



1785

The University of Georgia

**National Association of Insurance Commissioners
Insurance Disclosure Focus Group Study**

**Conducted for the National Association of Insurance Commissioners
By the Survey Research Center at the University of Georgia**

Report Prepared by

**James J. Bason, Ph.D.
Director and Associate Research Scientist**

and

**Mary Ann Mauney, M.A.
Assistant Director**

March 2005

NAIC Insurance Disclosure Focus Group Study

Study Objective

During December 2004 and January 2005, a series of three focus groups were conducted by the Survey Research Center at the University of Georgia under contract from the National Association of Insurance Commissioners (NAIC). The purpose of the study was to examine knowledge about insurance disclosure statements, understanding of the language of insurance disclosure statements, and respondent suggestions on ways to increase the effectiveness of insurance disclosure statements for consumer understanding of insurance policies. Focus groups were held in a southern metropolitan area (Atlanta, Georgia), a rural area (Thomasville, Georgia), and a western metropolitan area (Phoenix, Arizona) in order to represent a broad socioeconomic spectrum of insurance consumers. Data collected in the three focus groups are summarized below in an Executive Summary highlighting major findings of the study and comparing differences of respondents in each area, followed by a more in depth summary of each of the three individual focus groups.

Methods and Procedures

Focus group participants for each focus group were recruited by telephone using a random digit dialing (RDD) technique. Each focus group participant was screened to insure that (1) the participant held at least two insurance products relevant to the study, and (2) the participant was not employed by or otherwise directly involved in the insurance industry. The RDD recruitment procedure was intended to produce a sample of participants representing a diversity of gender, ethnicity, and urban/rural status. A total of twenty-four participants were recruited and participated in the focus groups across the three study cities (See Table 1). The participant pool included seven white females, five white males, five African-American females, three black males, one Hispanic female, one Hispanic male, and one Asian male. Each focus group participant was paid an honoraria of \$50.00 for participation in the one and a half hour focus group session. Focus groups were held at a conference room rented at a hotel in each of study locations. Participants were provided with refreshments at each session. Focus group sessions were video and audio taped to assist in transcription of the focus group sessions.

Table 1**Focus Group Participant Pool**

	n	% By Location	% Total Participant Pool
<i>Atlanta:</i>			
White Female	2	22.2	8.3
White Male	1	11.1	4.2
African-American Female	5	55.6	20.8
African-American Male	1	11.1	4.2
Hispanic Female	0	0.0	0.0
Hispanic Male	0	0.0	0.0
Asian Male	0	0.0	0.0
TOTAL	9	100.0	37.3
<i>Thomasville, Georgia:</i>			
White Female	1	14.3	4.2
White Male	2	28.5	8.3
African-American Female	0	0.0	0.0
African-American Male	2	28.5	8.3
Hispanic Female	1	14.3	4.2
Hispanic Male	0	0.0	0.0
Asian Male	1	14.3	4.2
TOTAL	7	99.9	29.2
<i>Phoenix, Arizona:</i>			
White Female	4	50.0	16.7
White Male	2	25.0	8.3
African-American Female	1	12.5	4.2
African-American Male	0	0.0	0.0
Hispanic Female	0	0.0	0.0
Hispanic Male	1	12.5	4.2
Asian Male	0	0.0	0.0
TOTAL	8	100.0	33.9
<i>Participant Pool:</i>			
White Female	7	----	29.2
White Male	5	----	20.8
African-American Female	6	----	25.0
African-American Male	3	----	12.4
Hispanic Female	1	----	4.2
Hispanic Male	1	----	4.2
Asian Male	1	----	4.2
TOTAL	24	----	100.0

Executive Summary

Study participants were asked to read and then discuss three separate insurance disclosure statements: a Life and Annuity Replacement Disclosure, a Privacy Disclosure, and the Summary of Life and Health Insurance Protection Association Act and Notice Concerning Coverage Limitations and Exclusions Disclosure. The language of the disclosure statements discussed were provided by NAIC and intended to represent a generic disclosure applicable to all states.

