

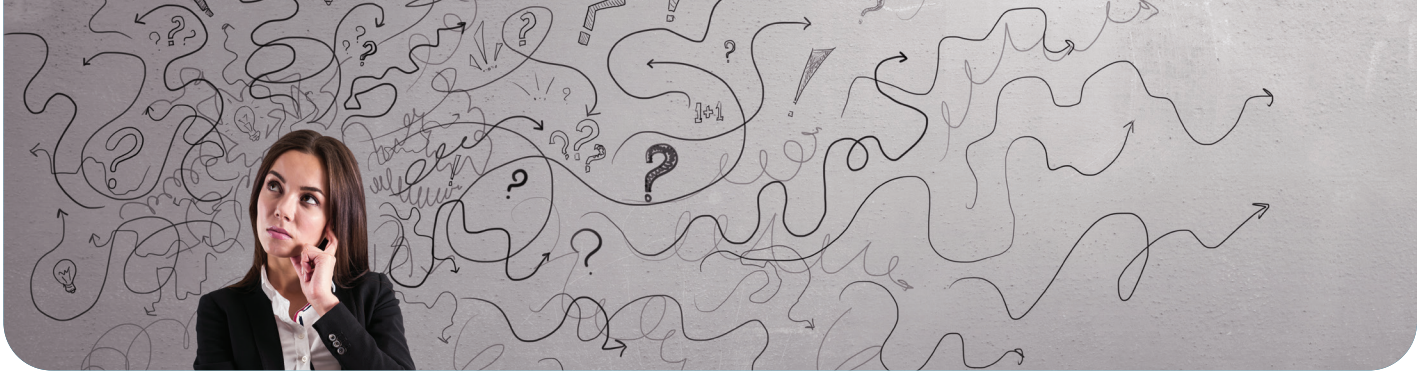
Expert Views

Consumers' Attitudes Towards Life Underwriting:

Behavioral Insights on
Life Insurance Product Design

SCOR
The Art & Science of Risk

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Executive Summary

SCOR's Behavioral Science team, in partnership with the Université Paris Nanterre, undertook a research initiative to look deeper into the mechanism of how and why people make specific decisions when it comes to purchasing life insurance. This article, a part of this Discrete Choice Experiment (DCE) study series, focuses on consumers' attitudes toward the provision of health information and the availability of a prevention program in the context of what these results can tell us about consumers' attitudes towards underwriting.

Key findings:

- Consumers show strong negative utility, the total satisfaction received from consuming a good or service, or attitudes towards the requirement to undergo medical tests during the underwriting process. This tendency is greater for women than for men and for the older age group (55-75) than the younger group (25-45). They also require a reduction in monthly premiums if they need to go through medical examinations. This finding supports the ongoing shift in the insurance industry towards an accelerated underwriting process, where medical tests are not required.
- The insurance target market group showed an even stronger aversion to taking medical exams as a part of the underwriting process than the general population, indicating they demand a monthly premium discount of €14 on average, more than double the amount of the general population.
- Meanwhile, the results also found that the availability of an annual medical check-up as a part of a prevention program has a significant positive effect on utility. This result suggests an opportunity for life insurers to make the medical test requirement during the underwriting process more attractive for consumers by offering the results of the tests back to them as a benefit.
- While consumers are averse to undergoing medical tests during the underwriting process, the results found that they are indifferent between filling out a lengthy health underwriting questionnaire and providing no health information. This is interesting in the context of the recent drive to reduce the length of applications. The results suggest that a shorter application form may not be as important to consumers as other features when purchasing a life insurance policy.



Introduction

The life insurance purchasing journey may be a lengthy and winding road in consumers' view. It is understandable – many other financial products, such as credit card and auto insurance applications, take much less time.

Purchasing life insurance is no easy task. First, applicants must choose the products from dozens of options that best suit them. Then, they must fill out many forms, disclose private information they prefer to keep to themselves, go through medical exams if needed, and endure the waiting game until they are finally approved.

Today, we see many life insurers around the world attempting to change this perception by promoting a “quick and easy,” “no exam,” or “instantly approved” application process, hoping that would increase the number of people who own life insurance. Many of these processing speed accelerations are now possible thanks to technological advancements. But what about non-technical aspects of product design and the application process? From consumers' point of view, what touchpoints of the life insurance customer journey do they value, or which ones can they do without? In simple terms, which factors influence consumers' decision-making in buying life insurance products?

To deep-dive into understanding what is in consumers' minds when they choose and buy life insurance products, SCOR's Behavioral Science team in partnership with the Université Paris Nanterre undertook a research initiative to look deeper into the mechanism of how and why people make specific decisions when it comes to purchasing life insurance.

