CONSUMER ACCESSING AND USE OF INFORMATION IN MAKING LIFE INSURANCE PURCHASE DECISIONS

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A Technical Report Submitted to the
Life Insurance Task Force
of the
FEDERAL TRADE COMMISSION

Under Contract No. L0226

June 1978

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GENERAL INTRODUCTION

This report describes the objectives, methods, and findings of two experiments. This research focused on elements which might be included in any life insurance cost disclosure system likely to be developed and sponsored by the Federal Trade Commission.

The first study (hereafter referred to as Study 1A) examined a variety of questions regarding how much and just which information consumers attend to in making simulated purchase decision.

The second study (hereafter referred to as Study 1B) examined which of several alternative formats for displaying cost information was best in terms of impact on the consumer's ability to rank order policies of different cost.

STUDY 1A: CONSUMER ACCESSING OF COST INFORMATION

Background and Objectives

The general question addressed by Study 1A is as follows: Given a simulated purchase situation containing those kinds of information typically available (or likely to be made available) to the consumer in an actual purchase situation (either as provided in the printed material he receives or as elicited by the consumer from the agent via direct questioning), how likely is he to acquire cost disclosure information, especially relative to these other types of information? This general question may be re-phrased in terms of questions reflecting five specific objectives.

Primary Objectives

1. To what extent to consumers access cost information when making a life insurance purchase decision?

2. To what extent do consumers access other relevant types of information which might be included in a cost information disclosure system?

3. Do written statements which might be included as part of a cost disclosure system increase the extent to which consumers compare the costs of policies and use indices other than premiums to do so?

Secondary Objectives

4. (a) How important are premiums (relative to cost) for prospective purchasers making life insurance purchase decisions? (b) Specifically, will people choose policies with low premiums even if they have higher costs?

5. Does the accessing of cost information relate to the selection of lower cost policies?

One might predict from the available literature on consumer information acquisition (regarding such factors as unit pricing and nutrition labeling) that few consumers would use life insurance cost disclosure information. However, the study was considered worth doing for at least three reasons. First, life insurance is a qualitatively different kind of product than those previously studied. Not only is it an intangible, but it represents a considerably more expensive and long-term purchase. Consumers may be more prone to pre-purchase information seeking in such "high risk" situations. Second, even if only a fraction of all life insurance purchasers effectively used cost disclosure information, the aggregate savings could be substantial, thereby making disclosure programs worth the effort and expense. Finally, consumers can and do change over time. Particularly as cost disclosure information becomes familiar

to them and appropriate consumer education programs are implemented (and also perhaps as a function of appropriate word-of-mouth communication), it is entirely possible that more and more consumers will begin to utilize life insurance cost disclosure information.

Methodological Approach

Sample

The sample consisted of 238 adults, approximately two-thirds male and one-third female, residing in and around Lafayette, Indiana. This convenience sample was obtained via solicitations made over the phone (for the more than 500 persons contacted by randomly selecting numbers from the phone directory), in newspaper ads, and to various community organizations (e.g., PTA, Jaycees, Lions Club, Kiwanis Club, etc.). Given that the investigation was exploratory and does not seek to statistically extrapolate to the population at large, such a convenience sample was considered suitable.

Individuals in the sample were required to meet the following screening criteria: be between the ages of 25 and 45, and have at least one dependent under the age of 15 living at home. This latter criterion was employed to insure that the subject had at least a modicum of "insurable interest."

The subjects were paid for their participation. Most received $10; the first 54 received only $5. An additional $1.50 was paid to the sponsoring organization for each subject that was solicited through (and participated on behalf of) that organization.

The basic sociodemographic characteristics of the sample are presented in Table 1. Satisfactory distributions appear to have been obtained for all the major variables of interest.

In addition to ascertaining general sociodemographics, questions were included to obtain an indication of the past experiences and policy ownerships of the subjects in regard to life insurance. Inspection of Tables 2 and 3, which provide these data, reveals that, except for the greater amount of family income and insurance coverage reported by group 5, subject assignments to the six groups did not result in the groups differing appreciably in regard to these variables.

More specifically, subjects reported having been contacted by a life insurance salesperson approximately 4 times over the previous five years (Table 2). Ninety one percent of the sample reported having life insurance at the present time (Table 3). This figure agrees exactly with the percentage of husband-wife families in the U.S. who carry some life insurance, according to industry sources (Institute of Life Insurance, 1973, p. 14). The subjects further reported having approximately two-and-a-third policies each for a mean coverage of $50,000 (Table 2). The considerable amount of skewness surrounding this last figure suggests that the median might provide a more suitable indication. The median amount of coverage was $35,003,375. Further, approximately 56% said they had some (or all) of their insurance through a group plan, 78% said they bought some of their insurance from a salesagent, and

Table 1. Sociodemographic characteristics of the sample.

Group:	1	2	3	4	5	6	Total	%
Source:	Control	NAIC	FTC	FTC	NAIC	FTC		
Trigger:	Absent	Absent	Absent	Present	Present	Present		
Buy Gde:	Absent	Present	Present	Absent	Present	Present		
Sex: Male	26	27	25	26	30	25	159	67
Female	14	13	14	14	11	13	79	33
Age: 25-29	10	7	14	11	8	10	60	25
30-34	21	13	14	14	14	9	85	36
35-39	4	11	4	10	8	13	50	21
40-45	5	9	7	5	11	5	42	17.5
Education: Grades Completed								
1-8	1	0	0	0		1	2	1
9-11	0	0	1	0		0	1	.05
12	11	11	8	7	10	12	59	24.5
13-15	14	12	8	11	7	5	57	24
16	8	8	15	7	16	9	63	26
17	1	1	2	5	0	2	11	5
18	4	3	2	7	7	5	28	12
19	0	3	1	1	0	0	5	2
20	0	0	1	2	0	3	6	3
21	0	2	0	0	0	1	3	1
22	1	0	1	0	1	0	3	1
Total family income for preceding year:								
$ 5,999 or less	0	1	3	0	1	0	5	2
$ 6,000-$ 8,999	3	6	2	4	1	3	19	8
$ 9,000-$11,999	8	5	2	5	5	5	30	13
$12,000-$14,999	4	5	8	5	4	4	30	13
$15,000-$17,999	4	8	4	5	5	8	34	15
$18,000-$20,999	8	7	4	9	5	6	39	16
$21,000-$23,999	7	2	5	4	3	4	25	10
$24,000-$29,999	5	2	4	7	4	5	27	11
$30,000 or above	1	2	4	1	13	3	24	10
no response	0	2	3	0	0	0	5	2
No. of children: 1 (Q.17a)	12	12	12	12	12	11	71	30
2	12	12	20	17	17	12	90	38
3	11	12	6	7	6	8	50	21
4	2	3	0	3	2	3	13	5
5	2	0	0	0	2	3	7	3
6	1	0	0	1	1	1	4	2
7	0	1	1	0	1	0	3	1
N =	40	40	39	40	41	38	238	

Table 2. Life insurance experiences and ownership; selected questions (means and standard deviation)

Group:		1	2	3	4	5	6	Total
Source:		Control	NAIC	FTC	FTC	NAIC	FTC	
Trigger:		Absent	Absent	Absent	Present	Present	Present	
BuyGde:		Absent	Present	Present	Absent	Present	Present	
N =		40	40	39	40	41	38	238
5. Agent contacts during past 5 years:	$\bar{X}$	4.27	3.68	3.97	3.95	4.22	4.18	4.05
	S.D.	1.40	1.49	1.22	1.45	1.51	1.21	1.39
7. No. of policies on own life:	$\bar{X}$	2.32	2.32	2.23	2.48	2.42	2.18	2.33
	S.D.	1.42	1.29	1.18	1.26	1.47	1.25	1.31
11. Total amount of present coverage:	$\bar{X}$	$49158	$46180	$51513	$48318	$62693	$46189	$50710
	S.D.	$49164	$51414	$60376	$53481	$61347	$53464	$54787

Table 3. Life insurance experiences and ownership; selected variables (percentage affirmative response).

	Group:	1	2	3	4	5	6	Total
	Source:	Control	NAIC	FTC	FTC	NAIC	FTC	
	Trigger:	Absent	Absent	Absent	Present	Present	Present	
	Buy Gde:	Absent	Present	Present	Absent	Present	Present	
	N =	40	40	39	40	41	38	238
6. Currently own life insurance?	% yes	90%	95%	95%	88%	88%	89%	91%
* 8. Own insurance through a group plan?	% yes-F	54%	61%	51%	68%	56%	74%	61%
	% yes-NF	50%	58%	49%	65%	49%	68%	56%
* 9. Bought insurance from an agent?	% yes-F	83%	90%	84%	90%	86%	77%	85%
	% yes-NF	75%	85%	79%	85%	76%	71%	78%
*10. Bought insurance through the mail?	% yes-F	3%	0%	8%	8%	3%	3%	4%
	% yes-NF	3%	0%	8%	8%	2%	3%	4%
*12. Expect to purchase life insurance during next 5 years?	% yes-F	45%	32%	51%	53%	38%	29%	41%
	% yes-NF	43%	30%	49%	50%	34%	26%	39%

*Note: The designation "% yes-F" stands for the percentage yes response "filtered," i.e., only for the subjects who responded "yes" to question 6. The "% yes-NF" represents the percentage yes response based upon the entire set of subjects in that group, as indicated at the top of each column. Thus, "% yes-NF" stands for the non-filtered percentage yes response.

4% said they purchased some of their insurance through the mail. Almost two-fifths (or 39%) of the total sample said that they expected to purchase some life insurance sometime during the next five years.

Design and Independent Variables

The basic experimental design represents a 2 × 3 fully-crossed factorial with approximately 40 subjects per cell (see Figure 1). There were two levels of a trigger factor (present or absent)* and three levels of a buyer's guide factor (none, NAIC, and FTC). This design enables us to examine the impact on information acquisition behavior of several types of "written statements" which might be included as part of a cost disclosure system. Specifically, the design enables us to compare two types of buyer's guides (one developed by the NAIC and the other developed by the FTC) against each other, both with and without their respective triggers and in comparison to a control (Group 1), the latter representing conditions as they are in the field today (i.e., no triggers and no buyers guides). Copies

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*A "trigger" is a brief statement alerting the consumer to the fact that he(she) might be able to save appreciable amounts of money by shopping around.

Trigger:	Absent			Present			
Buyers Guide:	None	NAIC	FTC	None	NAIC	FTC	
Group No.:	1	2	3	4	5	6	
No. of Subjects:	40	40	39	40	41	38	= 238

Figure 1. Study 1A design and cell sizes.

Notes:
1. Group 1 is the Control Group (having no trigger and no buyers guide).
2. The four groups of primary concern in terms of the FTC's educational statements (i.e., buyer's guides and triggers) are Groups 1, 3, 4, and 6.
3. The total sample is 238.

of the buyer's guides and triggers are presented in Appendix A.

Decision Task

Each subject engaged in a simulated life insurance purchase decision which involved "purchasing" (i.e., selecting) one out of three policies. Half the subjects in each group were asked to choose from among three whole life policies (all having a face amount of $10,000), and the other half were asked to make their choice from among two whole life and one term policy (all having a face amount of $10,000).

The always implicit "I would buy none of these" option was expressly prohibited; that is, subjects were forced to select one of the three available policies. The rationale underlying this decision is that the study was not designed to see which policy the consumer does or does not buy, but to see which information he looks at when he does make a purchase decision. The concern was that by permitting the subject to take advantage of a "none of these" option, we might find some subjects terminating information search because they felt they already had adequate coverage in real life or perhaps because they were participating in the study simply in order to earn $5 or $10.

Policies Tested

The specific information and policies used were selected by the FTC Life Insurance Task Force in order to provide a satisfactory test for achieving the earlier stated objectives. Almost all the information presented to the subjects was "real," i.e., actual information for specific product offerings currently available to the public (see Appendix B). Since data on agent commissions were not available, the information provided was accurate within the range of commissions typically paid.

It should be noted that cost disclosure information such as was provided in this study is typically difficult to obtain in the currently existing field situation. In contrast, this information was made readily available in our test situation. The underlying rationale is that we wished to test a state of events which might result from implementation of a cost disclosure program, not to test the state of events as they exist today. This same rationale underlies the FTC's desire to examine the impact of various education and motivational (i.e., "trigger") statements. Specifically, the levels of this factor (see "Design and Independent Variables" section above) are not present in the currently existing field situation, but could be present in future field situations as a result of regulatory activities.

the materials they were given (i.e., the information matrix as described in Appendix B, and the buyer's guide and/or trigger statement, as appropriate). Aside from the fact that the interviewers did not have the requisite knowledge themselves to answer many of the technical questions, considerable effort had gone into wording the information provided so that it was easily understood and would answer many of the questions that were anticipated.

Results

Findings which relate most directly to the stated objectives are discussed first and followed by a discussion of ancillary findings which provide additional perspective. In general, the data which relate directly to the stated objectives are based on the subject's behavior in the simulation task which the ancillary findings are based on the subject's subsequent verbal reports regarding his thoughts, feelings, and behavior.

Objectives 1 and 2, which address the extent to which consumers access cost and other types of information prior to making a purchase decision, can be considered jointly.

How Much Information Is Accessed?

To provide a context from which to discuss just which information is accessed, it is worthwhile to first consider how much information was typically accessed. These data are supplied in Table 4. From here it can be seen that the average length of information search, in terms of the total number of unique* items acquired,

*Exactly half (n=119) of the entire sample engaged in at least some re-accessing of information which they had previously accessed. The mean number of information values that were re-accessed was 1.878; thus the mean total length of search was actually (41.97+1.88=) 43.85 individual cards. The overall re-accessing rate was 4% and is comparable to earlier research with non-durable products. It is noteworthy that 36% of those who engaged in any re-accessing did so only once and the single individual who re-accessed information 33 times (which was 18 times more often than the subject who did the second greatest amount of re-accessing) contributed substantially to the 1.88 figure. In general, because subjects were provided with pencil and paper on which to make notes as they were accessing, one would expect little subsequent re-accessing to have taken place.

Table 4. Amount of information accessed.

Group:	1	2	3	4	5	6	Total
Source:	Control	NAIC	FTC	FTC	NAIC	FTC	
Trigger:	Absent	Absent	Absent	Present	Present	Present	
Buy Gde:	Absent	Present	Present	Absent	Present	Present	
N=	40	40	39	40	41	38	238
Unique items acquired:							
$\bar{X}$*	42.425	42.000	42.205	46.750	40.073	38.237	41.971
S.D.	16.134	18.655	22.860	15.689	21.637	17.971	18.989
Mdn.	39.00	41.00	39.25	46.000	33.25	35.50	
Policies considered:							
$\bar{X}$	2.925	2.875	2.846	2.925	2.781	2.684	2.840
S.D.	.267	.404	.432	.267	.475	.525	.411
Mdn.	2.96	2.94	2.93	2.96	2.88	2.80	
Dimensions considered:							
$\bar{X}$	17.950	18.200	18.027	18.275	17.512	17.132	17.853
S.D.	6.076	6.866	8.512	5.416	7.743	6.121	6.812
Mdn.	17.75	17.70	17.62	17.50	15.38	16.50	

*These figures exclude each subject's re-accessing of information which he/she previously accessed.

for the entire sample was 41.97 -- considerably more than the 9 to 11 items typically accessed by comparable groups of consumers making breakfast cereal, margarine, and analgesic purchase decisions (Jacoby and Chestnut, 1977).* Further, the average number of different types of information considered did not differ meaningfully across the various Groups, averaging 17.85 for all subjects. It can also be seen that, compared to the control group (Group 1), subjects receiving educational and/or trigger statements generally tended to access about the same amount of information.

It should be pointed out that subjects in this investigation most probably felt that they were "expected" to acquire information -- although their responses to item 6 of the subjective state battery suggests that this expectation and the pressure it produced were minimal. Regardless, no subject "purchased" a policy without accessing at least some information, and the amount of information accessed here probably more closely reflects an upper (rather than lower) limit of what the initial impact of written statements might be in the real world.

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*The three shortest search lengths were 2, 5, and 8 cards, while the three longest were 94, 95, and 99 cards.

Just Which Information Is Accessed?

In all, 13 of the 37 available information dimensions (or 35%) were considered to be either directly or indirectly cost-related. The 9 directly related dimensions were: company retention index, surrender cost index, net payment cost index, company retention yardstick, breakdown of premiums, year-by-year payments and benefits, surrender cost yardstick, year-by-year cost of protection and savings yield, and the net payment cost yardstick. The four indirectly cost related dimensions were: premiums, cash values, savings yield, and illustrated dividends.