- Consumers indicated limited understanding of the insurance disclosures they read, and when respondents indicated understanding, subsequent comments often revealed how limited their understanding actually was.
- Consumers look to insurance disclosures to make them feel better about their insurance purchase and to empower them with more information about the actions available to them. A disclosure may also motivate action by raising concerns or questions. If that is combined with specific information about how to take action to address concerns or questions, then that is a positive outcome. If there is no information about an appropriate action in the disclosure, consumers were frustrated, intimidated, and irritated.
- Consumers responded more positively to more specific information. Examples included questions for the consumer to ask.
- In general, consumers assumed they would receive disclosures *before* they buy a policy.
- In general, many consumers said they would like to have someone explain the disclosure to them. Many indicated they would expect that to their insurance agent.

Ideas About How to Make Disclosures More Useful

Organization:

- A heading that communicates the value to the consumer of reading the disclosure
- The most important information near the beginning (i.e. the purpose, action required)
- Break information into sections

Presentation:

- Make the disclosure as short as possible
- Use shorter sentences
- Use a format that looks readable (bullets, charts, lists)
- Use color and highlighting to emphasize important points and signal section changes
- Use a larger font
- Make the disclosure look important (put it on different color or type of paper; present it separately from other paperwork)
- Highlight any action suggested or required
- Be as straightforward as possible
- Don't use small sheets of paper (which require small font)

Content

- Require and action – signature/initials/checklist
- Don't repeat information
- Provide examples
- Provide a way to get more information online and by phone or in person or by e-mail
- Include a glossary
- Don't provide information about x + y to the consumer who only has x or clearly label sections so the consumer can go directly to the information relevant to their purchase

Summary of Responses to Individual Disclosure Statements

Life and Annuity Replacement Disclosure:

- Respondents across all three groups reported at best a limited understanding of the basic disclosure language of the Life and Annuity Replacement Disclosure. There did not appear to be differences in level of understanding based on gender or ethnic differences. Subsequent discussion of the disclosures reinforced the impression that their understanding was limited. Respondents in the Phoenix, Arizona session reported some difficulty in understanding the concept of financed purchases. A number of respondents in both the Phoenix and Thomasville sessions reported that the language was too wordy and required multiple reads to understand the language.
- Respondents across all three groups reported the second page of the disclosure that presented key pieces of information about a Life and Annuity Replacement Disclosure was the most important piece of information in the disclosure language, and generally agreed that this was the most helpful information in the disclosure.
- Respondents all felt that the information provided in the disclosure was important information to have, but most felt that the average consumer would not read the entire disclosure due to the language on the first page. Over 30.0% of respondents (8 of 24) across the three sessions reported that they definitely would not read, or would not read all of the disclosure if it were attached to a policy they bought.
- Respondents suggested a number of ways to improve the disclosure, including the use of color or a different font to draw attention to important parts of the disclosure (Phoenix, Atlanta), a checklist or bullet points with important points for the consumer to read (Phoenix, Atlanta), or in chart form (Thomasville). Finally, it was suggested that a link to a web site with explanatory information might be helpful (Thomasville).

Privacy Disclosure:

- There was some general misunderstanding of the Privacy Disclosure language across the three groups, although there did not appear to be systematic differences based on gender or ethnicity. The primary reason for misunderstanding the language in the disclosure was the phrase ‘unless permitted by law’, and not knowing what would actually be permitted under the law. Respondents in each of the three cities cited this portion of the disclosure. There appeared to be uniform understanding across the three groups that the disclosure dealt with release of personal information to other companies and the procedure for requesting that personal information not be disclosed.
- Respondents uniformly cited the section of the disclosure providing a telephone number and opt out procedure as the most important information provided in the disclosure.
- The discussion was sidetracked to varying degrees in each of the focus group sessions by the generic format of the disclosure.
- Although most respondents reported that they would read the disclosure if it was attached to a policy they purchased, some segment of each group reported it was not likely they

would read the disclosure, and that they had not read the disclosures they had already received.

- Suggestions for improving the Privacy Disclosure included changing the title of the disclosure (Phoenix), less repetition in the language and perhaps a small section highlighting the most important points (Thomasville), and an explanation of ‘disclosures permitted by law’ (Atlanta).

