EXECUTIVE SUMMARY

Life Insurance Consumer Quantitative Research Study

By the Life Insurance Consumer Advocacy Center

Overview

The Life Insurance Consumer Advocacy Center (LICAC) commissioned a nationally representative survey of 203 consumers who purchased life insurance within the past 10 years to investigate consumer experiences, understanding, satisfaction, and the role agents play in shaping informed decisions. The survey found that most consumers do not understand that the life insurance agent represents the insurance company and mistakenly believe that agents are legally required to act in the consumer's best interest. Consumers have little understanding of how their agents are compensated.

Key Findings

- At the time they bought their policy, most policy owners (65.5%) incorrectly believed their agent had a legal obligation to act in their best interest. Only 7.3% knew that no such obligation existed. The remainder had no understanding one way or the other.
- Very few policy owners (10.3%) understood that the agent represented the insurance company. 41% incorrectly believed that the agent represented the policy owner, and another 36% incorrectly believed that the agent represented them and the insurance company equally. 3.4% believed the agent represented only the agent, and the remainder were unsure.
- Most consumers do not know how their agent is compensated, with only 35% understanding that the agent's compensation is commission-based, determined as a percentage of the premium paid by the policyholder. Although agent commissions often equal or exceed 100% of the first-year premium paid, only 6.4% of consumers understood that commissions could be that high.

Recommendations

- Establish a best interest obligation for agents or, at a minimum, require disclosures explicitly informing consumers that the agent represents the insurance company and has no obligation to act in the best interest of the policy owner. Establish that insurance companies have an obligation to supervise appointed agents regardless of their employment status.
- Expand consumer education on agent compensation and require disclosure explaining agent compensation as part of the policy purchase process.

Bottom Line

The survey demonstrates a significant gap between what consumers believe about their relationship with their life insurance agent and the legal obligations that actually exist. Closing that gap, through stronger consumer protections and clearer disclosure requirements, should be a priority for policymakers and the insurance industry.