Table 5a provides the basic data for the entire sample (n = 238) describing the relative degree to which each type of information was selected; Table 5b provides these same data for the five experimental groups (n=198); Table 6 provides these same data, but only for the Control Group (n=40). Column 1 of these Tables lists the rank order of the dimensions in terms of the number of subjects who accessed information from that dimension at least once. The actual number of these subjects, and the percentage that this represents out of the total sample of 238, are indicated in Columns 2 and 3, respectively. Column 4 describes the total number of times information was accessed from that dimension. Except for the dimensions Renewability, Premium for Renewal, and Convertability

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Rank Dimension Name	No. of Ss That Acq.	% of Ss That Acq.	No. of Times Dimen. Acq.	$\bar{X}$	S.D.	Median	% of Total*	Order of Availability on IDB	(4)÷(2) $\bar{X}$
1. Premiums	206	86%	592	2.487	1.401	2.750	.06	13	2.874
2 Name of Company.	203	85	555	2.332	1.217	2.741	.05	1	2.734
3 Cash Values	177	74	464	1.950	1.365	2.313	.04	16	2.621
4 Accidental Death	174	73	443	1.861	1.382	2.130	.04	24	2.546
5 Financial Rating	168	71	451	1.895	1.485	2.365	.04	11	2.685
6 Guaranteed Insurability	158	66	392	1.647	1.409	1.750	.04	23	2.481
7 Waiver of Premium.	158	66	383	1.609	1.303	1.833	.04	22	2.424
8 Policy Loan Interest Rate	150	63	388	1.630	1.671	1.739	.04	19	2.587
9 Passing Physical Exam Required	138	58	350	1.471	1.392	1.575	.03	33	2.536
10 Savings Yield	138	58	341	1.433	1.369	1.559	.03	26	2.471
11 Settlement Options	136	57	328	1.378	1.331	1.239	.03	21	2.412
12 In Business Since.	133	56	343	1.441	1.409	1.375	.03	7	2.579
13 Mutual or Stock Company?	132	55	333	1.399	1.425	1.065	.03	6	2.523
14 New York License	131	55	340	1.429	1.409	1.357	.03	9	2.595
15 Dividend Payment	131	55	293	1.231	1.335	.808	.03	12	2.237
16 Company Retention Index	129	54	343	1.441	1.530	1.056	.03	17	2.659
17 Surrender Cost Index	111	47	275	1.155	1.428	.437	.03	27	2.477
18 Other Kinds of Insurance Sold	110	46	261	1.097	1.323	.430	.02	8	2.373
19 Monthly, Quarterly, Semi-Ann'l Premium	109	46	254	1.067	1.307	.422	.02	14	2.330
20 Conditions for Reinstatement	107	45	242	1.017	1.249	.408	.02	34	2.262
21 Net Payment Cost Index	106	44	264	1.109	1.407	.402	.02	29	2.491
22 Convertability	103	43	193	.811	1.111	.381	.02	37	1.874
23 Illustrated Dividends	102	43	228	.958	1.266	.375	.02	15	2.235
24 Nat'l Rank in Assets	100	42	229	.962	1.261	.362	.02	3	2.290
25 Co. Retention Yardstick	88	37	204	.857	1.327	.293	.02	18	2.318
26 Assets	86	36	203	.853	1.239	.283	.02	2	2.360
27 Agent's Commission	84	35	212	.891	1.281	.273	.02	20	2.524
28 Investment Portfolio	80	34	190	.798	1.250	.253	.02	10	2.375
29 Yr-by-Yr Payments & Benefits	80	34	172	.723	1.232	.253	.02	31	2.150
30 Renewability	80	34	171	.718	1.144	.253	.02	35	2.138
31 Breakdown of Premiums	78	33	175	.735	1.166	.244	.02	25	2.244
32 Yr-by-Yr Cost of Protect'n & Savings Yield . . .	64	27	127	.534	1.013	.184	.01	32	1.984
33 Premium for Renewal	64	27	121	.508	.954	.184	.01	36	1.891
34 Surrender Cost Yardstick	61	26	131	.550	1.061	.172	.01	28	2.148
35 Net Payment Cost Yardstick	57	24	126	.529	1.050	.157	.01	30	2.211
36 Sales Volume	55	23	127	.534	1.058	.150	.01	4	2.309
37 Nat'l Rank in Sales Volume	54	23	124	.521	1.062	.147	.01	5	2.296

*Due to rounding error, the percentages in this column add up to only 96%.

Table 5b. Accessing rates for different types of life insurance information. (Test Groups, N = 198)

(1) Rank	Dimension Name	(2) No. of Ss Who Acq	(3) % of Ss Who Acq	(4) No. of Times Acq	(5) $\bar{X}$	(6) S.D.	(7) Median	(8) % of Total	(9) Order in IDB	(10) (4)÷(2) $\bar{X}$
1.	Premiums	174	87.9%	496	2.505	1.328	2.757	5.8%	13	2.851
2.	Name of Company	166	83.8%	454	2.293	1.248	2.721	5.3%	1	2.735
3.	Cash Values	146	73.7%	387	1.955	1.386	2.342	4.5%	16	2.651
4.	Accidental Death	144	72.7%	356	1.798	1.359	2.021	4.1%	24	2.472
5.	Financial Rating	141	71.2%	381	1.924	1.494	2.435	4.4%	11	2.702
6.	Waiver of Premium	129	65.1%	306	1.545	1.300	1.676	3.6%	22	2.372
7.	Guaranteed Insurability	127	64.1%	313	1.581	1.411	1.625	3.6%	23	2.465
8.	Policy Loan Interest Rate	121	61.1%	322	1.626	1.719	1.716	3.7%	19	2.661
9.	Savings Yield	116	58.6%	283	1.429	1.364	1.545	3.3%	26	2.440
10.	Company Retention Index	114	57.6%	314	1.586	1.571	1.587	3.6%	17	2.754
11.	Mutual or Stock Company?	114	57.6%	285	1.439	1.398	1.250	3.3%	6	2.500
12.	Passing Physical Required?	113	57.1%	283	1.429	1.379	1.500	3.3%	33	2.504
13.	Dividend Payment History	112	56.6%	250	1.263	1.341	.871	2.9%	12	2.232
14.	N.Y. License	110	55.5%	283	1.429	1.408	1.346	3.3%	9	2.573
15.	Settlement Options	109	55.0%	259	1.308	1.322	.976	3.0%	21	2.376
16.	In Business Since?	107	54.0%	273	1.379	1.401	1.115	3.2%	7	2.551
17.	Surrender Cost Index	96	48.5%	245	1.237	1.470	.471	2.8%	27	2.552
18.	Other Kinds of Insurance Sold	92	46.5%	215	1.086	1.317	.434	2.5%	8	2.337
19.	Net Payment Cost Index	90	45.4%	231	1.167	1.449	.417	2.7%	29	2.567
20.	Conditions for Reinstatement	87	43.9%	194	.980	1.238	.392	2.3%	34	2.230
21.	Illustrated Dividends	86	43.4%	189	.955	1.252	.384	2.2%	15	2.198
22.	Monthly, Quarterly, Semi-Annual Premium	85	42.9%	193	.975	1.260	.376	2.2%	14	2.271
23.	Convertability	85	42.9%	157	.793	1.100	.376	1.8%	37	1.847
24.	National Rank Assets	84	42.4%	193	.975	1.264	.368	2.2%	3	2.298
25.	Company Retention Yardstick	77	38.9%	183	.924	1.378	.318	2.1%	18	2.377
26.	Assets	73	36.9%	173	.874	1.246	.292	2.0%	2	2.370
27.	Agent's Commission	69	34.8%	171	.864	1.265	.267	2.0%	20	2.478
28.	Investment Portfolio	66	33.3%	157	.793	1.255	.250	1.8%	10	2.379
29.	Breakdown of Premium	66	33.3%	151	.763	1.188	.250	1.8%	25	2.288
30.	Renewability	65	32.8%	139	.702	1.134	.244	1.6%	35	2.138
31.	Year by Year Payments and Benefits	64	32.3%	131	.662	1.132	.239	1.5%	31	2.047
32.	Surrender Cost Yardstick	57	28.8%	119	.601	1.084	.202	1.4%	28	2.088
33.	Premium for Renewal	54	27.3%	99	.500	.928	.188	1.2%	36	1.833
34.	Net Payment Cost Yardstick	48	24.2%	110	.556	1.083	.160	1.3%	30	2.292
35.	Yr by Yr Cost of Protection & Saving Yield	47	23.7%	98	.495	1.011	.156	1.1%	32	2.085
36.	National Rank Sales Volume	45	22.7%	100	.505	1.041	.147	1.2%	5	2.222
37.	Sales Volume	42	21.2%	97	.490	1.026	.135	1.1%	4	2.310

Table 6. Accessing rates for different types of life insurance information. (Control Group, N = 40)

(1) Rank	Dimension Name	(2) No. of Ss That Acq.	(3) % of Ss That Acq.	(4) No. of Times Dimen. Acq.	(5) $\bar{X}$	(6) S.D.	(7) Median	(8) % of Total	(9) Order of Availability on IDB	(10) (4):(2) $\bar{X}$
1	Name of Company	37	92.5%	101	2.525	1.037	2.821	.06	1	2.730
2	Premiums	32	80.0	96	2.400	1.736	2.711	.05	13	3.000
3	Cash Values	31	77.5	77	1.925	1.269	2.200	.04	16	2.484
4	Guaranteed Insurability	31	77.5	79	1.975	1.368	2.250	.04	23	2.548
5	Accidental Death	30	75.0	87	2.175	1.466	2.650	.05	24	2.900
6	Waiver of Premium	29	72.5	77	1.925	1.289	2.500	.04	22	2.655
7	Financial Rating	27	67.5	70	1.750	1.446	2.000	.04	11	2.593
8	Settlement Options	27	67.5	69	1.725	1.339	2.056	.04	21	2.555
9	Policy Loan Interest Rate	26	65.0	66	1.650	1.424	1.833	.04	19	2.538
10	In Business Since	26	65.0	70	1.750	1.428	2.500	.04	7	2.692
11	Passing Physical Exam Required	25	62.5	67	1.675	1.457	1.929	.04	33	2.680
12	Monthly, Quarterly, Semi-Annual Premium.	24	60.0	61	1.525	1.450	1.500	.03	14	2.542
13	Savings Yield	22	55.0	58	1.450	1.413	1.643	.03	26	2.636
14	New York License	21	52.5	57	1.425	1.430	1.500	.03	9	2.714
15	Conditions for Reinstatement	20	50.0	48	1.200	1.305	.500	.03	34	2.400
16	Dividend Payment History	19	47.5	43	1.075	1.309	.452	.02	12	2.263
17	Mutual or Stock Company?	18	45.0	48	1.200	1.556	.409	.03	6	2.667
18	Other Kinds of Insurance Sold	18	45.0	46	1.150	1.369	.409	.03	8	2.556
19	Convertability	18	45.0	36	.900	1.172	.409	.02	37	2.000
20	Illustrated Dividends	17	42.5	44	1.100	1.482	.370	.02	15	2.588
21	Yr-by-Yr Cost of Prtect'n & Savings Yield	17	42.5	29	.725	1.012	.370	.02	32	1.706
22	Net Payment Cost Index	16	40.0	33	.825	1.152	.333	.02	29	2.062
23	Nat'l Rank in Assets	16	40.0	36	.900	1.257	.333	.02	3	2.250
24	Yr-by-Yr Payments & Benefits	16	40.0	41	1.025	1.625	.333	.02	31	2.562
25	Company Retention Index	15	37.5	29	.725	1.062	.300	.02	17	1.933
26	Surrender Cost Index	15	37.5	30	.750	1.127	.300	.02	27	2.000
27	Agent's Commission	15	37.5	41	1.025	1.368	.300	.02	20	2.733
28	Renewability	15	37.5	32	.800	1.203	.300	.02	35	2.133
29.	Investment Portfolio	14	35.0	33	.825	1.238	.269	.02	10	2.357
30.	Assets	13	32.5	30	.750	1.214	.241	.02	2	2.308
31.	Sales Volume	13	32.5	30	.750	1.193	.241	.02	4	2.308
32.	Breakdown of Premiums.	12	30.0	24	.600	1.057	.241	.01	25	2.000
33.	Co. Retention Yardstick	11	27.5	21	.525	.987	.190	.01	18	1.909
34.	Premium for Renewal	10	25.0	22	.550	1.085	.167	.01	36	2.200
35.	Net Payment Cost Yardstick	9	22.5	16	.400	.871	.145	.01	30	1.778
36.	Nat'l Rank in Sales Volume	9	22.5	24	.600	1.172	.145	.01	5	2.667
37	Surrender Cost Yardstick	4	10.0	12	.300	.911	.167	.01	28	3.000

(which applied only to the term policy and, hence were available for only half the subjects), the presence of three policies meant that each subject could access different information on a given dimension at least three times. Thus the figure cited for premiums represents 592 out of (3 × 238 =) 714 such opportunities. In addition, the subjects were able to re-access information if they so desired and, as previously noted, 50% actually did so for an average of 1.88 times. Column 5 represents the mean number of times information from a given dimension was accessed by the entire sample, i.e., Col 4/238. Column 6 represents the standard deviations associated with the means, and Column 7 represents the median. Column 8 represents the proportion of the information acquisition that the entire sample devoted to each dimension. Column 9 represents the order in which the dimensions were actually displayed in the apparatus. * Column 10 represents the mean number of times each dimension of information was accessed based only on the subjects that accessed that dimension (i.e., Col 4÷ Col 2).

* A Spearman rank order correlation between Columns 1 and 9 (r = .19) of Table 5a indicates a nonsignificant association between the order in which the dimensions were presented and the order in which they were accessed. The mean rank of the first 12, middle 13, and last 12 dimensions (Column 9) were 18.0, 17.6, and 21.5, also suggesting the absence of any impact of presentation order on acquisition. The corresponding mean ranks for the Control Group subjects (Table 6) were 17.0, 19.9, and 20.0, respectively.

Examination of Table 5a reveals that, in terms of the number of subjects acquiring information from that given dimension at least once (i.e., Column 2), the highest ranked of the nine directly cost related dimensions is Savings Yield -- and that ranks only 10th. This is particularly noteworthy when it is remembered that the average subject considers fewer than 18 different information dimensions (see Table 4). The median rank for these nine directly cost-related dimensions is 29, which would appear to be significantly below the mean rank for the remaining information dimensions. These nine dimensions represent 24% of the 37 available information dimensions yet, collectively, they account for only 17% of the information accessed (Column 8). In contrast, two of the four indirectly cost related dimensions (i.e., premiums and cash value) rank first and third, overall, and account for a disproportionate 10% of all the information accessed. It must be recognized that, in addition to being in an obvious test situation in which subjects were aware that their information accessing behavior was being monitored, five-sixths of the total sample

received some educational or trigger statement which encouraged information acquisition in the service of comparative shopping. Hence, these overall "percent accessing" rates are no doubt somewhat inflated, reflecting the upper limits to what might be expected to occur in the field (at least early on) if the distribution of these buyer's guides and triggers were implemented rather than what conditions are most probably like today.

Table 6 presents the same data as Tables 5a and 5b, but only for the Control Group. Taking into consideration the limitations imposed by our convenience sample, these data are probably more accurately reflective of the present state of affairs existing in the field today than are the data in Tables 5a or 5b.

Table 7 compares the rank orders of the information accessed for the Control Group versus the test subjects (Table 5b). There were twelve instances in which the ranks differed by five or more between the two groups. Specifically, subjects in the experimental groups devoted less attention to seven information dimensions (settlement options; in business since. . .; monthly, quarterly, semi-annual premium; conditions for reinstatement; year-by-year cost of protection and savings yield; year-by-year payments and benefits; and sales volume) and devoted relatively greater

Table 7. Comparing rank orders of information accessed by Control group (N=40) vs. the remaining subjects (n = 198).

Dimension Name	Rank Order for Control Group	Rank Order for Expert'l Groups	Net Change
Name of Company	1	2	1
Premiums	2	1	1
Cash Values	3	3	0
Guaranteed Insurability	4	7	3
Accidental Death	5	4	1
Waiver of Premium	6	6	0
Financial Rating	7	5	2
Settlement Options	8	15	7
Policy Loan Interest Rate	9	8	1
In Business Since	10	16	6
Passing Physical Exam Req'd	11	12	1
Monthly, Quarterly, Semi-Ann'l Premium	12	22	10
Savings Yield	13	9	4
New York License	14	14	0
Conditions for Reinstatement	15	20	5
Dividend Payment History	16	13	3
Mutual or Stock Company?	17	11	6
Other Kinds of Insurance Sold	18	18	0
Convertability	19	23	4
Illustrated Dividends	20	21	1
Yr-by-Yr Cost of Protect'n & Savings Yield	21	35	14
Net Payment Cost Index	22	19	3
Nat'l Rank in Assets	23	24	1
Yr-by-Yr Payments & Benefits	24	31	7
Company Retention Index	25	10	15
Surrender Cost Index	26	17	9
Agent's Commission	27	27	0
Renewability	28	30	2
Investment Portfolio	29	28	1
Assets	30	26	4
Sales Volume	31	37	6
Breakdown of Premiums	32	29	3
Company Retention Yardstick	33	25	8
Premium for Renewal	34	33	1
Net Payment Cost Yardstick	35	34	1
National Rank in Sales Volume	36	36	0
Surrender Cost Yardstick	37	32	5

attention to five information dimensions (Mutual or stock company; Company Retention Index; Surrender Cost Index; Company Retention Yardstick; and Surrender Cost Yardstick). This pattern suggests that the written statements may have made a difference. This issue is more fully addressed below.