To gain insights into which life insurance product features are perceived to be most important to consumers, the study applied the Discrete Choice Experiment (DCE) methodology. The DCE allows researchers to quantify the value respondents place on the attributes of goods and services relative to other attributes. The DCE further enables researchers to explore whether and to what extent they are willing to trade off less of one attribute for more of another.

More than 1,000 people were surveyed, with a diverse pool of participants representing the general French population, self-employed individuals, and the insurance target market. To learn more about the DCE methodology and the background of this research initiative, refer to our previous Expert Views article titled [“Toward a Better Understanding of Insurance Purchase Behavior through a Discrete Choice Experiment.”](#)¹



Survey Methodology

In the DCE survey, respondents were given several options mirroring what they would face while purchasing life insurance policies and asked to state their preferences across several alternatives in a series of choice tasks. A choice task is composed of a set of alternatives (options) characterized by various attributes.

By varying the levels of the attributes across the alternatives in the choice tasks, the responses allow researchers to determine what shapes the preferences of individuals and the relative importance of attributes. The inclusion of premium as one of these attributes enables additional analysis of willingness to pay (WTP) for each of the features of the life insurance policy.

The experiment was based on 20-year term life insurance contracts. The attributes and levels used to describe the insurance policies in the SCOR/Nanterre study are shown in Figure 1 on the next page.

In this article, we focus on the results and findings for two attributes - the Health Information and the Prevention Program attributes in the context of what these results can tell us about consumers' attitudes towards underwriting. A deeper dive into the other attributes will be explored in other articles in this series.

The policies presented to the participants in the study during the choice tasks included a description of how health information would be gathered during the application process, if applicable, to allow insurers to complete the

underwriting process.

Figure 2 outlines the different levels of this *Figure 2 – Health Information*

Health information	<ul style="list-style-type: none">• No information• Declarative questionnaire: Provide information about your health, family history, and consumption behaviours (tobacco, alcohol, ...)• Medical examinations and medical tests: blood tests, urine tests and an electrocardiogram.
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attribute presented to the survey respondents during the choice task exercise.







We used two principal metrics to measure the results of the study: Utility and Willingness to Pay (WTP).

Utility is a term in economics that refers to the total satisfaction received from consuming a good or service. Economic theories based on rational choice usually assume that consumers will strive to maximize their utility.

Willingness to Pay (WTP) is a common metric used to analyze the results of a DCE. It represents the increase in premium that consumers are willing to pay to have a specific desirable characteristic included in their insurance contract. Conversely, we can also estimate the minimum decrease in premium that participants require to accept a contract with a specific non-desirable characteristic.



Figure 1 – Attributes & levels

Attribute	Levels
<p>Benefit payment method</p> 	<p>Specifies how benefits are paid. Two cases are possible:</p> <ul style="list-style-type: none"> • Lump sum: the beneficiary receives a single payment of €100,000 at the time of death • Income: the beneficiary receives a payment of €10,000 plus interest each year following the death for 10 years
<p>Health information</p> 	<p>Indicates the health information that is requested when subscribing to the contract. Three cases are possible:</p> <ul style="list-style-type: none"> • No information • Declarative questionnaire: You must give information about your state of health, your family history, your chronic conditions and diseases, your consumption behaviours (tobacco, alcohol, ...) • Medical examinations and medical tests: You need to do blood tests, urine tests and an electrocardiogram
<p>Prevention Program</p> 	<p>Specifies the type of prevention program included in the contract. Three cases are possible:</p> <ul style="list-style-type: none"> • No prevention program • Annual medical check-up: offered every year for the duration of the contract • Personalized prevention program: This program is accessible through a health and wellness application that offers personalized information and recommendations.
<p>Additional Benefits</p> 	<p>Indicates the additional benefits that you or your beneficiary can receive during the 20 years of the contract. Three cases are possible:</p> <ul style="list-style-type: none"> • No additional benefits • Payment of a daily fee for hospitalization (€50) if you are hospitalized for more than 3 days • In case of death by accident, payment of an additional €100,000 to the beneficiary. This amount is paid in addition to the amount provided for in the contract.
<p>Survivors' Benefits</p> 	<p>Indicates the additional benefits that you or your beneficiary can receive after the end of the contract (20 years) if you are alive. Three cases are possible:</p> <ul style="list-style-type: none"> • No benefits • Reimbursement of 50% of the premiums paid: They are reimbursed to you if you are alive once the 20 years have elapsed. • Financing funeral expenses: €5,000 will be paid to your family at the time of your death to finance the funeral expenses
<p>Monthly Premium</p> 	<p>Gives the amount you need to pay to the insurance company every month. Three cases are possible:</p> <ul style="list-style-type: none"> • €26 • €37 • €48



Results Overview

Key Findings:

Health information

- Consumers are averse to medical tests
- But they are indifferent towards a declarative questionnaire

Health information utility and WTP

The survey results on consumers' attitudes towards the health information gathered during the underwriting process revealed two valuable major findings:

(1) Respondents are indifferent between filling out a lengthy health underwriting questionnaire and providing no health information.

