only. This percentage drops to 50% for consumers who purchase both directly from the company and via an agent. Satisfaction of their life insurance company differs somewhat with consumers who purchase products directly from their life company. In this instance, 74% of term owners and 50% of whole life owners are satisfied with their life insurance companies.

The remaining types of products are broken into three categories: universal or variable life, single premium or limited pay based, and "other" life insurance products. Agent satisfaction with these products does not generally differ between the method of purchase groups, ranging from 59% to 65%. The only exception is agent-only sales of single premium and limited pay products which generate relatively low marks -- 40% satisfaction with an average 2.90 out of 5.00. This reduction in satisfaction could be a result of the much higher cost attached to these products initially or on an annual basis. These products also generate higher commissions for agents and these agents could potentially be pushing consumers who can afford these products harder into these products. Yet, 2.90 is essentially average satisfaction with the product and should not be construed as an indication of unhappy consumers. Similar results are found with these three product categories when consumer satisfaction with the company is examined.

A very interesting result occurred when the final category of product responses was examined. This category contained those consumers who did not know what type of life insurance product they owned. The majority of

this group was composed of consumers who only used an agent. The result was that only 30% of these consumers were satisfied with their agent and 36% were satisfied with their life insurance company. Importantly, this implies that either these agents were doing a poor job at relating what the products were to the consumer and the value of these products or this group of consumers did not take the opportunity to become informed. The last issue examined was the average number of life products owned per consumer respondent. Those consumers who purchase both directly and through an agent own a greater variety of products than if purchased direct-only or agent-only.

Table 6

Product Satisfaction

Sample grouped by consumer stated method of purchase and examined by type of product. The average response to consumer satisfaction with their agent (company), percent satisfied, and number of responses are provided for each product group.*

Products	Satisfaction with Agent		Satisfaction with Company		
	Agent only (n=132)	Agent/Direct (n=55)	Agent only (n=132)	Agent/Direct (n=55)	Direct only (n=45)
Term	3.95 (70.7%) n=58	3.52 (51.7%) n=29	3.87 (69.4%) n=62	3.50 (46.4%) n=28	4.17 (73.9%) n=23
Whole life	3.88 (67.9%) n=56	3.70 (52.2%) n=23	3.80 (66.7%) n=60	3.52 (47.8%) n=23	3.38 (50.0%) n=8
Universal / Variable	3.93 (63.3%) n=30	3.76 (58.8%) n=17	3.67 (66.7%) n=33	4.00 (76.5%) n=17	4.00 (100.0%) n=1
Single premium / Limited Pay	2.90 (40.0%) n=10	3.00 (60.0%) n=10	3.00 (40.0%) n=10	3.60 (60.0%) n=10	4.17 (66.7%) n=6
Other	3.60 (65.0%) n=20	3.90 (63.6%) n=11	3.65 (69.6%) n=23	3.82 (63.6%) n=11	3.25 (25.0%) n=4
Unknown	2.70 (30.0%) n=10	3.50 (50.0%) n=4	2.91 (36.4%) n=11	3.75 (75.0%) n=4	3.50 (50.0%) n=8
# of products per response	1.39	1.71	1.51	1.69	1.11

* The number of responses to the satisfaction statements by product type may vary depending if the consumer responded to that particular question in the survey.

Conclusion

This study provides an objective benchmark of consumer satisfaction with life insurance agents, life insurance companies, and satisfaction with agents and companies as it relates to different life insurance products. As expected, overall consumer satisfaction with the agent's ability to assess products, the agent's ability to meet the financial goals and needs of the consumer, consumers' trust in the agent, and consumer perception of agent competence was consistently higher for a subgroup consisting of consumers who buy life insurance with an agent-only than it was for consumers using both an agent and the direct purchase method. This is consistent with the hypothesis that consumers purchasing through the agent, as well as the direct purchase approach, are in that group because of an undesirable experience with an agent or because they failed to attach a significant positive value to the use of an agent. In other words, the agent only group may be characterized as a pro-agent group and the agent plus direct purchase group may be characterized as a less pro-agent or agent neutral group.