Do Written Statements Make a Difference?

The NAIC and FTC Buyer's Guides and their respective triggers were intended to increase the amount of attention paid to four specific cost indices: the Company Retention Index and Savings Yield in the case of the FTC, and the Surrender Cost and Net Payment Indices in the case of the NAIC.* Table 8 presents the data for these four dimensions -- along with the data on premiums, for purposes of comparison -- broken down for each of the six test groups. It can be seen that 80% of the people in the Control Group (i.e., those who received no buyer's guide and no trigger) looked at premium information at least once. Since this figure is high to begin with, the fact that the five groups receiving some form of written statement did not raise this amount appreciably is probably the result of a ceiling effect.

*Since the yardsticks were ranked very low in terms of accessing rates and no emphasis was placed on these yardsticks in the written statements, attention will only be directed to the four indices themselves.

Table 8. Impact of written statements on accessing rates of target information.

Group:	1	2	3	4	5	6
Source:	Control	NAIC	FTC	FTC	NAIC	FTC
Trigger:	Absent	Absent	Absent	Present	Present	Present
Buy Gde:	Absent	Present	Present	Absent	Present	Present
N =	40	40	39	40	41	38
Premium						
No. of S's who acquired	32	37	31	38	36	32
% of S's who acquired	80%	92%	79%	95%	88%	84%
No. of values acquired	96	108	89	122	95	82
% of all values acquired	16%	18%	15%	21%	16%	14%
$\bar{X}$ times acquired by S's who accessed	3.00	2.92	2.87	3.21	2.64	2.56
$\bar{X}$ times over all S's in group	2.40	2.70	2.28	3.05	2.32	2.16
Company Retention Index						
No. of S's who acquired	15	16	25	30	14	29
% of S's who acquired	38%	40%	64%	75%	34%	76%
No. of values acquired	29	43	65	96	30	80
% of all values acquired	8%	12%	19%	28%	9%	23%
$\bar{X}$ times acquired by S's who accessed	1.93	2.69	2.60	3.20	2.14	2.76
$\bar{X}$ times over all S's in group	.73	1.08	1.67	2.40	.73	2.11
Surrender Cost Index						
No. of S's who acquired	15	22	15	16	25	18
% of S's who acquired	38%	55%	38%	40%	61%	47%
No. of values acquired	30	60	34	44	62	45
% of all values acquired	11%	22%	12%	16%	22%	16%
$\bar{X}$ times acquired by S's who accessed	2.00	2.73	2.27	2.75	2.48	2.50
$\bar{X}$ times over all S's in group	.75	1.50	.87	1.10	1.51	1.18
Net Payment Cost Index						
No. of S's who acquired	16	23	17	18	23	9
% of S's who acquired	40%	58%	44%	45%	56%	24%
No. of values acquired	33	66	41	46	58	20
% of all values acquired	12%	25%	16%	17%	22%	8%
$\bar{X}$ times acquired by S's who accessed	2.06	2.87	2.41	2.56	2.52	2.22
$\bar{X}$ times over all S's in group	.83	1.65	1.05	1.15	1.41	.53
Savings Yield						
No. of S's who acquired	22	26	26	18	24	22
% of S's who acquired	55%	65%	67%	45%	60%	55%
No. of values acquired	58	65	63	43	54	58
% of all values acquired	17%	19%	18%	13%	16%	17%
$\bar{X}$ times acquired by S's who accessed	2.64	2.50	2.42	2.39	2.25	2.64
$\bar{X}$ times over all S's in group	1.45	1.62	1.62	1.08	1.32	1.53

The NAIC Buyer's Guide seems to have had a direct and clear-cut effect on the two cost indices emphasized therein (i.e., Surrender Cost and Net Payment). Regardless of whether a trigger was or was not present, the NAIC Buyer's Guide alone was sufficient to generate a substantial increase in the attention paid to these cost indices, as compared to the accessing rates for subjects in the Control condition and the three other experimental conditions (Groups 3, 4, and 6).

The results with respect to the FTC's Company Retention Index do not appear as straightforward. As one might expect, the three FTC groups (3, 4, and 6) do display greater attention to the Company Retention Index than did either the Control Group (Group 1) or the two NAIC groups (Groups 2 and 5). However, inspection of the data suggests that the FTC trigger exerts a stronger impact than the FTC Buyer's Guide. In fact, the impact appears to be virtually the same or perhaps even a bit better when the trigger appears alone (Group 4) than when it appears in conjunction with the Buyer's Guide (Group 6).

The issue is clarified by the data presented in Table 9. This table provides the mean number of times the Company Retention Index was accessed by the four most relevant groups (Groups 1, 3, 4, and 6). Inspection

Table 9. Accessing of Company Retention Index information for four test groups.

		No Buyers Guide	Buyers Guide	X=
		Group 1	Group 3	
	$\bar{X}$ =	.7250	1.6667	1.2000
No Trigger	S.D. =	1.0619	1.4204	
	N =	40	39	
		Group 4	Group 6	
	$\bar{X}$ =	2.4000	2.1053	2.2500
Trigger	S.D. =	1.5326	1.6240	
	N =	40	38	
	$\bar{X}$ =	1.5625	1.8831	N = 157

N = 40 + 39 + 40 + 38 = 157

of the marginals, as well as the results of an analysis of variance (Table 10), indicate quite clearly that the inclusion of the trigger had a substantial impact on the accessing of Company Retention Index information, while the presence of a Buyer's Guide along with the trigger served to dilute this impact. This interaction is plotted in Figure 2.

Finally, Table 11 presents data to show that, except for Savings Yield, overall, the written statements had significant impact on the accessing of the three other types of target information whose accessing they were meant to affect.

Another important question is contained in Objective 5: Does the accessing of cost information relate to the selection of lower cost policies? Table 12 provides the data of interest in regard to the four cost indices: Company Retention, Surrender Cost, Net Payment, and Savings Yield. Considering only the 115 subjects who made their choice from among three whole life policies, the left hand column of this Table breaks these subjects out into sixteen groups, depending upon whether and just which of these cost indices were accessed. The policies across the top of this table are arrayed from the lowest to the highest cost (i.e., from Policy B to Policy C).

Table 10. Analysis of variance

	Sum of Sq.	df	Mean Sq.	F	Significance
Main Effects					
Buyers Guide	4.210	1	4.210	2.079	p = .151
Trigger	44.821	1	44.821	22.134	p = .001
Interaction					
BG X Tr.	14.994	1	14.994	7.404	p = .007
Residual	309.821	153	2.025		
Total	373.669	156	2.395		

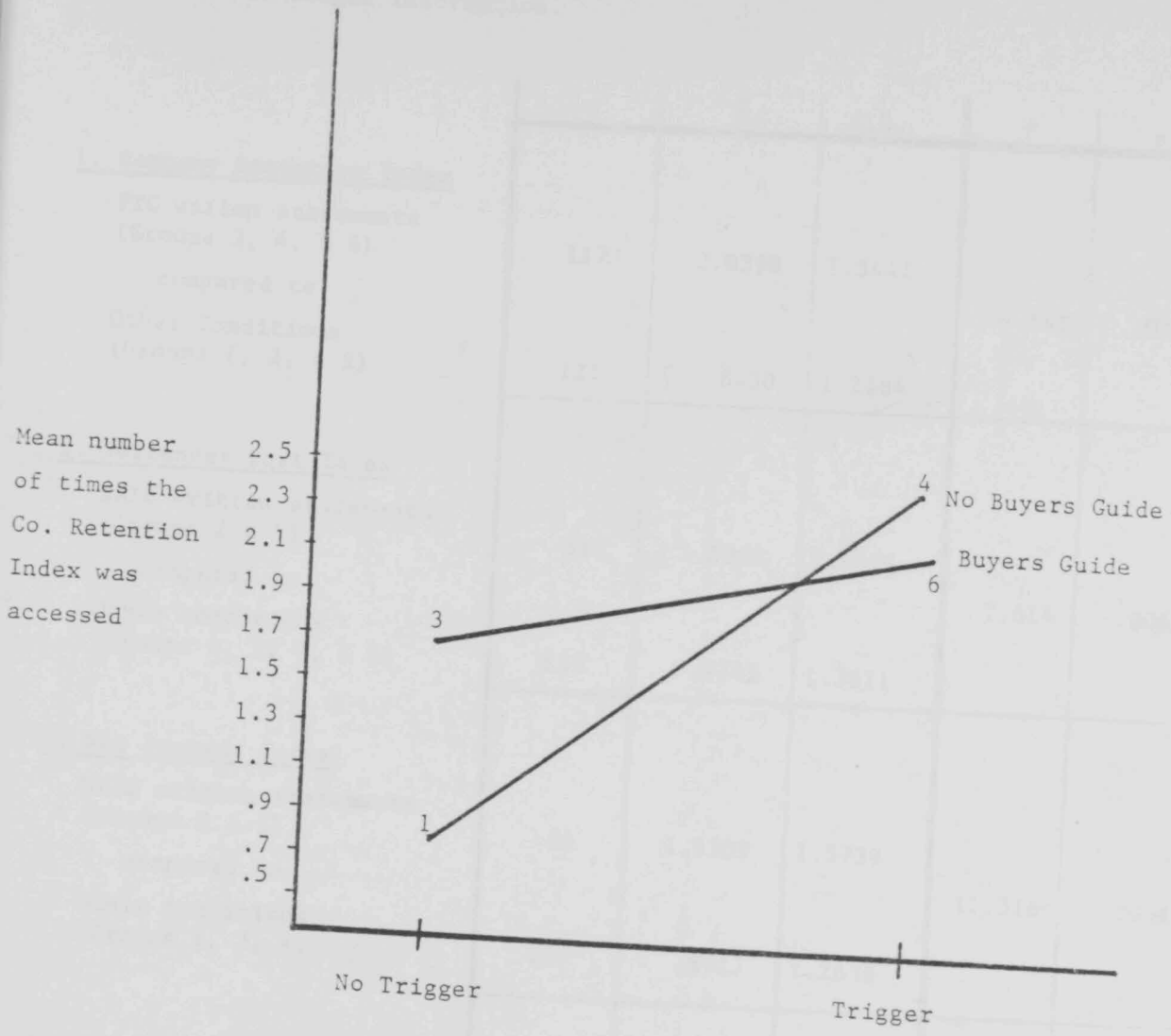

Figure 2. Accessing rates of the Company Retention Index as influenced by the FTC Buyers Guide and Trigger.

Note: The numbers 1, 3, 4, and 6 above the four points represent the Group numbers. (1 = Control Group.)

Table 11. The impact of written statements on the accessing rate of target information.

	N	$\bar{X}$	S.D.	F	p <
1. Company Retention Index					
FTC witten statements (Groups 3, 4, & 6)	117	2.0598	1.5441		
compared to				44.549	.0000
Other Conditions (Groups 1, 2, & 5)	121	.8430	1.2584		
2. Surrender Cost Index					
NAIC written statements (Groups 2 & 5)	81	1.5062	1.4416		
compared to				7.614	.0062
Other conditions (Groups 1, 3, 4, & 6)	157	.9745	1.3911		
3. Net Payment Index					
NAIC written statements (Groups 2 & 5)	81	1.5309	1.5739		
compared to				11.516	.0008
Other conditions (Groups 1, 3, 4, & 6)	157	.8917	1.2638		
4. Savings Yield					
FTC written statements (Groups 3, 4, & 6)	117	1.4017	1.4146		
compared to				.118	.7315
Other conditions (Groups 1, 2, & 5)	121	1.4628	1.3294		
5. Premiums					
Control group (Group 1)	40	2.400	1./365		
compared to				.186	.6664
All other groups (Groups 2-6)	198	2.505	1.3281		

Table 12. The association between cost indices accessed and cost of policy selected.

COST INDICES ACCESSED		COST OF POLICY Low (B)	Medium (E)	High (C)	Total
1.None		8	2	1	11
		72.7	18.2	9.1	9.6
2.Company Retention		8	0	2	10
		80.0	0	20.0	8.7
3.Savings Yield		7	1	2	10
		70.0	10.0	20.0	8.7
4.Surrender Cost		5	1	0	6
		83.3	16.7	0	5.2
5.Net Payment		1	0	0	1
		100.0	0	0	.9
6.Company Retention & Savings Yield		7	2	1	10
		70.0	20.0	10.0	8.7
7.Company Retention & Surrender Cost		3	0	1	4
		75.0	0	25.0	3.5
8.Company Retention & Net Payment		9	0	0	9
		100.0	0	0	7.8
9.Savings Yield & Surrender Cost	N	1	1	0	2
	%	50.0	50.0	0	1.7
10.Savings Yield & Net Payment	N	6	1	1	8
	%	75.0	12.5	12.5	7.0
11.Surrender Cost & Net Payment	N	6	0	0	6
	%	100.0	0	0	5.2
12.Company Retention & Savings Yield Surrender Cost	N	9	0	0	9
	%	100.0	0	0	7.8
13.Company Retention & Net Payment & Savings Yield	N	5	0	1	6
	%	83.3	0	16.7	5.2
14.Company Retention & Surrender Cost & Net Payment	N	1	0	0	1
	%	100.0	0	0	.9
15.Savings Yield & Surrender Cost & Net Payment	N	5	2	0	7
	%	71.4	28.6	0	6.1
16.All 4 Indices	N	12	1	2	15
	%	80.0	6.7	13.3	13.0
	Σ Ns	93	11	11	115
	Σ %	80.9	9.6	9.6	100.0

Table 12 indicates that, overall, four-fifths (80.9%) of the sample selected the lowest cost policy. Since five-sixths of the sample had been given educational materials and more than 90% of the sample accessed at least one item of cost information, this 80.9% figure is not too surprising. What is surprising is that the subjects who did not access any cost index information were able to select the lowest cost policy 72.7% of the time. However, it must be emphasized that these findings are based on very small numbers -- only eleven subjects failed to access any of the four target cost information dimensions and, of these, eight (72.7%) managed to make a good policy selection choice. It must also be remembered that Study 1A was specifically designed to examine information accessing behavior, not policy selection behavior.

While Table 12 focused on the relationship of the actual accessing of cost information on the selection of low cost policies, it is also of interest to examine how exposure to written statement affects policy selection behavior. The relevant data are presented in Table 13. From here it can be seen that even those subjects who were exposed to no written statements (i.e., buyer's guides or triggers) selected the lowest cost policy 73.7% of the time. The greatest improvement

Table 13. The association between exposure to written statements and cast of policy selected.

Group:		1	2	3	4	5	6	Total
Source:		Control	NAIC	FTC	FTC	NAIC	FTC	
Trigger:		Absent	Absent	Absent	Present	Present	Present	
Buy Gde:		Absent	Present	Present	Absent	Present	Present	
N =		19	20	18	20	19	19	115
Cost of Policy Selected:								
Low (B)	N	14	14	17	17	14	17	93
	%	73.7	70.0	94.4	85.0	73.7	89.5	81.0
Medium (E)	N	3	3	0	1	3	1	11
	%	15.8	15.0	0	5.0	15.8	5.3	9.5
High (C)	N	2	3	1	2	2	1	11
	%	10.5	15.0	5.6	10.0	10.5	5.3	9.5

over this rate occurred in the "FTC Buyer's Guide, No Trigger" condition, where 94.4% of the subjects selected the lowest cost policy. The other FTC test groups (4 and 6) seemed to be intermediate in effectiveness (85.0% and 89.5%, respectively). Subjects in the two NAIC groups (2 and 5) did no better in selecting the low cost policies (70% and 73.7%) than did subjects in the Control group who were exposed to no buyer's guides or triggers. Again, the small numbers of subjects involved dictate caution in interpreting these data. Clearly, no definitive findings may be implied.

What these data do suggest, however, is that subjects who are exposed to the FTC written statements do access the target cost information (i.e., Company Retention Index) at much higher rates than they would do otherwise (see Table 8), and that this exposure also seems to relate to the quality of the subsequent decision (Table 13): Subjects exposed to FTC written statements (particularly the FTC Buyer's Guide) seem to make better purchase decisions. In contrast, while subjects exposed to NAIC written statements do later access the target cost information (i.e., Surrender Cost and Net Payment Indices) at higher rates than otherwise (Table 8), this exposure does not relate to improvement in the ability to select lower cost policies (Table 13).

The Importance and Impact of Premiums

From the data presented thus far, it is clear that premiums, along with company name, are two of the most important types of information considered by the consumer prior to making his purchase decision. Objective 4 addresses the issue of premiums in a somewhat different way. Instead of asking about the acquisition of premium information per se, it focuses on the impact that this acquisition has had on choice behavior itself. "Specifically, will people choose policies with low premiums even if they have higher costs?" Since the three policies used in the test were selected so that premiums were inversely related to cost, the data in Table 12 are also relevant to the present question. Inspection of these data reveals that, at least for the subjects in the present investigation, people will not choose high cost policies even if they have lower premiums. Just why this is so -- particularly for the subjects who accessed no cost information whatsoever -- is puzzling.