The first finding is particularly interesting given the recent drive and efforts by many insurance companies to reduce the complexity and length of applications and the time taken to complete them. Prior to the survey, one may have expected that providing no health information as part of the underwriting process and the convenience associated with this approach would have been viewed positively by participants. However, the results showed no strong evidence to support that assumption.

Many respondents were indifferent. Perhaps this is due to consumers' acceptance based on their perception that this is how insurance is done – that applicants will always be required to fill out some type of questionnaire and provide health information. Or perhaps it is because other product features are more important to participants when comparing products and conditions, and the amount of health information they need to provide is not that much of a burden.

During the survey, participants were asked to choose policies based on the full combination of various product features, which was close to the real situation of buying their insurance policies.

This captures more closely the “real-life” context in which insurance decisions are made and provides insights into how participants compare declarative health underwriting questionnaires in the context of the overall life insurance product selection.

(2) The requirement asking respondents to undergo medical tests when applying for insurance generates a significant negative effect on utility.

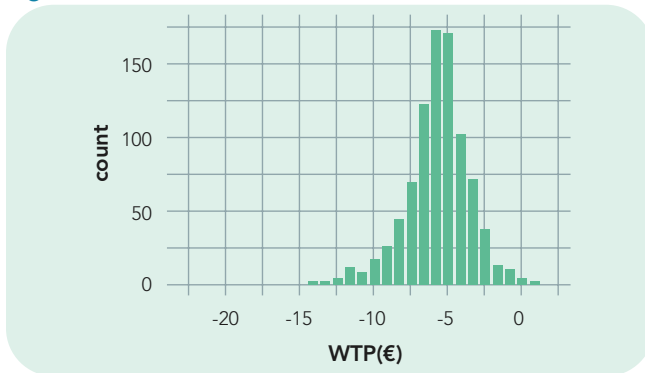
Although we saw no impact on the utility of completing a lengthy health questionnaire, **our survey results show a strong negative impact on respondents' utility for the requirement to undergo medical tests.** This suggests a positive endorsement of the life insurance industry's effort to shift towards an accelerated underwriting process, where medical tests are not required.

The strong negative utility or attitude towards undergoing medical tests can also be quantified through the willingness to pay (WTP) metric, which allows us to calculate how much of a reduction in premium participants would require to accept this intensive underwriting process which they perceive negatively. The results show that the average respondent thinks medical examinations and tests are acceptable as part of the underwriting process only if the monthly premium is reduced by on average €5.73 compared to no-exam options.

As shown in Figure 3, almost all participants display a negative WTP for medical tests, indicating that consumers expect to receive a premium discount if the underwriting process requires them to undergo medical tests. 65% of respondents said that this negative WTP, or the lower premium amount they will expect as a compromise, is -€5 or less, meaning that they want a reduction in monthly premium of approximately €5 if a policy with medical tests is proposed versus no medical tests or collection of health information.



Figure 3 Distribution of WTP for Medical Tests



In addition to the general population group, we also selected and analyzed a specific group of participants that represents the insurance target market. The WTP analysis shows that this group is more averse to taking medical tests as part of the underwriting process. While the general population require a discount of €5.73 for a contract that requires them to undergo medical tests as part of the application, this required discount increases to more than €14 for those in the insurance target market.

Possible reasons for the significant aversion to undergoing medical tests as part of the underwriting process could be:

1. The fear that undergoing medical tests will lead to a poor outcome for the applicant in the form of an increased premium or a less valuable policy due to a medical issue (so the aversion is anti-selective)
2. The perceived inconvenience of having to undergo tests with little or no perceived gain in return for this inconvenience
3. The perception that the process will be unnecessarily long and drawn out

Health information results for different groups

To dive deeper into these potential reasons for aversion to medical tests, we analyzed the results regarding respondents' aversion to undergoing medical tests as a part of the underwriting process more granularly by the different groups of participants:

1. General / Self-employed / Insurance Target:

We separated the respondents into three groups: general population, self-employed and insurance target market. Medical tests as part of the underwriting process generated a much higher negative utility among the insurance target market participants than the general population, but there was no significant difference for the self-employed.

