

The Geneva Association's report, "Addressing Obstacles to Life Insurance Demand," published in April 2020, reveals a notable decline in life insurance penetration in mature economies, with premiums as a share of GDP decreasing from 5.4% to 3.8% since the early 2000s. This decline raises concerns, particularly in light of aging populations and increasing health risks, such as those highlighted by the COVID-19 pandemic. Key barriers to life insurance demand identified in the report include behavioral biases, economic constraints, and a lack of knowledge about insurance products. A survey of 7,000 customers across seven mature markets indicated that over 50% were unaware of essential products like endowment and unit-linked insurance, with only 7% owning critical illness or retirement annuity insurance. Many respondents cited affordability and a perceived lack of understanding as reasons for delaying or ruling out insurance purchases.

To tackle these challenges, the report recommends that insurers innovate existing products to enhance customer-friendliness and reduce reliance on interest rates, including the development of hybrid products and reframing annuities as protection rather than investment. Insurers are encouraged to improve underwriting processes and customer segmentation to alleviate price sensitivity and address operational costs to enhance competitiveness. Furthermore, increasing awareness and education about insurance is deemed vital, with suggestions for collaboration between insurers, public authorities, and educational institutions to integrate basic insurance knowledge into curricula. The report emphasizes that while some solutions are within the insurance industry, broader societal engagement is necessary to stimulate demand and improve preparedness for future risks.

The document also highlights low awareness and understanding of various insurance products among respondents, noting that 53% were unaware of annuity insurance and 47% were unfamiliar with critical illness insurance. In contrast, term life insurance is the most recognized product, with two-thirds of respondents aware of it, while whole life insurance is known to 58%. Term life and whole life insurance are the most popular, held by 16% and 13% of respondents, respectively,

whereas critical illness, retirement annuity, and endowment/unit-linked insurance have much lower penetration rates. Motivations for purchasing term life insurance primarily focus on family protection, with trust in insurers and cost-benefit considerations being secondary. For retirement annuity insurance, investment considerations are more prominent, although concerns about retirement savings adequacy are also noted. Many respondents express intentions to buy term life insurance in the future, driven by motivations of family security and preparedness, but barriers such as affordability, lack of knowledge, and competing priorities persist.

The report delves into behavioral economics, illustrating how decision-making in insurance is influenced by psychological factors such as framing, anchoring, and the default effect. For instance, framing retirement annuities as a means to secure a desired standard of living can enhance their appeal. The findings suggest that addressing these behavioral patterns and improving awareness could help overcome obstacles to life insurance demand. The document also discusses the "annuity puzzle," where individuals often perceive annuities as a gamble rather than a means to secure lifelong consumption, with factors like bequest motives and precautionary measures against long-term care costs contributing to a preference for lump-sum payments. Loss aversion significantly impacts insurance decisions, as individuals tend to weigh potential losses more heavily than gains, leading to a preference for products that guarantee returns.

Additionally, the report addresses behavioral biases such as overconfidence and hyperbolic discounting, which can lead to underestimating risks and a preference for immediate rewards over future benefits. Economic determinants like affordability and perceived value for money are crucial, with evidence showing that price sensitivity affects insurance demand. Many consumers overestimate the cost of life insurance, contributing to a significant protection gap in the U.S. market. The text emphasizes the importance of financial literacy and education in increasing insurance demand, noting that higher education levels correlate with greater awareness of insurance needs. Recommendations for insurers include rethinking product offerings to adapt to low-interest

environments and demographic changes, focusing on holistic solutions that address customer needs beyond traditional insurance products.

The document also highlights innovative offerings aimed at enhancing customer service and addressing cognitive health, particularly concerning dementia. Nippon Life provides a mobile app for customers to assess cognitive functions and receive personalized health insights, while Dai-ichi Life's dementia insurance product includes a mobile app for cognitive testing and health promotion. The report underscores the need for product simplification and enhanced customer experience to reduce price sensitivity, noting that many customers find life insurance complex and opaque. Accelerated underwriting and innovative product combinations are suggested to stimulate demand. The Geneva Association Customer Survey reveals significant variations in life insurance purchasing motives across different countries, with family protection and preparedness being predominant factors. Barriers to purchasing insurance, including affordability and lack of knowledge, vary by region. Overall, the document emphasizes the critical role of life insurers in adapting to societal challenges, such as an aging population and evolving health needs, and concludes with recommendations for strategic interventions to enhance life insurance demand and stimulate market engagement.