The Sequence of Accessing

In addition to considering "how much?" and "just which?" information was accessed, some attention was also directed to examining the order (or sequence) in which key information dimensions were accessed. Specifically, a question of interest concerned how early in the decision process was the target dimension "Company Retention Index" accessed?

As will be recalled from the data in Table 4, the average subject acquired 42 (ca.) items of information prior to arriving at his(her) purchase decision. Accordingly, "early in the search process" was arbitrarily defined in two ways: as being accessed within the first 10 items, and as being accessed within the first six items. Table 14 provides the relevant data. It is clear from these data that the written materials provided (i.e., the NAIC and FTC buyer's guides and triggers) had substantial impact on early accessing of the target information, with the effect generally being stronger for the FTC materials.

Another issue in regard to the sequence of information acquisition is whether consumers who accessed a given item of target (i.e., cost) information for one policy then looked at this same target information for another policy on his very next accessing opportunity, i.e., engaged

in comparison shopping for two (or three) purchase options along a given information dimension. Table 15 provides the relevant data. These data indicate that 53.2% of the sample compared premium information across all three policy options at least once during their pre-decision information search. This was higher for the Control (59.0%) and two NAIC groups (60.0% and 53.7%) than for the three FTC groups. Approximately equal proportions of subjects made immediate (i.e., consecutive) comparisons of premium information across two policies (16.0%) as did those who made no immediate comparisons at all (17.3%) and those who did not access this information at all (13.5%).

A considerable number of inferences may be drawn from the data in Table 15 and, except for noting one particular item of interest, we leave the reader to draw his own inferences. The item in question concerns the high rate of comparison shopping (using the Company Retention Index) found in the FTC groups. In particular, consider the fact that 52.5% of the subjects in the FTC trigger group (Group 4) and 39.5% of those subjects receiving both the trigger and buyer's guide (Group 6) engaged in comparison shopping across all three policy options using this Index. Again, it would appear that the addition of the buyer's guide serves to dilute the impact of the trigger.

Relevant Subjective Reactions

Additional perspective may be obtained from considering the subjects' reactions to the decision task itself and (where appropriate) to the buyer's guide

Table 14. The immediacy with which target cost information was accessed.

		Total Sample	Control 1	NAIC-BG 2 & 5	FTC-Tr. 4	FTC-BG 3 & 6
Groups=						
N=		238	40	81	40	77
Accessed within first 10 values						
Premium						
Subjects who accessed immediately	n=	92	16	35	15	26
	%=	39%	40%	43%	38%	34%
Company Retention Index						
Subjects who accessed immediately	n=	52	1	6	19	26
	%=	22%	2%	7%	48%	34%
Surrender Cost Index						
Subjects who accessed immediately	n=	19	2	12	2	3
	%=	8%	5%	15%	5%	4%
Net Payment Index						
Subjects who accessed immediately	n=	23	1	16	3	3
	%=	10%	2%	20%	8%	4%
Savings Yield						
Subjects who accessed immediately	n=	12	0	6	0	6
	%=	5%	0%	7%	0%	8%
Accessed within first 6 values						
Premium						
Subjects who accessed immediately	n=	60	8	26	9	17
	%=	25%	20%	32%	22%	22%
Company Retention Index						
Subjects who accessed immediately	n=	35	0	5	14	16
	%=	15%	0%	6%	35%	21%
Surrender Cost Index						
Subjects who accessed immediately	n=	9	0	7	2	0
	%=	4%	0%	9%	5%	0%
Net Payment Index						
Subjects who accessed immediately	n=	11	0	8	1	2
	%=	5%	0%	10%	2%	3%
Savings Yield						
Subjects who accessed immediately	n=	3	0	2	0	1
	%=	1%	0%	2%	0%	1%

Table 15. "Comparison shopping" rates on Premium information and the four target cost dimensions.

Group:		1	2	3	4	5	6	Total
Source:		Control	SAIC	FTC	FTC	SAIC	FTC	
Trigger:		Absent	Absent	Absent	Present	Present	Present	
BuyGde:		Absent	Present	Present	Absent	Present	Present	
N=		40	40	39	40	41	35	235
Premium								
Compared 3 policies in a row	n=	23	24	18	21	22	18	126
	%=	59.0%	60.0%	46.2%	52.5%	53.7%	47.4%	53.2%
Compared 2 policies in a row	n=	3	5	7	10	6	7	38
	%=	7.7%	12.5%	17.9%	25.0%	14.6%	18.4%	16.0%
Looked at for only 1 policy in a row	n=	6	8	7	6	8	6	41
	%=	15.4%	20.0%	17.9%	15.0%	19.5%	15.8%	17.3%
Did not access this information	n=	7	3	7	3	5	7	32
	%=	17.9%	7.5%	17.9%	7.5%	12.2%	18.4%	13.5%
Company Retention Index								
Compared 3 policies in a row	n=	4	8	12	21	5	15	65
	%=	10.3%	20.0%	30.8%	52.5%	12.2%	39.5%	27.4%
Compared 2 policies in a row	n=	5	4	7	7	3	9	35
	%=	12.8%	10.0%	17.9%	17.5%	7.3%	23.7%	14.8%
Looked at for only 1 policy in a row	n=	6	4	6	2	7	5	30
	%=	15.4%	10.0%	15.4%	5.0%	17.1%	13.2%	12.7%
Did not access this information	n=	24	24	14	10	26	9	107
	%=	61.5%	60.0%	35.9%	25.0%	63.4%	23.7%	45.1%
Savings Yield								
Compared 3 policies in a row	n=	11	12	12	10	9	11	65
	%=	28.2%	30.0%	30.8%	25.0%	22.0%	28.9%	27.4%
Compared 2 policies in a row	n=	8	10	7	5	8	9	47
	%=	20.5%	25.0%	17.9%	12.5%	19.5%	23.7%	19.8%
Looked at for only 1 policy in a row	n=	2	3	7	4	7	2	25
	%=	5.1%	7.5%	17.9%	10.0%	17.1%	5.3%	10.5%
Did not access this information	n=	18	15	13	21	17	16	100
	%=	46.2%	37.5%	33.3%	52.5%	41.5%	42.1%	42.2%
Surrender Cost								
Compared 3 policies in a row	n=	4	13	5	8	12	7	49
	%=	10.3%	32.5%	12.8%	20.0%	29.3%	18.4%	20.7%
Compared 2 policies in a row	n=	3	5	8	4	6	7	33
	%=	7.7%	12.5%	20.5%	10.0%	14.6%	18.4%	13.9%
Looked at for only 1 policy in a row	n=	7	4	3	3	7	4	28
	%=	17.9%	10.0%	7.7%	7.5%	17.1%	10.5%	11.8%
Did not access this information	n=	25	18	23	25	16	20	127
	%=	64.1%	45.0%	59.0%	62.5%	39.0%	52.6%	53.6%
Net Payment								
Compared 3 policies in a row	n=	4	12	5	10	12	2	45
	%=	10.3%	30.0%	12.8%	25.0%	29.3%	5.3%	19.0%
Compared 2 policies in a row	n=	4	6	7	4	5	5	31
	%=	10.3%	15.0%	17.9%	10.0%	12.2%	13.2%	13.1%
Looked at for only 1 policy in a row	n=	7	4	4	4	5	2	26
	%=	17.9%	10.0%	10.3%	10.0%	12.2%	5.3%	11.0%
Did not access this information	n=	24	18	23	22	19	29	135
	%=	61.5%	45.0%	59.0%	55.0%	46.3%	76.3%	57.0%

which they received. Tables 16 and 17 provide the relevant data. The exact wording of the stimulus questions is provided in Appendix C.

The first question asked of the subjects as soon as they completed their decision provided an 11-point scale for indicating how certain they were that they had selected the best policy for their needs. The mean response for the subjects in each of the groups all ranged between "almost sure" and "very probably," and were insignificantly different from each other (see Table 16).

Item 2 asked the subjects whether they felt the policy they selected was a good or bad value for the money. Again, the means were comparable across the groups and all hovered around "good value."

The next item, question 3, asked the subjects to indicate how hard or easy they found it to imagine that they were actually making a life insurance purchase decision. Again, the group means were insignificantly different from each other and ranged between "neither hard nor easy" and "moderately easy." In similar fashion, their responses to item 4 indicated that they believed their behavior in the simulation was "sort of like" or "very much" like their real world behavior in a comparable situation.

Table 16. Responses to selected subjective state variables (means and standard deviations); Study 1A.

Group:		1	2	3	4	5	6
Source:		Control	NAIC	FTC	FTC	NAIC	FTC
Trigger:		Absent	Absent	Absent	Present	Present	Present
Buy Gde:		Absent	Present	Present	Absent	Present	Present
N =		40	40	39	40	41	38
1. Certainty of choice	$\bar{X}$	2.52	2.25	2.34	2.35	2.61	2.37
	S.D.	1.55	1.30	1.36	1.21	1.77	1.62
2. Value received for the money	$\bar{X}$	3.88	4.08	4.03	4.08	3.96	4.11
	S.D.	.72	.53	.54	.53	.61	.51
3. Ease of role playing	$\bar{X}$	3.72	3.78	3.46	4.08	3.73	3.79
	S.D.	1.26	1.12	1.32	1.05	1.27	1.02
4. Correspondence of behavior with real world behavior	$\bar{X}$	2.58	2.68	2.82	2.48	2.22	2.84
	S.D.	1.11	1.23	1.17	1.01	.91	1.24
5. Understand instructions?	$\bar{X}$	4.33	4.28	4.31	4.40	4.29	4.42
	S.D.	.76	.60	.69	.71	.60	.60
6. Experience pressure to choose more info?	$\bar{X}$	4.35	4.43	4.31	4.38	4.49	4.11
	S.D.	.95	.84	.95	.95	.81	1.11
7. How confused when making decision?	$\bar{X}$	1.65	1.52	1.72	1.40	1.46	1.29
	S.D.	.80	.64	.86	.67	.67	.52
11. Understand buyers guide?	$\bar{X}$	-	2.00	1.88	-	1.85	1.84
	S.D.	-	.64	.80	-	.76	.59
*13. Made different decision w/o buyers guide?			(n=30)	(n=27)		(n=24)	(n=27)
	$\bar{X}$	-	2.20	2.74	-	1.88	2.24
	S.D.	-	1.13	1.63	-	.95	.97
*15. How helpful was buyers guide?			(n=29)	(n=26)		(n=23)	(n=27)
	$\bar{X}$	-	4.07	3.65	-	3.96	4.15
	S.D.	-	.84	.94	-	.64	.60

*Note: Question 12 serves as a filter for Question 13; Question 14 serves as a filter for Question 15.

Table 17. Responses to selected subjective state variables (percentage affirmative response); Study 1A.

Group:		1	2	3	4	5	6
Source:		Control	NAIC	FTC	FTC	NAIC	FTC
Trigger:		Absent	Absent	Absent	Present	Present	Present
Buy Gde:		Absent	Present	Present	Absent	Present	Present
N=		40	40	39	40	41	38
10. Were we promoting use of certain information?	% yes	24%	20%	31%	38%	46%	37%
12. Did BG affect your decision?	% yes	-	75%	71%	-	56%	71%
			n=30	n=28		n=24	n=27
14. Was BG helpful? [a]	% yes	-	100%	89%	-	96%	100%

[a] Question 12 serves as a filter for Question 14; hence, Question 14 is based on a smaller n.

Item 5 asked the subjects to indicate how well we had done in providing instructions for using the information display apparatus for arriving at their purchase decision. The means for the six groups all ranged between "very well" (4) and "extremely well" (5).

Item 6 inquired whether the subject felt any pressure to choose more information during the simulation compared to what he normally would do. The means for all six groups ranged between "only a slight amount" (4) and "no pressure at all" (5).

The subjects were also asked to indicate how confused they felt when making their decision (Item 7). The mean response for the six groups ranged between "somewhat" (2) and "not at all" (1).

Item 10 asked the subjects in the four buyer's guide groups whether they thought we had wanted them to select any particular kinds of information from the information display board. Compared to the 24% yes response for the Control Group, 33% of the subjects in the NAIC Groups (2 + 5) and 35% of the subjects in the FTC Groups (3 + 6) replied in the affirmative. This affirmative response was less pronounced (and equivalent to the Control Group) when the BG's appeared without their triggers (25%) than when the triggers were also present (40%), suggesting that it is primarily the triggers which alert consumers to focus on specific target information.

Subjects in the four groups receiving the buyer's guides were asked how well they understood the contents of these guides (Item 11). The responses for all four BG groups hovered around "almost all" (2).

Item 12 asked the subjects in the four BG groups whether they thought the information contained therein had any impact on their decision. Consonant with the findings revealed in Table 13, more than two-thirds of the subjects (68.25%) said "yes"!

Item 13 asked the subjects in the four BG groups (2, 3, 5, and 6) who said "yes" to Question 12 whether they thought they would have made their decision differently had they not had the buyer's guide. The four group means hovered around "slightly different" (2) and "moderately different" (3), the two FTC groups (3 and 6) favoring the "moderately different" response alternative more than did the NAIC groups. Virtually all of the subjects exposed to the buyer's guides reported that they found them "helpful" (item 14). When asked "how helpful" in item 15, the responses all hovered near "very" (4).

STUDY 1B: EVALUATING COST DISCLOSURE FORMATS

Background and Objectives

The objective of Study 1B was to determine which of several possible yardstick designs was "best" for conveying cost disclosure information. Thus, the focus of this study is on the format for displaying information, not on the actual content (i.e., types of information) to be included in such a cost disclosure device.

Methodological Approach

Sample

Immediately upon completing their participating in Study 1A, the same 238 subjects engaged in Study 1B.

Formats Tested (Independent Variables)

After considering numerous design formats and consulting on these with various experts -- including Prof. E. J. McCormick, author of the highly regarded Human Factors Engineering -- the FTC Life Insurance Task Force decided to test the following five formats:

1. A graphic three-color yardstick (originally suggested to the FTC by Mr. E. J. Moorhead) with the policy's position in the yardstick already indicated by an X as it would be if it were done by the salesperson or the

company. In this and in each of the four yardsticks described below, the point plotted was based on the Company Retention method of determining costs.

2. The same Moorhead yardstick, in color, accompanied by instructions to the consumer on how to fill the X in on the yardstick by himself. The subject was required to follow these instructions in order to determine each test policy's relative cost.

3. The Moorhead yardstick, in black and white, with the policy's position on the yardstick already marked in.

4. The Moorhead yardstick, in black and white, with accompanying instructions on how to fill in the yardstick.

5. A tabular format. This consisted of two columns: The left-hand column listed the policyholder's age at the policy's issue date (in multiples of five from age 20 to age 65); the right-hand column provided the Company Retention Index range for similar policies issued by the 200 largest life insurance companies in the nation.

Examples of each of the five yardsticks are included in Appendix D.

Policies Tested

Twenty different policies, organized into five sets (Policy Sets 1, 2, 3, 4, and 5) of four policies each, served as the test policies. Rather than use actual (and, therefore, potentially biasing) company names, each policy was designated by a different letter of the alphabet according to the following sequence:

Policy Set 1: B, G, M, S

Policy Set 2: C, H, N, T

Policy Set 3: D, J, P, W

Policy Set 4: E, K, Q, Y

Policy Set 5: F, L, R, Z

The financial data (premiums, cash values, Company Retention Index Numbers, policy loan rates, etc.) for each of these twenty policies were selected by the FTC Life Insurance Task Force to reflect the typical ranges for such data among policies available in today's market. None of the policies were extremely expensive and none were extremely inexpensive. In addition, the most expensive policy in one policy set was just about as expensive as the most expensive policy in each of the other sets. The same applied for the least expensive and two middle-range policies in each set. In light of the above factors, the task of identifying the least expensive policy in each set appeared neither too easy nor too difficult.

Procedure and Design

The 238 subjects were divided into five groups of approximately 48 subjects each and designated Groups 1 through 5.

Each subject in Group 1 was first given four yardsticks, each displaying cost information for a different policy using Format 1. The subjects was then asked to identify the least expensive policy in the set of four. Upon concluding this task, the subject placed the four policies in rank order from least to most cost (see Appendix E). The subject was next given a second set of yardsticks displaying cost information for another set of four different policies. This time, all the yardsticks employed Format 2. Again, the subject's task was to identify the least expensive policy of the four and then to rank order the four policies from least to most expensive. The subject then successively evaluated three additional sets of materials, each consisting of four different policies and employing Formats 3, 4, and 5, respectively.

The subjects in Group 2 began with Format 2 and re-cycled through all five formats until they completed Format 1. A similar cyclical approach was used with the subjects in Groups 3, 4, and 5.

The purpose of this design (depicted in Figure 3) was to counter-balance order (e.g., fatigue, practice) effects. That is, each different format appeared an equal number of times in the first through the fifth test position. Further, such a within-subject design permitted the collection of more data from each subject than would have been possible with a simpler between-subject design; that is, all 238 subjects evaluated all 5 formats. The design also made the third dependent variable (described below) more meaningful, inasmuch as it was predicated on a wider base of experience.