The results support the general conclusion that purchasers who use the agent only are more satisfied with their insurance company than purchasers who use both an agent and the direct purchase approach. In several areas, however, purchasers who use the direct only method of purchasing life insurance are more satisfied than purchasers using either of the other two identified methods. The direct sales method scored the highest level of satisfaction when purchasers were asked if they are satisfied with their life insurance company and also when asked if they trust their life insurance company. The differences, however, were relatively small.

The results also reveal a clear difference in consumer satisfaction depending on the type of life insurance product queried. The lowest level of consumer satisfaction was for single premium and limited pay life insurance. Term insurance, universal life, and whole life insurance have the highest levels of consumer satisfaction, in that order.

The overall satisfaction with life insurance was higher than expected and resulted in an above average satisfaction benchmark in almost all areas. The main benefit of this research is the future value of the benchmarks. As variables change, future researchers will be able to compare consumer satisfaction with the benchmarks established herein. Moreover, researchers can compare future consumer satisfaction to present benchmarks and attempt to determine which variables cause changes in consumer satisfaction.

Appendix
Regression Results

Appendix Table 1
 Determinants of Agent Satisfaction

A multiple regression of each agent statement response to the satisfaction response of all consumers owning life insurance. In addition, identifying characteristics were also incorporated. The resulting regression is Agent Satisfaction = f(Age, Income, Education, Quantity of Insurance, Marital status, Gender, and the thirteen statement responses hypothesized to be related to agent satisfaction). Model 2 considers only those characteristic variables showing relative importance and the set of agent statements. Model 3 considers those variables that impact satisfaction most prominently after eliminating strongly correlated statement response variables and those items consumers viewed as marginally important to their agent satisfaction.[=]

Initial Full Model Design$SATAGNT = a_0 + b_1\,AGE + b_2\,INCGRP + b_3\,EDUCATE + b_4\,QUANT + b_5\,MARITAL + b_6\,GENDER + b_7\,TRUST1 + b_8\,TRUST2 + b_9\,TRUST3 + b_{10}\,COMP1 + b_{11}\,COMP2 + b_{12}\,COMP3 + b_{13}\,COMP4 + b_{14}\,PROD1 + b_{15}\,PROD2 + b_{16}\,PROD3 + b_{17}\,GAN1 + b_{18}\,GAN2 + b_{19}\,GAN3$

Variable Description	Variable Name	Full Model	Model 2	Model 3
	Adjusted R^2 (F-value)	**0.819** (28.2)	**0.836** (56.7)	0.842 (130.7)
Intercept of the model (Expect it to equal "1" as the minimum value using the Likert 5-point scale)	Intercept	0.752	0.817	0.869
Age of respondent.	AGE	-0.004 (0.227)		
Income Group Classification (1 if intop 8 categories, 0 if in bottom 7 categories)	INCGRP	0.012 (O.912)		
Education Level (1 if college degree, 0 otherwise)	EDUCATE	-0.006 (0.914)		
Quantity of Insurance on the respondent (in 000s)	QUANT	-0.000 (0.477)		
Marital Status of respondent (1 if married, 0 if single	MARITAL	**0.231** **(0.096)**	0.099 (0.321)	
Gender of respondent (1 if male, 0 if female	GENDER	0.034 (0.734)		
I completely trust my agent	TRUST 1	**0.226** **(0.008)**	0.098 (0.117)	**0.114** **(0.054)**
I plan to change life insurance agents in the near future.	TRUST 2	**-0.166** **(0.002)**	**-0.215** **(0.000)**	**-0.211** **(0.000)**
I have a long business history with my insurance agent.	TRUST 3	0.041 (0.379)	0.057 (0.141)	
My agent is knowledgeable.	COMP 1	**0.322** **(0.000)**	**0.328** **(0.000)**	**0.327** **(0.000)**
Professional designations (e.g., CLU or CFP indicate increased agent competence.	COMP 2	-0.032 (0.586)	**-0.081** **(0.084)**	
The academic background of an agent is important in determining agent competence.	COMP 3	0.023 (0.650)	0.018 (0.692)	
An agent is more competent the longer the agent has been in the insurance profession.	COMP 4	0.027 (0.610)	0.025 (0.546)	
My agent fully met my needs with a life insurance product.	PROD 1	**0.161** **(0.020**	**0.163** **(0.006)**	**0.162** **(0.004)**
My agent explains insurance products exceptionally well.	PROD 2	0.113 (0.231)	**0.158** **(0.045)**	**0.172** **(0.021)**
My agent uses financial products that always meet my financial needs.	PROD 3	0.048 (0.563)	0.067 (0.322)	**0.127** **(0.012)**
My agent has asked me about my financial goals and needs	GAN 1	-0.029 (0.634)	-0.003 (0.956)	