Summary of the Life and Health Insurance Protection Association Act and Notice Concerning Coverage Limitations and Exclusions:

- There was a limited understanding of the disclosure across the three groups with the greatest understanding in Thomasville, Georgia. The initial response to the Summary of Life and Health Insurance Association Protection Act Disclosure Statement varied significantly across the three focus groups. The Atlanta group had the most negative comments about the disclosure, noting that it was too broad, contained too much information, was cumbersome to read, and contained too many exceptions. In contrast, the Phoenix group reported it was the easiest of the three disclosures to read, liked the explanation of exceptions, and felt the format of the disclosure was good. Respondents in the Thomasville group also felt the disclosure language was easy to read, liked the format of the disclosure, and felt it was the easiest of the three disclosures to understand.
- Important points noted in the disclosure were the limitations and exclusions (Atlanta), and coverages and exclusions (Phoenix).
- As with the previous disclosures discussed, most reported they would read the disclosure, although some reported they would not.
- Suggested changes to the disclosure statement included reducing the amount of information being presented and focusing more on the exceptions (Atlanta), changing the formatting and title (Thomasville), and use of color or a checklist to highlight important points in the disclosure (Phoenix).

Communication Between Agents and Consumers:

- Respondents in all sessions agreed that a call from the insurance company to discuss disclosures would be helpful, and that more personal service would be positive. In this sense, respondents seemed to overwhelmingly prefer being read a disclosure, but only if an agent or other person explained the language they read.
- When asked if they usually read the disclosures attached to insurance products, responses were again varied, with some reporting yes and some reporting no.
- Respondents seemed to suggest that more concise, shorter disclosures were preferable, but only if all key points consumers needed to know were included in the disclosure. Several respondents expressed frustration with the amount of jargon included in disclosures, and the specific way insurance disclosure statements are written.

Summary of Responses by Focus Group Site

Life and Annuities Replacement Disclosure

Atlanta, Georgia:

- There was some indication respondents didn't understand everything, but in general they did.

Thomasville, Georgia:

- The exchanges demonstrated they didn't understand the disclosure. Several respondents specifically stated that they didn't understand the disclosure. It seemed even more apparent they didn't understand the disclosure when their answers to the 'anything you're expected to do' questions were nonresponsive.

Phoenix, Arizona:

- Respondents didn't really understand the disclosure. There were too many things in the disclosure that weren't relevant to the insurance experience (financed purchased, annuities).

Respondents looked to the disclosure to make them feel more comfortable about their purchase, to empower them – and the disclosures did not achieve that.

Privacy Disclosure

Atlanta:

- Respondents were somewhat sidetracked by discussions about a basic disagreement with the idea that consumers should be required to opt-out instead of opting in. Respondents were frustrated by important missing information. For example, respondents asked what is permitted by law and felt the disclosure should have provided that information. Respondents tended to comment positively on specifics, such as what questions should they ask, and types of personal information to be sold. Respondents appeared to assume that they would have these disclosures *before* they bought the policy.

Thomasville:

- Respondents were sidetracked by the generic format of the disclosure. They described the disclosure as repetitious. Respondents were also frustrated by the 'as permitted by law' phrase. Respondents assumed that if you called the telephone number provided in the disclosure they could talk with someone about what was 'permitted by law'. The disclosure made respondents more concerned about the confidentiality of their private information but also provided a way for them to act on that concern.

Phoenix, Arizona:

- Respondents were somewhat sidetracked by the format, and not very confident about their understanding of the disclosure. Despite saying they would read it all they agreed that they really don't read privacy disclosure when they receive them.

**Summary of the Life and Health Insurance Protection Association Act and Notice
Concerning Coverage Limitations and Exclusions**

Atlanta:

- It was not obvious that respondents understood the disclosure, with only the comments of one respondent indicating that they understood.

Thomasville, Georgia:

- There was some evidence that respondents did understand the disclosure, but the action they believed is implied was not correct. For example, respondents repeatedly indicated that it was in their interest to buy two policies from different companies.

Phoenix, Arizona:

- The limited discussion was too short to draw firm conclusions about respondents' understanding of the disclosure, but respondents reported that they thought they understood.