To eliminate the possibility of a confound arising from having the different yardstick formats paired with a unique set of policies, each of the five yardstick formats were associated an equal and balanced number of times with each policy set. For example, the 48 subjects in Group 1 who received Format 1 first were further subdivided into five groups of eight subjects each. While all of these subjects saw Format 1 first (as described above), eight of them saw it in connection with Policy Set 1, another eight saw it in connection with Policy Set 2, etc. Thus, differences observed in the dependent variables (see below) were less likely to be a function of the particular policies tested and more likely to be a function of the design format itself.

Group

Yardstick Format	1	2	3	4	5
1	1	2	3	4	5
2	2	3	4	5	1
3	3	4	5	1	2
4	4	5	1	2	3
5	5	1	2	3	4

Figure 3. Test design for Study 1B. (Cell entries represent testing order.)

Dependent Variables

Three types of dependent variables were assessed. First and most important, our concern was with how accurate the subjects were in using the five different formats. That is, which of the five formats was most closely associated with correctly identifying low cost policies?

Second, all other things (particularly performance accuracy) being equal, the time to reach the decision becomes a worthwhile consideration. Thus, the next question of interest was: Which format resulted in subjects reaching (accurate) decisions fastest?

Third, how do subjects react to these different formats? To address this question, after subject had gone through the five tasks (using the five sets of policies and five different formats), his preferences, judgments regarding ease of use, etc., were ascertained.

Results

The Relationship of Format to Accuracy

As just noted, our primary concern was which, if any, of the five different display formats was most closely associated with being able to correctly place the five policies in rank order of increasing cost. Row 2a of Table 18 displays the mean number of correct rankings for each format. Given the rank order nature of the data, a non-parametric test, the Friedman test for repeated measures, was used to examine this question. Row 2a of Table 18 contains the mean rank for the five format conditions. Applying the Friedman test to these ranked data, there was no overall statistically significant difference across these five formats in terms of the ability of subjects using these formats to place the policies into correct rank order of increasing cost. That is, each of the formats was insignificantly different from the others and equally effective or ineffective. Further, pairwise comparisons between each set of mean ranks reveals no significant differences.

The Relationship of Format to Time Costs

Line 3a of Table 18 presents the mean time (in seconds) it took the subjects to rank order the policies under each format. These ranged from somewhat less than a minute and a half (for the black and white

Table 18. Means and mean ranks for the dependent variables of Study 1B.

	Yardstick Format					Chi Sq.	p
	Moorehead						
Dependent Measures	Color, X	Color, NoX	B&W, X	B&W, NoX	Tabular		
Accuracy:							
1. % direct hits on "lowest price"	95.4%	96.6%	97.9%	96.6%	94.1%		
2. Ranking all five policies							
a. mean correct[a]	3.79	3.84	3.80	3.85	3.74		n.s.
b. S.D.	.81	.72	.76	.64	.90		
Time:							
3. a. mean time (in seconds)	98.33	124.29	85.06	114.97	116.72		
b. S.D.	111.87	97.72	84.37	107.15	91.23		
c. mean of formats ranked by time	2.67	3.41	2.51	3.08	3.33	59.88	.000
Subjective reactions:							
Ease of use: mean[b]	1.50	3.12	2.66	4.23	3.33		
S.D.	.78	.91	.93	.90	1.80		
mean rank	1.54	3.15	2.70	4.26	3.36	378.09	.000
Appearance: mean[c]	1.20	2.39	3.06	4.21	3.97		
S.D.	.54	.78	.82	.75	1.50		
mean rank	1.24	2.43	3.09	4.24	4.00	570.73	.000
Preference: mean[d]	1.48	3.02	2.69	4.18	3.29		
S.D.	.74	1.02	.97	.96	1.82		
mean rank	1.54	3.08	2.76	4.25	3.36	369.57	.000

Notes:
a. 0 = none in correct rank order; 4 = all 5 policies in correct rank order.
b. 1 = easiest to use; 5 = hardest to use.
c. 1 = best looking; 5 = worst looking.
d. 1 = most preferred; 5 = least preferred.

Moorehead yardstick with the X already entered thereon) to somewhat more than two minutes for the colored Moorehead yardstick without the X on it. Also presented (in line 3c) are the mean ranks of the five formats for each subject. Given that the times were not normally distributed, the Friedman test was applied to the ranked means. The result indicated a highly significant overall difference across the five formats.

Pairwise comparisons were made across all the individual means. While no two adjacent means were significantly different from each other (see line 1 of Figure 4), the difference between the black and white formats with and without the X was significant ($p = .0015$), and the difference between the "black and white without an X" and "color without an X" nearly so ($p = .0611$, see line 2 of Figure 4). All other pairwise comparisons were significant at beyond $p = .0000$. What this means is that the two Moorehead yardstick conditions which already had the X imprinted upon them were better (in terms of the time required to place the five test policies in rank order of cost) than the other three formats, while the black and white version was superior (although not significantly so) to the colored version.

	Black & White/X	Color/X	Black & White/No X	Tabular	Color/No X
Line 1 (mean rank):	2.51	2.67	3.08	3.33	3.41
Line 2:	p=.1391	p=.0576	p=.5485	p=.6688	
Line 3:	p=.0015		p=.0611		

Figure 4. Pairwise comparisons across the five formats for the time cost dependent variable (based on mean ranks); Study 1B.

Relevant Subjective Reactions

The subjective reactions of the subjects to the five formats were also of interest. The three which were examined were: perceived ease of use; judged attractiveness of appearance; and overall preference. For all three variables, there was a finding of high overall statistical significance ($p = .0000$; see Table 18). Further, in all three instances: (a) virtually every single pairwise test of significance revealed high levels of statistical significance (i.e., beyond $p = .0000$) and, more importantly, (b) the colored Moorehead yardstick with the X already imprinted upon it was highest rated, and significantly higher rated than its nearest rival on all three subjective dependent variables.

Study 1B findings can be summarized as follows. While there was no difference across the five formats in their impact on the ability of subjects to correctly rank order the test policies in terms of cost, the subjects required significantly less time to complete this task when using the two Moorehead yardstick formats with the X already imprinted on the sheet (with the black and white version being insignificantly better than the colored version), and preferred the colored format to all other formats in terms of ease of use, attractiveness of appearance, and overall preference.

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APPENDIX A

NAIC TRIGGER

IMPORTANT

Similar policies often differ substantially in cost. You can save hundreds or, in some cases, thousands of dollars over a 20-year period by shopping around carefully for a low-cost policy. How do you do it?

1. Don't just pick the policy with the lowest premium. If you do, you may wind up with a policy with very poor benefits which isn't low-cost at all.

2. Instead, be sure to choose a policy with a low "SURRENDER COST INDEX" and with a low "NET PAYMENT COST INDEX." These indexes have been developed to help consumers like yourself shop for life insurance. Comparing the "COST INDEXES" for a group of similar policies is the best way to find a relatively low-cost policy.

FTC TRIGGER

IMPORTANT

Similar policies often differ substantially in cost. You can save hundreds or, in some cases, thousands of dollars over a 20-year period by shopping around carefully for a low-cost policy. How do you do it?

1. Don't just pick the policy with the lowest premium. If you do, you may wind up with a policy with very poor benefits which isn't low-cost at all.

2. Instead, be sure to choose a policy with a low "COMPANY RETENTION INDEX." This index has been developed to help consumers like yourself shop for life insurance. Comparing the "COMPANY RETENTION INDEX" for a group of similar policies is the best way to find a relatively low-cost policy.

NAIC BUYER'S GUIDE

LIFE INSURANCE BUYER'S GUIDE

This guide can show you how to save money when you shop for life insurance. It helps you to:

- Decide how much life insurance you should buy,
- Decide what kind of life insurance policy you need, and
- Compare the cost of similar life insurance policies.

Prepared by the
National Association of Insurance
Commissioners

Reprinted by
The National Underwriter Co.

June, 1976

BUYING LIFE INSURANCE

When you buy life insurance, you want a policy which fits your needs without costing too much. Your first step is to decide how much you need, how much you can afford to pay and the kind of policy you want. Then, find out what various companies charge for that kind of policy. You can find important differences in the cost of life insurance by using the life insurance cost indexes which are described in this guide. A good life insurance agent or company will be able and willing to help you with each of these shopping steps.

If you are going to make a good choice when you buy life insurance, you need to understand which kinds are available. If one kind does not seem to fit your needs, ask about the other kinds which are described in this guide. If you feel that you need more information than is given here, you may want to check with a life insurance agent or company or books on life insurance in your public library.

The National Association of Insurance Commissioners is an association of state insurance regulatory officials. This association helps the various Insurance Departments to coordinate insurance laws for the benefit of all consumers. You are urged to use this Guide in making a life insurance purchase.

This Guide Does Not Endorse
Any Company Or Policy

CHOOSING THE AMOUNT

One way to decide how much life insurance you need is to figure how much cash and income your dependents would need if you were to die. You should think of life insurance as a source of cash needed for expenses of final illnesses, paying taxes, mortgages or other debts. It can also provide income for your family's living expenses, educational costs and other future expenses. Your new policy should come as close as you can afford to making up the difference between (1) what your dependents would have if you were to die now, and (2) what they would actually need.

CHOOSING THE RIGHT KIND

All life insurance policies agree to pay an amount of money if you die. But all policies are not the same. There are three basic kinds of life insurance.

1. Term insurance
2. Whole life insurance
3. Endowment insurance

Remember, no matter how fancy the policy title or sales presentation might appear, all life insurance policies contain one or more of the three basic kinds. If you are confused about a policy that sounds complicated, ask the agent or company if it combines more than one kind of life insurance. The following is a brief description of the three basic kinds:

Term Insurance

Term insurance is death protection for a "term" of one or more years. Death benefits will be paid only if you die within that term of years. Term insurance generally provides the largest immediate death protection for your premium dollar.

Some term insurance policies are "renewable" for one or more additional terms even if your health has changed. Each time you renew the policy for a new term, premiums will be higher. You should check the premiums at older ages and the length of time the policy can be continued.

Some term insurance policies are also "convertible". This means that before the end of the conversion period, you may trade the term policy for a whole life or endowment insurance policy even if you are not in good health. Premiums for the new policy will be higher than you have been paying for the term insurance.

Whole Life Insurance

Whole life insurance gives death protection for as long as you live. The most common type is called "straight life" or "ordinary life" insurance, for which you pay the same premiums for as long as you live. These premiums can be several times higher than you would pay initially for the same amount of term insurance. But they are smaller than the premiums you would eventually pay if you were to keep renewing a term insurance policy until your later years.

Some whole life policies let you pay premiums for a shorter period such as 20 years, or until age 65. Premiums for these policies are higher than for ordinary life insurance since the premium payments are squeezed into a shorter period.

Although you pay higher premiums, to begin with, for whole life insurance than for term insurance, whole life insurance policies develop "cash values" which you may have if you stop paying premiums. You can generally either take the cash, or use it to buy some continuing insurance protection. Technically speaking, these values are called "nonforfeiture benefits". This refers to benefits you do not lose (or "forfeit") when you stop paying premiums. The amount of these benefits depends on the kind of policy you have, its size, and how long you have owned it.

A policy with cash values may also be used as collateral for a loan. If you borrow from the life insurance company, the rate of interest is shown in your policy. Any money which you owe on a policy loan would be deducted from the benefits if you were to die, or from the cash value if you were to stop paying premiums.

Endowment Insurance

An endowment insurance policy pays a sum or income to you — the policyholder — if you live to a certain age. If you were to die before then, the death benefit would be paid to your beneficiary. Premiums and cash values for endowment insurance are higher than for the same amount of whole life insurance. Thus endowment insurance gives you the least amount of death protection for your premium dollar.

FINDING A LOW COST POLICY

After you have decided which kind of life insurance fits your needs, look for a good buy. Your chances of finding a good buy are better if you use two types of index numbers that have been developed to aid in shopping for life insurance. One is called the "Surrender Cost Index" and the other is the "Net Payment Cost Index". It will be worth your time to try to understand how these indexes are used, but in any event, use them only for comparing the relative costs of similar policies. LOOK FOR POLICIES WITH LOW COST INDEX NUMBERS.

What is Cost?

"Cost" is the difference between what you pay and what you get back. If you pay a premium for life insurance and get nothing back, your cost for the death protection is the premium. If you pay a premium and get something back later on, such as a cash value, your cost is smaller than the premium.

The cost of some policies can also be reduced by dividends; these are called "participating" policies. Companies may tell you what their current dividends are, but the size of future dividends is unknown today and cannot be guaranteed. Dividends actually paid are set each year by the company.

Some policies do not pay dividends. These are called "guaranteed cost" or "non-participating" policies. Every feature of a guaranteed cost policy is fixed so that you know in advance what your future cost will be.

The premiums and cash values of a participating policy are guaranteed, but the dividends are not. Premiums for participating

policies are typically higher than for guaranteed cost policies, but the cost to you may be higher or lower, depending on the dividends actually paid.

What Are Cost Indexes?

In order to compare the cost of policies, you need to look at:

1. Premiums
2. Cash values
3. Dividends

Cost indexes use one or more of these factors to give you a convenient way to compare relative costs of similar policies. When you compare costs, an adjustment must be made to take into account that money is paid and received at different times. It is not enough to just add up the premiums you will pay and to subtract the cash values and dividends you expect to get back. These indexes take care of the arithmetic for you. Instead of having to add, subtract, multiply and divide many numbers yourself, you just compare the index numbers which you can get from life insurance agents and companies:

1. *LIFE INSURANCE SURRENDER COST INDEX* – This index is useful if you consider the level of the cash values to be of primary importance to you. It helps you compare costs if at some future point in time, such as 10 or 20 years, you were to surrender the policy and take its cash value.

2. *LIFE INSURANCE NET PAYMENT COST INDEX* — This index is useful if your main concern is the benefits that are to be paid at your death and if the level of cash values is of secondary importance to you. It helps you compare costs at some future point in time, such as 10 or 20 years, if you continue paying premiums on your policy and do not take its cash value.

* * *

There is another number called the Equivalent Level Annual Dividend. It shows the part dividends play in determining the cost index of a participating policy. Adding a policy's Equivalent Level Annual Dividend to its cost index allows you to compare total costs of similar policies before deducting dividends. However, if you make any cost comparisons of a participating policy with a non-participating policy, remember that the total cost of the participating policy will be reduced by dividends, but the cost of the non-participating policy will not change.

How Do I Use Cost Indexes?

The most important thing to remember when using cost indexes is that a policy with a small index number is generally a better buy than a comparable policy with a larger index number. The following rules are also important:

(1) Cost comparisons should only be made between similar plans of life insurance. Similar plans are those which provide essentially the same basic benefits and require premium payments for approximately the same period of time. The closer policies are to being identical, the more reliable the cost comparison will be.

(2) Compare index numbers only for the kind of policy, for your age and for the amount you intend to buy. Since no one company offers the lowest cost for *all* types of insurance at *all* ages and for *all* amounts of insurance, it is important that you get the indexes for the actual policy, age and amount which you intend to buy. Just because a "shopper's guide" tells you that one company's policy is a good buy for a particular age and amount, you should not assume that all of that company's policies are equally good buys.

(3) Small differences in index numbers could be offset by other policy features, or differences in the quality of service you may expect from the company or its agent. Therefore, when you find small differences in cost indexes, your choice should be based on something other than cost.

(4) In any event, you will need other information on which to base your purchase decision. Be sure you can afford the premiums, and that you understand its cash values, dividends and death benefits. You should also make a judgement on how well the life insurance company or agent will provide service in the future, to you as a policyholder.

(5) These life insurance cost indexes apply to new policies and should not be used to determine whether you should drop a policy you have already owned for awhile, in favor of a new one. If such a replacement is suggested, you should ask for information from the company which issued the old policy before you take action.

IMPORTANT THINGS TO REMEMBER — A SUMMARY

The first decision you must make when buying a life insurance policy is choosing a policy whose benefits and premiums most closely meet your needs and ability to pay. Next, find a policy which is also a relatively good buy. If you compare Surrender Cost Indexes and Net Payment Cost Indexes of similar competing policies, your chances of finding a relatively good buy will be better than if you do not shop. **REMEMBER, LOOK FOR POLICIES WITH LOWER COST INDEX NUMBERS.** A good life insurance agent can help you to choose the amount of life insurance and kind of policy you want and will give you cost indexes so that you can make cost comparisons of similar policies.

Don't buy life insurance unless you intend to stick with it. A policy which is a good buy when held for 20 years can be very costly if you quit during the early years of the policy. If you surrender such a policy during the first few years, you may get little or nothing back and much of your premium may have been used for company expenses.

Read your new policy carefully, and ask the agent or company for an explanation of anything you do not understand. Whatever you decide now, it is important to review your life insurance program every few years to keep up with changes in your income and responsibilities.