Variable Description	Variable Name	Full Model	Model 2	Model 3
My agent understands my financial goals and needs.	GAN 2	0.020 (0.803)	0.009 (0.891)	
My agent always puts my financial goals and needs above his/her own.	GAN 3	0.009 (0.890)	0.054 (0.332)	

We also incorporated a categorical variable for the different distribution methods to test if there is a shift in the slope coefficient of specific independent variables. We incorporated an additional set of variables equal to the initial set of variables multiplied by either the categorical (0, 1) variable. Although some shift in the slope coefficients is found to be significant, the model experienced significant multicollinearity and resulted in numerous coefficients that did not make theoretical sense and were highly unstable. We also employed factor analysis (PROC FACTOR via SAS) on the data, but it did not generate any additional insight as the first factor was strongly linked to the variables showing statistical significance in our Model 3.

Appendix Table 2

Determinants of Life Insurance Institution Satisfaction

A multiple regression of each institution statement response to the satisfaction response of all consumers owning life insurance. In addition, identifying characteristics were also incorporated. The resulting regression is Institution Satisfaction = f(Age, Income, Education, Quantity of Insurance, Marital status, Gender, and the eight statement responses hypothesized to be related to institution satisfaction). Model 2 considers only those characteristic variables showing relative importance and the set of agent statements. Model 3 considers those variables that impact satisfaction most prominently after eliminating strongly correlated statement response variables and those items consumers viewed as marginally important to their agent satisfaction.[=]

Initial Full Model Design $SATINST = a_0 + b_1 AGE + b_2 INCGRP + b_3 EDUCATE + b_4 QUANT + b_5 MARITAL + b_6 GENDER + b_7 TRUST1 + b_8 TRUST2 + b_9 TRUST3 + b_{10} SAFE + b_{11} ADS + b_{12} CLAIM + b_{13} GAN + b_{14} PROD$

Variable Description	Variable Name	Full Model	Model 2	Model 3
	Adjusted R^2 (F-value)	**0.602** (17.4)	**0.603** (26.6)	0.604 (47.4)
Intercept of the model (Expect it to equal "1" as the minimum value using the Likert 5-point scale.	Intercept	1.672	1.271	1.326
Age of respondent	AGE	-0.003 (0.434)		
Income Group Classification (1 if in top 8 categories, 0 if in bottom 7 categories)	INCGRP	-0.153 (0.196)		
Education Level (1 if college degree, 0 otherwise)	EDUCATE	(0.041) (0.501)		
Quantity of Insurance on the respondent (in 000s	QUANT	-0.000 (0.168)		
Marital Status of respondent (1 if married, 0 if single	MARITAL	0.206 (0.123)	0.173 (0.129)	
Gender of respondent (1 if male, 0 if female)	GENDER	-0.111 (0.276)		
I trust my life insurance company.	TRUST 1	**0.280 (0.000)**	**0.266 (0.000)**	**0.274 (0.000)**
I plan to change life insurance companies in the near future.	TRUST 2	**0.170 (0.003)**	**-0.172 (0.003)**	**-0.178 (0.001)**
I have a long business history with my insurance company.	TRUST 3	0.014 (0.775)	0.011 (0.818)	
The companies who underwrite my life insurance policies are safe.	SAFE	**0.132 (0.069)**	**0.128 (0.068**	
I regularly see or hear advertisements presented by my life insurance companies	ADS	-0.038 (0.336)	-0.036 (0.363)	