Further exploring this result, we can say that given the insurance target market are more likely to have had some experience with insurance contracts, these participants are more likely to have gone through an application process that gave them negative experiences. Or it could be because they are more aware of the potential risk of any negative results from the medical tests leading to increased premiums.

2. Gender and Age:

We found that the requirement for medical tests as a part of the insurance application has a significantly higher negative effect on utility for women compared to men. In addition, the negative effect on utility of medical tests was significantly higher for the oldest compared to the youngest age group. This significant result by age could suggest an aversion that is due to poorer health and the likelihood that undergoing medical tests will result in a higher premium. However, an analysis by perceived health as outlined below suggests that this may not be the case.

3. Health:

We analyzed the results by the respondents' perceived health condition. Survey respondents were asked to self-assess their health on the scale: Excellent, Very good, Good, Acceptable, Bad, and Very bad. This information was used to create a Perceived Health variable with two groupings: At least good (Excellent, Very good, and Good) and the rest (Acceptable, Bad, and Very bad). Interestingly, attitudes to health information collected at application did not differ depending on their perceived health. There was no evidence from this study that those who consider themselves to be in poorer health are



more likely to be averse to undergoing medical tests as part of the underwriting process than those who perceive themselves to be in good health.

- 4. Risk Tolerance:** Another area explored in the study was the respondents' degree of risk tolerance. Respondents were asked to express their preference for a series of lotteries to assess their risk preferences. Based on the "lottery choices", respondents were classified into two groups: Risk Averse (those who prefer to accept a small but certain reward) and Risk Seeking (those who prefer any of the four out of five lotteries that have some probability of a higher reward but also a chance of a lower reward). The results found that the risk preferences grouping does not impact the utility for any level of the Health Information attribute.

Prevention program: medical tests versus annual check-up – two sides of the same coin?

The experiment also measured consumers' preferences for different types of prevention programs offered as a supplemental benefit to a life insurance policy. Participants were provided with a description of whether a prevention program is included in the policy, and if so, which of the following types of programs were offered:

Figure 4 – Prevention Program

Prevention Program	
	<ul style="list-style-type: none">• No prevention program• Annual medical check-up: for the duration of the contract• Personalized prevention program: accessible through a health and wellness application offering personalized information and recommendations.

The results provide some noteworthy insights into the attitudes to undergoing medical tests as part of the underwriting process.

Regarding the availability of a prevention program, the results found that the availability of an annual medical check-up has a significant positive effect on utility. This positive utility associated with an annual medical check-up as a policy feature is especially interesting in the context of the significant negative utility associated with having to undergo medical tests as part of the underwriting process, as discussed in the previous sections.

In essence, the process itself for both is quite similar – they both involve seeing a medical professional to undergo medical exams and tests. Yet, when presented in different contexts, opposite reactions are elicited – positive if it is embedded in a prevention program but negative if it is required during the underwriting process. This result may suggest that there is an opportunity to make the underwriting requirement to undergo medical tests more attractive for consumers by framing the ask differently or by offering the results of the tests back to the consumer, so that it is perceived rather as a service by which something is given back to the consumer in return for their time.

Evidence of the appreciation of this type of reciprocity can be found in other sources, such as the Remark/SCOR Digital Solution's 2023/2024 Global Consumer Survey.² In the survey, respondents were asked if they were open to the idea of receiving information from insurers about their risk of getting certain illnesses such as cancer, diabetes or a heart attack based on their medical check-up information. Most respondents, who are the younger generation, responded very positively. 75.9% of Gen Zs and 71% of Millennials said they would be open to the idea.

In addition, 92% of those who said yes responded they would be happy to follow advice from their insurer on how they can get healthier and reduce their risk of disease. This suggests that consumers, particularly younger generations, are very open to the mutually beneficial relationship with their insurer in maintaining their health and wellness.



Conclusion

Our study found that consumers have negative utility or attitudes associated with undergoing medical tests as part of the underwriting process. But it is most likely due to the perceived inconvenience of the process, and not necessarily as a result of anti-selection.

This assessment, coupled with the positive utility associated with offering an annual check-up as part of a prevention program suggests an opportunity for the life insurance industry to improve the perception of this part of the underwriting process. Finding a way to make the medical exams and tests feel like less of a burden to applicants and more like there is something positive for them to extract from the process might improve consumers' perception of life insurance underwriting and their willingness to pay.

Endnotes

1. [Towards a Better Understanding of Insurance Purchase Behavior through a Discrete Choice Experiment | SCOR](#)
2. [Our 10th Global Consumer Study | ReMark \(remarkgroup.com\)](#)

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