FTC BUYER'S GUIDE

HOW TO CHOOSE THE TYPE OF POLICY THAT'S BEST FOR YOU

It's true that all $10,000 policies will pay $10,000 to your survivors if you die. But they're not the same in other ways. The two most important types are term policies, which provide only protection, and whole life policies, which provide protection plus savings. In addition, some term and whole life policies pay dividends (participating policies), while some don't (non-participating policies). In choosing the type of policy that's best for you, you must decide whether you want just protection or protection plus savings, and whether you want a policy that pays dividends or not. Here's a brief description of these basic types of insurance and some advice on how to choose the type that best fits your needs.

Term Insurance

Term insurance gives you death protection for a period of one or more years. Protection simply means that the insurance company will pay your survivors the face amount of the policy ($10,000) if you die during the term of the policy. Since a term policy provides only protection and no savings, the premium you pay is generally much lower than the premium for a whole life policy purchased at the same age. A 35 year old man, for example, can buy a term policy for about $5 a year per $1000 of face amount, or about $50 for a $10,000 policy. A $10,000 whole life policy, purchased at the same age, would cost about $200 a year. Term insurance, however, provides only protection. If the man lives past age 36, he gets nothing back. He has paid $50 for $10,000 worth of protection for one year and that's the end of the matter. The

cost of protection rises with age because the chance of dying increases each year. At age 45 it would cost about $100 a year, and at age 55 about $200 a year, to buy $10,000 worth of term insurance. Notice that at about age 55 the term insurance premium is the same as that for a whole life policy purchased at age 55. Beyond age 55, term insurance premiums increase more rapidly. $10,000 worth of term insurance, for instance, would cost about $300 at age 60 and about $500 at age 65.

You can buy term policies whose premiums stay the same for a period of one, five, or ten years. With a five-year term policy, for example, the premium stays the same for five years. How can the premium stay the same when the cost of protection rises? Answer: you pay a little more than the cost of protection for the first 2 1/2 years and a little less than the cost for the second 2 1/2 years.

Some term policies are renewable, which means that you can continue your insurance protection for an additional term of years even if you could no longer pass a physical exam at renewal time. The premium increases each time you renew your policy. Most term policies can be renewed only to about age 60 or 65, but at that age your need for insurance protection may be less since you'll have fewer dependents. You can also buy term policies that are convertible, which means that you can trade in your term policy for a whole life policy at some future date without passing a physical exam.

Whole Life Insurance

Whole life insurance provides protection for your entire life and is also a way of "saving". Usually the premium stays the same over

your whole life. How can the premium stay the same when the cost of protection rises with age? Answer: the premium in the early years is higher than the cost of protection. Part of the difference between the premium you pay and the cost of protection in those years goes into a savings account called the cash value of the policy. The cash value is later used to pay the higher cost of protection in your older years. A man, age 35, for example, can buy a whole life policy for $20 per $1,000 of face amount. As you've seen, the cost of protection at age 35 is only about $5 per $1,000. Part of the $15 difference goes into the policy's cash value. At age 60, the cost of protection will be about $25 per $1,000 of face amount, but you'll still be paying only $20. In effect, your cash value is now being used to make up the difference. Note, however, that should you die, your survivors will recieve only the policy's face amount, not the face amount plus the cash value.

Your policy's cash value may be useful to you in other ways. If you decide to cancel or surrender your policy after paying premiums for a number of years, you're entitled to get the cash value in a lump sum or in other ways. You can also borrow money from the company up to the amount of your cash value at an interest rate fixed in the policy, called the policy loan interest rate.

Dividend-Paying Policies and Non-Dividend-Paying Policies

Some policies pay dividends (participating policies), while others don't (non-participating policies). Participating policies often have higher premiums than non-participating policies. But dividends, when received, can substantially reduce the actual amount you pay for your

protection and savings. So, even though a participating policy has a higher premium than a non-participating policy, it may well be the better buy.

Dividends, however, aren't certain. The company's illustrated dividends only show you the amount of dividends the company is currently paying out. If in the future the company makes more money on its investments, or if fewer policyholders die, or if administrative expenses decrease, it's likely that the dividends you will actually receive will be higher than those currently illustrated. If, on the other hand, the company makes less on its investments, or if more policyholders die, or if administrative expenses rise, future dividends will likely be less.

WHICH TYPE IS BEST FOR YOU?

You have to decide whether a term policy or a whole life policy or both best suit your needs, and whether you want a dividend-paying or a non-dividend-paying policy.

Term or Whole Life?

The choice really depends on your own particular needs. But we can offer you some advice.

1. If you want a larger amount of protection than you can afford to buy through a whole life policy, some or all of your purchase should be term insurance. Above all else, try to purchase enough protection to meet your family's needs if you die. Term insurance buys you the most protection for your premium dollar. At age 35, for example, you can buy four times as much protection for the same premium if you buy term rather than whole life insurance. Don't buy a whole life policy

if that means you'll be forced to buy less protection than you need.

2. If you want insurance protection for some short-term need, you should buy term insurance. Perhaps you need extra protection only during the next four years while your youngest child is in college. Whole life policies have heavy "front end" expenses built into their early years. This makes them very costly to cancel or surrender in less than 10 years. For short-term needs, buy term insurance.

3. If you want insurance protection beyond age 65, some or all of your purchase should be whole life insurance. Most term policies can't be renewed beyond age 65. Even a convertible term policy will often be too expensive to convert at later ages. You should, therefore, buy a whole life policy if you want to have some insurance in force beyond age 65.

4. If you have trouble saving systematically, you may want to buy whole life insurance. Many people find buying a whole life policy a convenient way to save. Each time you make a premium payment you're also adding to your savings. In a sense, whole life insurance "forces" you to save in order to keep your policy in force. Without such compulsion, many people would find it difficult to save on a regular basis.

If you're considering the purchase of a whole life policy as a way to save, be sure to first find out how much of the policy's premium will go for savings (the breakdown of the premium) and what interest rate those savings will earn over a 20-year period (the savings yield). You may find that you can get a better rate of interest from a bank or a savings and loan association. The difference in interest rates then becomes the cost of the added convenience of saving through life insurance.

Only you can decide if this added convenience is worth the extra cost. You should also realize the interest rate you'll earn is basically fixed and won't go up if the rate of inflation increases in the future. In this sense, saving through whole life insurance is like buying a U.S. savings bond. The company promises to pay you a fixed number of dollars in the future, regardless of what those dollars may then be worth. So, if you want a hedge against inflation, don't put all of your savings into life insurance.

Dividend-Paying or Non-Dividend-Paying?

After you've decided between term and whole life, you'll have to decide between a dividend-paying (participating) policy and a nondividend paying (non-participating policy). Again, one type isn't always better than the other, and which will be better for you depends on your own needs. We can, however, give you some advice.

1) Be sure to compare the company retention index of participating and non-participating policies, not just their premiums. This index tells you how much of the premiums which you pay in over the first 20 years of a policy's life you can expect the company to keep for its own expenses and profits rather than return to you in the form of benefits. The company retention index takes all of a policy's benefits into account, whereas looking at premiums alone does not. Remember, though, that the actual amount of a participating policy's future dividends is uncertain. If that uncertainty doesn't worry you, choose a policy with a low company rentention index, regardless of whether that policy pays dividends or not.

2) Non-participating policies generally have, and should have, lower premiums than participating policies because they don't pay dividends. however, there are many non-participating policies on today's market with higher premiums than those of participating policies. Avoid all such non-participating policies that you may come across.

HOW TO FIND A LOW-COST POLICY

After you've decided what type of policy best fits your needs, your next step is to decide which company to buy that policy from. The numerous life insurance companies operating in the United States differ greatly in their financial strength and in the relative cost of their policies. Ideally, your goal should be to buy a low-cost policy from a company of solid financial integrity.

The Alfred M. Best Company, a leading source of financial information about insurance companies, rates their financial strength in an annual publication called Best's Life Insurance Reports. Many public libraries have it. Best's analyzes the management, operations, and investments of most active companies and then gives each company an overall "Policyholder Rating" of A+, A, B+, B, C+, or C. To be reasonably certain you're dealing with a financially sound company, make sure the company received a Policyholder Rating of "A+" or "A" in the latest edition of Best's.

After you've found companies with strong financial ratings, your next step is to locate a group of relatively low-cost policies. Don't be lulled into thinking that two policies with the same premiums "cost" the same amount. Usually they don't. Premiums only measure what you pay in for a policy. They don't measure the benefits you get back. Those benefits, which may include cash values and dividends as well as death protection, often vary by large amounts among policies with similar premiums issued by different companies.

The best way to compare the cost of similar policies is to look at each policy's Company Retention Index. This figure tells you how much of the premiums you paid in over the first 20 years of a policy you can expect the company to keep for its own expenses and profits rather than return to you in the form of policy benefits. In comparing a group of similar policies, those policies with a low company retention index will almost always be the better buys. This is because the companies issuing those policies plan to keep less of your money for themselves than the companies whose policies have a high company retention index. Small differences in the company retention index of similar policies should, however, be ignored. Ideally, the best way to use the company retention index is to spot policies that are above average in cost, which you can then eliminate from further consideration. This will leave you with a few relatively low-cost policies issued by financially solid companies from which to make your final choice.

REMEMBER: BE SURE TO SHOP CAREFULLY BEFORE BUYING LIFE INSURANCE AND ALWAYS LOOK FOR A POLICY WITH A LOW COMPANY RETENTION INDEX.

APPENDIX B

Dimension Name	Policy B	Policy C	Policy E	Policy G
1. Name of Company	American United Life Insurance Company	Businessmen's Assurance Company of America	Federal Life and Casualty Ins. Co.	Connecticut Mutual Life Insurance Co.
2. Assets	$520 million	$462 million	$46 million	$3,253 million
3. National Rank in Assets	56th of 1800	62nd of 1800	198th of 1800	62nd of 1800
4. Sales Volume	premiums-$86 million	premiums-$118 million	premiums-59 million	premiums-355 million
5. Nat'l Rank in Sales Volume	64th of 1800	52nd of 1800	165th of 1800	21st of 1800
6. Mutual or Stock Company	Mutual (policy-holders own)	Stock (share-holders own)	Stock (share-holders own)	Mutual (policy-holders own)
7. In Business Since	1936	1920	1906	1846
8. Other Kinds Insurance Sold	health and disability	health and disability	auto and homeowner's	health and disability
9. New York License?	No	No	Yes	Yes
10. Investment Portfolio	Bonds 51% Cash 1% Mortgages 27% Policy Loans 9% Stocks 6% Other 6%	Bonds 39% Cash 1% Mortgages 32% Policy Loans 10% Stocks 8% Other 10%	Bonds 43% Cash 16% Mortgages 17$ Policy Loans 3% Stocks 1% Other 20%	Bonds 24% Cash 0% Mortgages 35% Policy Loans 19% Stocks 10% Other 12%
11. Financial Rating	Highest: A+ ← This co. A B+ B C+ Lowest: C	Highest: A+ A ← This co. B+ B C+ Lowest: C	Highest A+ A B+ ← This co. B C+ Lowest: C	Highest: A+ ← This co. A B+ B C+ Lowest: C
12. Dividend Payment History	Actual dividends have exceeded illustrated div's. in last 20 yrs.	This policy does not pay dividends	This policy does not pay dividends	Actual dividends have exceeded illustrated div's. in last 20 yrs.

Dimension Name	Policy B	Policy C	Policy E	Policy G
11. Premium	$238.20 per year	$198.50 per year	$191.00 per year	$ 68.20/yr. yrs. 1- 5 $ 84.20/yr. yrs. 6-10 $110.60/yr. yrs. 11-15 $153.80/yr. yrs. 16-20 $230.00/yr. yrs. 21-25 $345.90/yr. yrs. 26-30 $528.90/yr. yrs. 31-35
14. Monthly, Quarterly, or Semi-annual Premium	Each Payment Monthly $ 21 Quarterly $ 63 Semi-Annually $123 Annually $238	Each Payment Monthly $ 17 Quarterly $ 51 Semi-Annually $101 Annually $199	Each Payment Monthly $ 17 Quarterly $ 51 Semi-Annually $ 98 Annually $191	Each Payment Monthly $ 6 Quarterly $18 Semi-Annually $35 Annually $68
15. Illustrated Dividends	Year / Year 1-$ 0.00 / 11-$ 79.90 2- 21.90 / 12- 86.30 3- 28.10 / 13- 92.80 4- 34.50 / 14- 99.30 5- 40.80 / 15- 105.80 6- 47.30 / 16- 112.20 7- 53.80 / 17- 118.70 8- 60.30 / 18- 125.30 9- 66.90 / 19- 131.80 10- 73.50 / 20- 138.30	This policy does not pay dividends.	This policy does not pay dividends.	Year / Year 1-$ 4.00 / 11-$ 8.40 2- 5.20 / 12- 10.40 3- 6.00 / 13- 12.40 4- 6.80 / 14- 14.00 5- 8.00 / 15- 16.00 6- 6.40 / 16- 11.60 7- 8.00 / 17- 14.40 8- 9.20 / 18- 16.80 9- 10.40 / 19- 19.60 10- 11.60 / 20- 22.40
16. Cash Values	Year / Year 1-$ 0 / 11-$1,802 2- 135 / 12- 1,999 3- 310 / 13- 2,197 4- 488 / 14- 2,397 5- 668 / 15- 2,599 6- 852 / 16- 2,798 7- 1,037 / 17- 2,998 8- 1,225 / 18- 3,199 9- 1,415 / 19- 3,401 10- 1,608 / 20- 3,603	Year / Year 1-$ 0 / 11-$1,530 2- 0 / 12- 1,710 3- 150 / 13- 1,900 4- 320 / 14- 2,090 5- 480 / 15- 2,280 6- 650 / 16- 2,470 7- 820 / 17- 2,660 8- 990 / 18- 2,860 9- 1,170 / 19- 3,050 10- 1,350 / 20- 3,250	Year / Year 1-$ 0 / 11-$1,570 2- 0 / 12- 1,760 3- 170 / 13- 1,950 4- 330 / 14- 2,150 5- 500 / 15- 2,340 6- 670 / 16- 2,540 7- 850 / 17- 2,740 8- 1,020 / 18- 2,940 9- 1,200 / 19- 3,140 10- 1,390 / 20- 3,350	None

Dimension Name	Policy B	Policy C	Policy E	Policy G
19. Company Retention Index	$496	$725	$639	$396
19. Company Retention Yardstick	Range for most policies of this type $308 to $655	Range for most policies of this type $532 to $681	Range for most policies of this type $532 to $681	Range for most policies of this type $322 to $582
19. Policy Loan Interest Rate	6.00%	6.00%	6.00%	Not applicable. You cannot borrow against the policy since it has no cash value
22. Agent's Commission	$143 or 60% of 1st year premium	$119 or 60% of 1st year premium	$105 or 55% of 1st year premium	$24 or 35% of 1st year premium
23. Settlement Options	Survivors are entitled to either: 1. lump sum $10,000 or 2. Mnthly or yrly checks for certain # yrs, dep on how much money per mo.	Survivors are entitled to either: 1. lump sum $10,000 or 2. Mnthly or yrly checks for certain # yrs, dep on how much money per mo.	Survivors are entitled to either: 1. lump sum $10,000 or 2. Mnthly or yrly checks for certain # yrs, dep on how much money per mo.	Survivors are entitled to either: 1. lump sum $10,000 or 2. Mnthly or yrly checks for certain # yrs, dep on how much money per mo.
20. Waiver of Premiums	$6.50/yr. additional	$5.40/yr. additional	Included in premium	$2.70/yr. additional
21. Guaranteed Insurability	$10,000 addit'l ins. avail. ages 39, 45, & 54. Addit'l cost is $13.50/yr.	$10,000 addit'l ins. avail. ages 37 & 40. Addit'l cost is $19.00/yr.	Not available	Not available
24. Accidental Death	Automatically included	Available for $10.00 per year	Not available	Automatically included
25. Breakdown of Premiums	% of Total / $ Protec. 8.9 / 21.20 Savings 43.7 / 104.09 Div's. 23.0 / 54.79 Co Exp's & profits 24.4 / 58.12 100.0 / 238.20 Total pd/yr-$238.20	% of Total / $ Protec. 11.0 / 21.84 Savings 45.8 / 90.91 Div's. 0.0 / 0.00 Co Exp's & profits 43.2 / 83.75 100.0 / 198.50 Total pd/yr-$198.50	% of Total / $ Protec. 11.4 / 21.77 Savings 49.1 / 93.78 Div's. 0.0 / 0.00 Co Exp's & profits 39.5 / 75.45 100.0 / 191.00 Total pd/yr-$191.00	% of Total / $ Protec. 40.0 / 32.81 Savings 0.0 / 0.00 Div's. 11.0 / 9.02 Co Exp's & profits 49.0 / 40.19 100.0 / 82.02 Total pd/yr $82.02