Variable Description	Variable Name	Full Model	Model 2	Model 3
My life insurance company handles all claims and paper work efficiently and effectively.	CLAIM	**0.180** **(0.008)**	**0.188** **(0.005)**	**0.184** **(0.003)**
My life insurance company puts my goals and needs above their own.	GAN	**0.189** **(0.001)**	**0.208** **(0.000)**	**0.209** **(0.000)**
My life insurance company provides a variety of financial products that meets all of my financial needs.	PROD	0.007 (0.899)	-0.004 (0.944)	

We also incorporated a categorical variable for the different distribution methods to test if there is a shift in the slope coefficient of specific independent variables. Thus, we incorporated an additional set of variables (not shown here) equal to the initial set of variables multiplied by both of the categorical (0, 1), (0,1) variables. Although a shift in the slope coefficient of the PROD variable is found to be significant, the model experienced significant multicollinearity and resulted in unstable coefficients for the remaining variables. We also employed factor analysis (PROC FACTOR via SAS) on the data, but it did not generate any additional insight as the first factor was strongly linked to the variables showing statistical significance in our Model 3.

Endnotes

a. Approximately 49% of the U.S. population is male and 67% of the population is married or widowed (U. S. Department of Commerce, 1997) . The average age of the population is 34.6, but 32% of the population is under age 20. Assuming an average age of 10 years in this group, this would give us an estimate of 46.2 years for the population over age 20. Each of these numbers is reasonably consistent with our sample. Comparative figures for income available in the Statistical Abstract are based on "households" rather than individuals. Therefore, the 1995 data (36.9% of households had less than $25,000 income and 31.9% greater than $50,000) is not the best comparison but appears to indicate a higher income for respondents. This would be consistent with the vendor having a list of names that is slightly biased towards those individuals with greater income resources because of the nature of their business -- direct marketing.

b. A complete analysis of those consumers responding to the survey and those not responding showed no statistical differences relating to geographic region, age, gender, marital status, and income class.

c. We also examined differences due to the method of distribution, agent-only or agent-direct, and could not conclude any relevance due to high multicollinearity and instability in the sign and magnitude of the coefficients. The three least correlated statements are related to agent competence -- academic background of the agent, professional designations, and the length of time as agent. These are all quantifiable items by a consumer and rank relatively low compared to the highest correlated item -- a knowledgeable agent. This is the other competency question, but it is not nearly as quantifiable as the others making it difficult to measure. In other words, the perception of the consumer is much more important than quantifiable competency issues in determining consumer satisfaction with their agent.

d. This model was generated with the SAS routine, PROC REG using a SELECTION alternative of FORWARD. The addition of subsequent variables did not improve the explanatory power, Adjusted R^2, of the model and did not result in additional insight. In addition, PROC FACTOR was also employed, and was consistent with the reduced Model 3.

e. An additional analysis breaking the dataset into those consumers who planned to change agents and those who did not resulted in no additional insight, as results were nearly identical.

f. An examination of correlations of consumer statements were also completed regarding institutional satisfaction. The correlations among the three subgroups are all very similar. Trust is dramatically less on whether direct-only purchasers will change

life insurance companies in the future. This implies that these consumers are more likely to switch companies if they become unhappy or if there has not been a sufficient amount of time to build trust to the level of an agency-based firm. The prior view is strengthened given the much lower correlations between whether the institution places consumer goals and needs above their own and if they provide a variety of financial products. This is likely because many of the life insurance direct sellers focus almost exclusively on providing term insurance and term insurance is essentially a commodity-type product.

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