Dimension Name	Policy B	Policy C	Policy E	Policy G
26. Savings Yield	5.57%	2.37%	3.37%	Not applicable-policy has no cash values
27. Surrender Cost Index	$57.30	$93.60	$82.80	$83.00
28. Surrender Cost Yardstick	Range for most policies of this type $47 to $79	Range for most policies of this type $73 to $89	Range for most policies of this type $73 to $89	Range for most policies of this type $72 to $90
29. Net Payment Cost Index	$173.60	$198.50	$191.00	$83.00
30. Net Payment Cost Yardstick	Range for most policies of this type $155 to $186	Range for most policies of this type $180 to $197	Range for most policies of this type $180 to $197	Range for most policies of this type $72 to $90
31. Year-by-Year Payments and Benefits	Ask interviewer for PAGE B1	Ask interviewer for PAGE C1	Ask interviewer for PAGE E1	Ask interviewer for PAGE G1
32. Yr-by-Yr Cost of Protec. & Yield on Savings	Ask interviewer for PAGE B2	Ask interviewer for PAGE C2	Ask interviewer for PAGE E2	Ask interviewer for PAGE G2
33. Passing Physical Exam Required?	Yes	Yes	Yes	Yes
34. Conditions for Reinstatement	Overdue premiums paid w/int. & new physical passed w/in 5 years	Overdue premiums paid w/int. & new physical passed w/in 5 years	Overdue premiums paid w/int. & new physical passed w/in 5 years	Overdue premiums paid w/int. & new physical passed w/in 5 years
35. Renewability	Not applicable. Whole life policy renewable automatically	Not applicable. Whole life policy renewable automatically	Not applicable. Whole life policy renewable automatically	Renewable every 5 yrs. to age 70 w/o physical exam
36. Premiums for Renewal	Not applicable. Whole life policy premiums remain same for life of policy	Not applicable. Whole life policy premiums remain same for life of policy	Not applicable. Whole life policy premiums remain same for life of policy	age 40 - $ 84.20 age 45 - 110.60 age 50 - 153.80 age 55 - 230.00 age 60 - 345.90 age 65 - 528.90
37. Convertibility	Not applicable, since this is a whole life policy	Not applicable, since this is a whole life policy	Not applicable, since this is a whole life policy	This policy may be converted to any of the company's $10,000 whole life plans up to age 68

Policy B: Yearly Payments and Benefits

Policy Year (1)	Policy-holder's Age (2)	Yearly Premium (3)	Amount Payable on Death (4)	Cash Value (Savings) (5)	Illustrated Dividends (6)
1	35	$238.20	$10,000	0	0
2	36	238.20	10,000	$134.90	$21.90
3	37	238.20	10,000	309.80	28.10
4	38	238.20	10,000	487.70	34.50
5	39	238.20	10,000	668.30	40.80
6	40	238.20	10,000	851.50	47.30
7	41	238.20	10,000	1,037.00	53.80
8	42	238.20	10,000	1,224.90	60.30
9	43	238.20	10,000	1,415.10	66.90
10	44	238.20	10,000	1,607.60	73.50
11	45	238.20	10,000	1,802.20	79.90
12	46	238.20	10,000	1,998.80	86.30
13	47	238.20	10,000	2,197.20	92.80
14	48	238.20	10,000	2,397.20	99.30
15	49	238.20	10,000	2,598.70	105.80
16	50	238.20	10,000	2,797.90	112.20
17	51	238.20	10,000	2,997.90	118.70
18	52	238.20	10,000	3,198.90	125.30
19	53	238.20	10,000	3,400.50	131.80
20	54	238.20	10,000	3,602.70	138.30

To get an explanation of the terms used above, ask interviewer for Folder Y.

Policy B: Yearly Cost of Protection and Rate of Return on Savings

Policy Year (1)	Amount Payable on Death (2)	Cash Value (Savings) (3)	Amount of Insurance Protection (4)	Yearly Price of Protection (per $1,000) (5)	Yearly Rate of Return on Savings (6)
1	$10,000	0	$10,000.00	$25.01	Negative
2	10,000	$134.90	9,865.10	9.46	Negative
3	10,000	309.80	9,690.20	5.56	3.71%
4	10,000	487.70	9,512.30	5.59	4.37%
5	10,000	668.30	9,331.70	5.69	4.63%
6	10,000	851.50	9,148.50	5.79	4.83%
7	10,000	1,037.00	8,963.00	5.96	4.95%
8	10,000	1,224.90	8,775.10	6.13	5.07%
9	10,000	1,415.10	8,584.90	6.33	5.18%
10	10,000	1,607.60	8,392.40	6.54	5.29%
11	10,000	1,802.20	8,197.80	6.83	5.37%
12	10,000	1,998.80	8,001.20	7.16	5.43%
13	10,000	2,197.20	7,802.80	7.54	5.47%
14	10,000	2,397.20	7,602.80	7.98	5.50%
15	10,000	2,598.70	7,401.30	8.47	5.51%
16	10,000	2,797.90	7,202.10	9.52	5.36%
17	10,000	2,997.90	7,002.10	10.18	5.33%
18	10,000	3,198.90	6,801.10	10.84	5.34%
19	10,000	3,400.50	6,599.50	11.62	5.35%
20	10,000	3,602.70	6,397.30	12.44	5.34%

To get an explanation of the terms used above, ask interviewer for Folder Z.

Policy C: Yearly Payments and Benefits

Policy Year (1)	Policy-holder's Age (2)	Yearly Premium (3)	Amount Payable on Death (4)	Cash Value (Savings) (5)	Illustrated Dividends (6)
1	35	$198.50	$10,000	0	0
2	36	198.50	10,000	0	0
3	37	198.50	10,000	$150.00	0
4	38	198.50	10,000	320.00	0
5	39	198.50	10,000	480.00	0
6	40	198.50	10,000	650.00	0
7	41	198.50	10,000	820.00	0
8	42	198.50	10.000	990.00	0
9	43	198.50	10,000	1,170.00	0
10	44	198.50	10,000	1,350.00	0
11	45	198.50	10,000	1,530.00	0
12	46	198.50	10,000	1,710.00	0
13	47	198.50	10,000	1,900.00	0
14	48	198.50	10,000	2,090.00	0
15	49	198.50	10,000	2,280.00	0
16	50	198.50	10,000	2,470.00	0
17	51	198.50	10,000	2,660.00	0
18	52	198.50	10,000	2,860.00	0
19	53	198.50	10,000	3,050.00	0
20	54	198.50	10,000	3,250.00	0

To get an explanation of the terms used above, ask interviewer for Folder Y.

Policy C: Yearly Cost of Protection and Rate of Return on Savings

Policy Year (1)	Amount Payable on Death (2)	Cash Value (Savings) (3)	Amount of Insurance Protection (4)	Yearly Price of Protection (per $1,000) (5)	Yearly Rate of Return on Savings (6)
1	$10,000	0	$10,000	$20.84	Negative
2	10,000	0	10,000	20.84	Negative.
3	10,000	$150	9,850	5.93	0.68%
4	10,000	320	9,680	4.74	6.35%
5	10,000	480	9,520	6.76	2.49%
6	10,000	650	9,350	6.67	3.56%
7	10,000	820	9,180	7.72	3.02%
8	10,000	990	9,010	8.81	2.71%
9	10,000	1,170	8,830	8.82	3.36%
10	10,000	1,350	8,650	10.05	3.14%
11	10,000	1,530	8,470	11.32	3.00%
12	10,000	1,710	8,290	12.65	2.89%
13	10,000	1,900	8,100	12.83	3.33%
14	10,000	2,090	7,910	14.34	3.21%
15	10,000	2,280	7,720	15.92	3.09%
16	10,000	2,470	7,530	17.58	2.98%
17	10,000	2,660	7,340	19.33	2.88%
18	10,000	2,860	7,140	19.80	3.16%
19	10,000	3,050	6,950	23.22	2.77%
20	10,000	3,250	6,750	23.84	3.04%

To get an explanation of the terms used above, ask interviewer for Folder Z.

Policy E: Yearly Payments and Benefits

Policy Year (1)	Policy-holder's Age (2)	Yearly Premium (3)	Amount Payable on Death (4)	Cash Value (Savings) (5)	Illustrated Dividends (6)
1	35	$191.00	$10,000	0	0
2	36	191.00	10,000	0	0
3	37	191.00	10,000	$170.00	0
4	38	191.00	10,000	330.00	0
5	39	191.00	10,000	500.00	0
6	40	191.00	10,000	670.00	0
7	41	191.00	10,000	850.00	0
8	42	191.00	10,000	1,020.00	0
9	43	191.00	10,000	1,200.00	0
10	44	191.00	10,000	1,390.00	0
11	45	191.00	10,000	1,570.00	0
12	46	191.00	10,000	1,760.00	0
13	47	191.00	10,000	1,950.00	0
14	48	191.00	10,000	2,150.00	0
15	49	191.00	10,000	2,340.00	0
16	50	191.00	10,000	2,540.00	0
17	51	191.00	10,000	2,740.00	0
18	52	191.00	10,000	2,940.00	0
19	53	191.00	10,000	3,140.00	0
20	54	191.00	10,000	3,350.00	0

To get an explanation of the terms used above, ask interviewer for Folder Y.

Policy E: Yearly Cost of Protection and Rate of Return on Savings

Policy Year (1)	Amount Payable on Death (2)	Cash Value (Savings) (3)	Amount of Insurance Protection (4)	Yearly Price of Protection (per $1,000) (5)	Yearly Rate of Return on Savings (6)
1	$10,000	0	$10,000	$20.05	Negative
2	10,000	0	10,000	20.05	Negative
3	10,000	$170	9,830	3.10	15.04%
4	10,000	330	9,670	5.07	5.42%
5	10,000	500	9,500	4.95	5.82%
6	10,000	670	9,330	5.95	4.56%
7	10,000	850	9,150	5.90	4.99%
8	10,000	1,020	8,980	8.13	3.36%
9	10,000	1,200	8,800	8.12	3.90%
10	10,000	1,390	8,610	8.19	4.32%
11	10,000	1,570	8,430	10.68	3.39%
12	10,000	1,760	8,240	10.80	3.81%
13	10,000	1,950	8,050	12.24	3.62%
14	10,000	2,150	7,850	12.48	3.93%
15	10,000	2,340	7,660	15.40	3.32%
16	10,000	2,540	7,460	15.75	3.58%
17	10,000	2,740	7,260	17.56	3.42%
18	10,000	2,940	7,060	19.48	3.31%
19	10,000	3,140	6,860	21.50	3.23%
20	10,000	3,350	6,650	22.18	3.45%

To get an explanation of the terms used above, ask interviewer for Folder Z.

Policy G: Yearly Payments and Benefits

Policy Year (1)	Policy-holder's Age (2)	Yearly Premium (3)	Amount Payable on Death (4)	Cash Value (Savings) (5)	Illustrated Dividends (6)
1	35	$68.20	$10,000	0	$4.00
2	36	68.20	10,000	0	5.20
3	37	68.20	10,000	0	6.00
4	38	68.20	10,000	0	6.80
5	39	68.20	10,000	0	8.00
6	40	84.20	10,000	0	6.40
7	41	84.20	10,000	0	8.00
8	42	84.20	10,000	0	9.20
9	43	84.20	10,000	0	10.40
10	44	84.20	10,000	0	11.60
11	45	110.60	10,000	0	8.40
12	46	110.60	10,000	0	10.40
13	47	110.60	10,000	0	12.40
14	48	110.60	10,000	0	14.00
15	49	110.60	10,000	0	16.00
16	50	153.80	10,000	0	11.60
17	51	153.80	10,000	0	14.40
18	52	153.80	10,000	0	16.80
19	53	153.80	10,000	0	19.60
20	54	153.80	10,000	0	22.40

To get an explanation of the terms used above, ask interviewer for Folder Y.

Policy G: Yearly Cost of Protection and Rate of Return on Savings

Policy Year (1)	Amount Payable on Death (2)	Cash Value (Savings) (3)	Amount of Insurance Protection (4)	Yearly Price of Protection (per $1,000) (5)	Yearly Rate of Return on Savings (6)
1	$10,000	0	$10,000	$6.82	N/A
2	10,000	0	10,000	6.42	N/A
3	10,000	0	10,000	6.30	N/A
4	10,000	0	10,000	6.22	N/A
5	10,000	0	10,000	6.14	N/A
6	10,000	0	10,000	7.62	N/A
7	10,000	0	10,000	7.78	N/A
8	10,000	0	10,000	7.62	N/A
9	10,000	0	10,000	7.50	N/A
10	10,000	0	10,000	7.38	N/A
11	10,000	0	10,000	9.90	N/A
12	10,000	0	10,000	10.22	N/A
13	10,000	0	10,000	10.02	N/A
14	10,000	0	10,000	9.02	N/A
15	10,000	0	10,000	9.66	N/A
16	10,000	0	10,000	13.78	N/A
17	10,000	0	10,000	14.22	N/A
18	10,000	0	10,000	13.94	N/A
19	10,000	0	10,000	13.70	N/A
20	10,000	0	10,000	13.42	N/A

To get an explanation of the terms used above, ask interviewer for Folder Z.

APPENDIX C

Read to all Women: At the start of the interview

Our research project was originally planned to include men only. It was after all forms had been printed that the decision was made to interview women also. As a result, various forms and instructions will ask you to assume you are a male who is 35 years old. Because a large number of corrections would have to be made, we would like you to insert the phrase (mentally):"Assume you are a female 37 years old," whenever you read the phrase, " Assume you are a male 35 years old," throughout the interview. It is important that you remember the age 37 years and not 35. Thank You.

FTC Information Accessing Study -- Interviewer Schedule

Hello. My name is _____. You must be (Are you . . . ?) _____. Won't you please have a seat here.

In order to familiarize you with what we will be doing here today, let me tell you what our project is all about. We are conducting a study for the Federal Trade Commission. They are developing new regulations to help consumers make more informed choices when it comes to buying life insurance. But before the FTC proposes these regulations, they'd like to have a better idea of just how consumers go about making such purchase decisions.

And that's where we come in. Purdue University has been asked to do this research for the government and several hundred people from the Lafayette area will be participating in this study. As we told you over the phone, you will receive $10.00 for giving us approximately an hour of your time. I also want to re-emphasize the fact that we are not selling life insurance! We are doing research only for Purdue University and the U.S. Government.

Basically, we're going to ask you to do a few different things. We're going to start by asking you to make-believe you are about to buy some life insurance on yourself. For the purposes of this experiment, assume you are 35 years old (35 Women) and have decided to buy $10,000 worth of life insurance. Your job will be to (decide on/choose) one of 3 different life insurance policies. After you reach your decision, we're going to ask you some questions about how you made your decision, and about life insurance in general.

Do you have any questions about anything I've said so far?

O.K., then let me describe the decision task further. As you know, life insurance is a complex subject. There are lots of different things a person can try to find out about a life insurance policy before he makes a purchase decision. We've tried to identify the types of information that people might want to know before buying. Some of this information may be important to you; some may not. Some people want much of this information; others very little. Here is a list of the major types of information. The information on the list is supposed to be completely self-explanatory. Since it might influence you later, I'm not supposed to answer any questions about this list of information at this time. However, you may have folder X, if you want more information about 12, on the list. Please take a few minutes to look the list over.

Pause until respondent is finished looking over the list.

As you know, in the real world, different insurance policies contain lots of different information. Usually, this information is presented in different places (on the policy) and in different ways. We've tried to use the display board behind you to simplify things. Let's go to the board now and I'll explain how you can use it to help you make your decision.

As you can see, the board contains three columns of cards and a column of labels at the left. Each of the columns stands for a different insurance policy, and each of the rows stands for a different type of information about the policies. The labels at the left are exactly the same as on the list I just showed you at the table. Using this arrangement, it's easy and fast for you to locate

any kind of information that you want. For example, if you wanted to know how much you had to pay to buy Policy B, you would simply pick out the appropriate card, turn the card over, and read the information printed on the back. After you have looked at and read this information, place the card in this storage tray. Then, if you wish, you may take another card from the board about the same policy, or about a different policy entirely. That is, you can look at as much or as little information as you like, in any order that you want, and take as much time as you want, before deciding on which policy to select. You stop choosing cards from the board whenever you feel ready to decide on a policy. At that point, just tell me which policy you'd like to choose.

The basic rules for you to remember are that you may take only one card at a time, and you must place that card in the storage tray before taking another.

If you want to re-check a specific piece of information, don't go back to the cards in the tray. Since the cards in each slot are all the same, just take another card from the same slot on the board.

You may also jot down any notes or thoughts you have on this pad. If your note is about a specific policy, please place it under that policy number on the pad.

Remember, the information appearing on the cards is for real policies and real companies, so try to make your decision here just as if you were actually buying from a real life insurance agent.

If respondent is in Group 1 or 7, say, "O.K., any questions?"; if no, "You may begin."

If respondent is in one of the remaining groups, read appropriate additional paragraph below.

For Task A, group 2, 5, 8, and 11, add:

One last thing before you begin. Here is some information on life insurance put out by the National Association of Insurance Commissioners. The people who belong to this organization are the state officials empowered to regulate the activities of insurance companies in each of the 50 states. We would like you to read through this material before you begin your decision task. Any questions? O.K. You may begin.

For Task A, group 3, 4, 6, 9, 10, or 12, add:

One last thing before you begin. Here is some information on life insurance put out by the Federal Trade Commission. The FTC is a federal agency that is responsible for protecting consumers in the market place.

We would like you to read through this material before you begin your decision task. Any questions? O.K. You may begin.

Begin timing the respondent when he first touches a card on the board.

O.K. Which policy did you decide on? _____

Hand the respondent the Question booklet and have him open to page 1. Tell R to read instructions to himself.

1. Compared to the other 2 policies on the board, how <u>certain</u> are you that the policy you chose was the best one for you?

(1) _____99 in 100 (practically certain it was the best one for me)

(2) _____ 9 in 10 (almost sure)

(3) _____ 8 in 10 (very probable)

(4) _____ 7 in 10 (probably)

(5) _____ 6 in 10 (good possibility)

(6) _____ 5 in 10 (fairly good possibility)

(7) _____ 4 in 10 (fair possibility)

(8) _____ 3 in 10 (some possibility)

(9) _____ 2 in 10 (slight possibility)

(10) _____ 1 in 10 (very slight possibility)

(11) _____ 1 in 100 (almost no chance it was the best one for me).

2. Every life insurance policy offers you certain kinds of benefits. Likewise, every policy costs a certain amount of money. Policies differ in the amount of benefits you receive for the amount of money you pay. Think about the benefits versus the costs of the policy that you chose. From what you know about it, would you say that the policy you decided on is a:

(1) _____ very bad value

(2) _____ bad value

(3) _____ neither good nor bad value

(4) _____ good value, or a

(5) _____ very good value for the money?

3. How hard or easy was it for you to imagine that you were really purchasing a life insurance policy? Would you say it was:

(1) _____ extremely hard

(2) _____ moderately hard

(3) _____ neither hard nor easy

(4) _____ moderately easy, or

(5) _____ extremely easy for you to imagine that you were really purchasing a life insurance policy.

4. Do you think you made a purchase here very much like you would have if you were actually buying life insurance? Did you make your purchase here:

(1) _____ exactly,

(2) _____ very much,

(3) _____ sort of like,

(4) _____ only slightly like, or

(5) _____ not at all like you would have if actually purchasing life insurance?

5. In explaining the instructions about how to use the board to arrive at a purchase decision, how well did we make ourselves understood?

(1) _____ not at all

(2) _____ only slightly

(3) _____ moderately well

(4) _____ very well, or,

(5) _____ extremely well?

6. Compared to what you normally would do if you were buying a life insurance policy, did you feel any pressure to choose more information here? Did you feel:

(1) _____ an extreme amount of pressure to choose more information here

(2) _____ a great deal of pressure

(3) _____ a moderate amount

(4) _____ only a slight amount, or,

(5) _____ no pressure at all?

7. When making your decision at the display board, would you say you were:

(1) _____ not at all confused

(2) _____ somewhat confused

(3) _____ moderately confused

(4) _____ very confused, or,

(5) _____ extremely confused?

8. Is there any kind of information that you would have liked to have had that was not on the board? (If "yes",

Record response(s) in full on coding sheet.

9. Of the information that you did take from the board, which do you feel helped you the most in making up your mind as to which policy to choose? (Permit the respondent to scan the list of dimensions. After R gives initial response (s), ask: "Any others?")

Record response(s) in full on coding sheet.

10. Do you think we wanted you to use any particular kind of information from the board? (If "yes", probe)

(1) _____ No

(2) _____ Yes ⟶ "Which information was this?"

_____

_____

_____

If Subject is in Group 1, 4, 7, or 10, Go to Section II

Ask the following questions only if respondent is in Group 2, 3, 5, 6, 8, 9, 11, or 12.

11. How well do you feel you understood the packet of information (show the Education packet to the respondent) we gave to you to read just before you began to search at the board? Did you understand:

(1) _____ all of it

(2) _____ almost all

(3) _____ some

(4) _____ almost none, or,

(5) _____ none of it?

12. Do you think having this packet of information had any effect on the way you made your decision?

(1) _____ No → Skip to Section II

(2) _____ Yes

13. If you had not looked at this packet of information would you have made your decision differently? Would the way you made your decision have been:

(1) _____ not at all different

(2) _____ slightly different

(3) _____ moderately different

(4) _____ very different, or,

(5) _____ extremely different because of this packet of information?

14. Did you find this packet of information to be helpful?

(1) _____ No → Skip to Section II

(2) _____ Yes

15. How helpful did you find this packet of information to be?

Was it:

(1) _____ not at all

(2) _____ only slightly

(3) _____ moderately

(4) _____ very, or,

(5) _____ extremely helpful?

Study 1B

Note to interviewer: Check the subject sheet before running to determine yardstick and policy set order.

The next part of our study has a different focus than the first portion. Earlier, we were interested in how consumers make insurance purchase decisions; now we would like to find out -- is there a best method for presenting cost disclosure information?

The Federal Trade Commission is interested in evaluating several different designs for presenting such information. We will be giving you five different sets of policies using these designs. Each set will contain four different policies, and your job will be to tell us which of the four policies has the lowest relative cost in each set. Are there any questions?

I would like to emphasize that there is no time limit placed on this task. You may take as little or as much time as you feel is necessary to make a decision. Are you ready?

Make sure to check the subject sheet in order to make certain the order of yardsticks and policy sets.

Here is Policy Set 1. Read the instructions, examine each of these four policies and then tell me which one has the lowest relative cost.

Start stopwatch immediately upon presenting the first yardstick. After respondent has identified the policy having the lowest relative cost, stop stopwatch and continue:

Now, would you please rank order the policies from highest to lowest relative cost.

Go through the five sets in the order designated on the subject sheet.

Post-Task Questions

1. Please rank order the designs from easiest to use (=1) to hardest to use (=5).

_____

_____

_____

_____

_____

2. Please rank order the designs from best looking (=1) to worst looking (=5).

_____

_____

_____

_____

_____

3. Did any one of the four designs make you feel more certain of your decision?

_____ no

_____ yes → If yes -- which one?

_____

_____

_____

_____

_____

Hand respondent an example of each disclosure design (that is, one sheet from each of the five sets).

4. If you wanted cost disclosure information, which design would be your first choice? 1= _____

Of the remaining 4 designs, which would be your next preferred choice? 2=_____

Of the remaining 3 designs, which would be your next preferred choice? 3=_____

Of the remaining 2 designs, which would be your next preferred choice? 4=_____

Interviewer: Now we would like you to complete this survey by matching these life insurance terms to their appropriate definitions (hand respondent the matching test). Some of these terms you may recognize from today's interview and some you may not. For those terms which you do not recognize, feel free to check the space in the column labeled "don't know".

8. Do you have this insurance through a group plan at the place where you work?

(1) _____ Yes

(2) _____ No

9. Did you buy this insurance from an individual agent (agency)?

(1) _____ Yes

(2) _____ No

10. Did you buy this insurance through the mail?

(1) _____ Yes

(2) _____ No

11. As best as you can remember, how much are you presently insured for? That is, if you should die, how much money would your beneficiaries receive?

$_____ (approximately)

(9) _____ uncertain

12. Do you expect to buy any (more) life insurance during the next five years?

(1) _____ Yes

(2) _____ No

(9) _____ Uncertain

This last series of questions is to be used for classification purposes only, and will be kept strictly confidential.

DO NOT READ ALTERNATIVES FOR ANY QUESTION

Record all answers on Page 5 of Coding Sheet

13. What is your birthdate; that is, when were you born?

_____ _____ 19_____

(month) (day) (year)

(9) No response

14. What is the highest grade you completed in school?

Finished high school = 12; finished college = 16, etc.

15. Would you please tell me what you do for a living?

Try to get specific duties if possible

16. How many people are in your household, that is, the number of people in your family who are living at your home?

17. How many children do you have? _____

. Can you tell me their ages? _____

18. As best you can remember, what was your total family income for the year 1977, before taxes? Please just give me the number for the appropriate range.

(1) $ 5,999 or less

(2) $ 6,000 - $ 8,999

(3) $ 9,000 - $11,999

(4) $12,000 - $14,999

(5) $15,000 - $17,999

(6) $18,000 - $20,999

(7) $21,000 - $23,999

(8) $24,000 - $29,999

(9) $30,000 or above

(99) No Response

Well, this is the end of our survey. We thank you for your participation. We have certainly appreciated your help and cooperation. We would like to arrange for you to get your check for $5.00. Just fill in your name and address here, and then sign here.

Point to appropriate lines in the "Payment Receipt" binder.

Your check will be mailed to you.

Finally, it would help us if you did not discuss any of the details of this survey, or the questions we have asked you here today, with anybody. Thanks again. Goodbye.

APPENDIX D

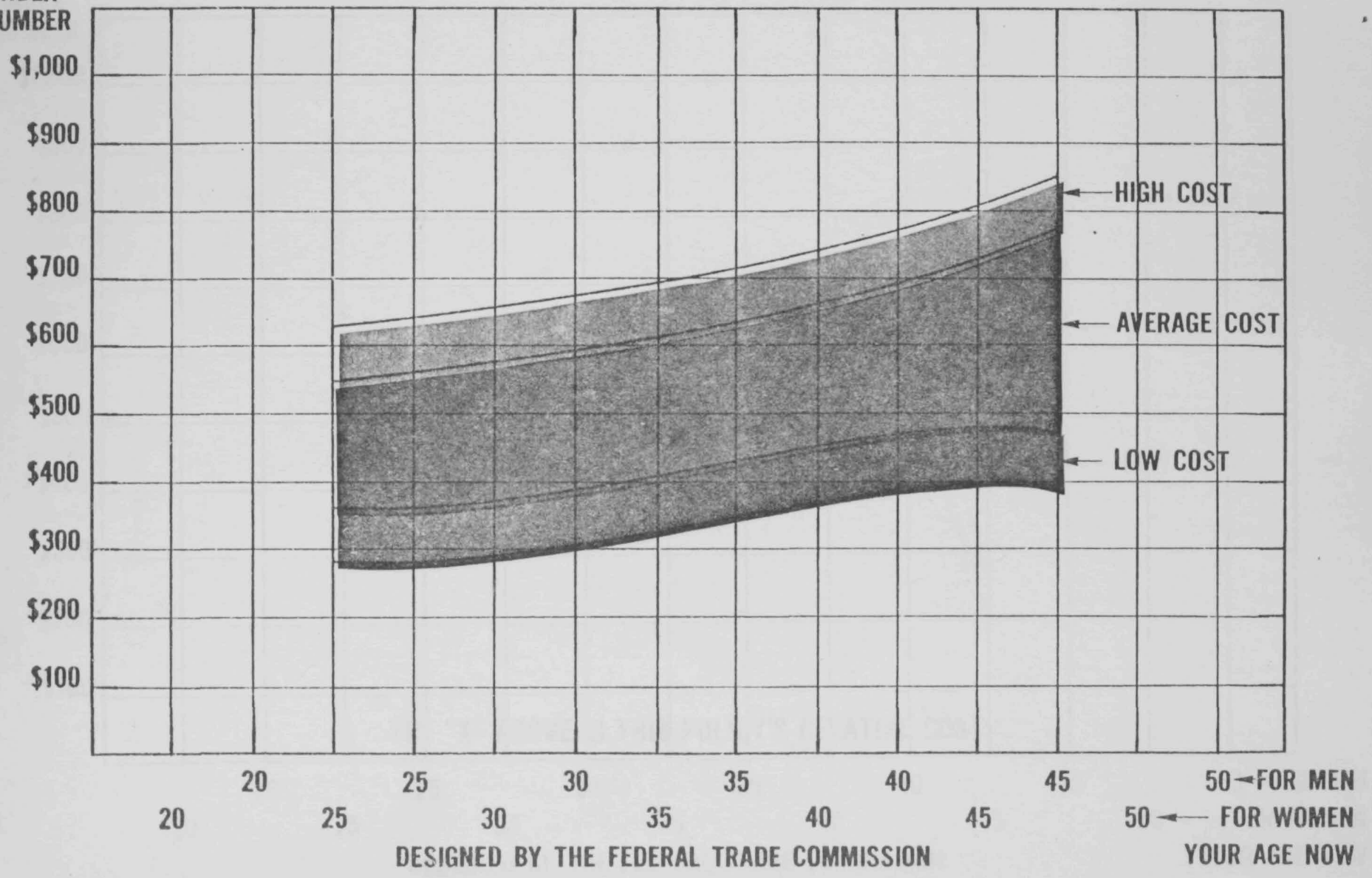
RANGE OF COSTS FOR POLICIES

SIMILAR TO THIS ONE

Policyholder's Age at Date of Purchase	Range of Company Retention Index Numbers
20	$245 - $580
25	$283 - $633
30	$315 - $660
35	$346 - $721
40	$360 - $780
45	$384 - $847
50	$390 - $890
55	$440 - $1,000

HOW THIS POLICY'S COST COMPARES WITH THE COST OF OTHER SIMILAR POLICIES

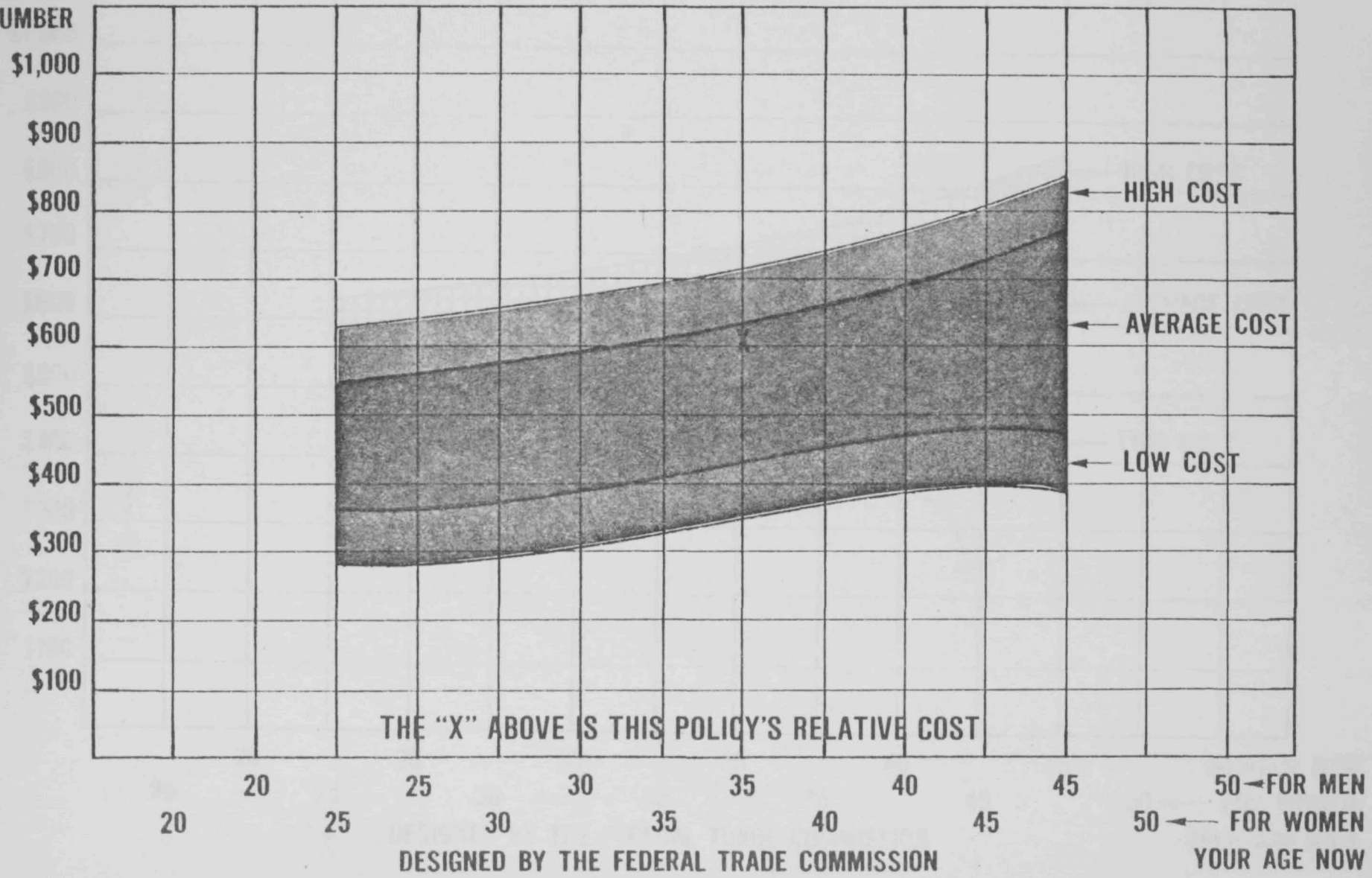
C



NOTE: SEE ATTACHED SHEET FOR INSTRUCTIONS ON HOW TO USE THIS GRAPH.

How This Policy's Cost Compares With The Cost of Other Similar Policies

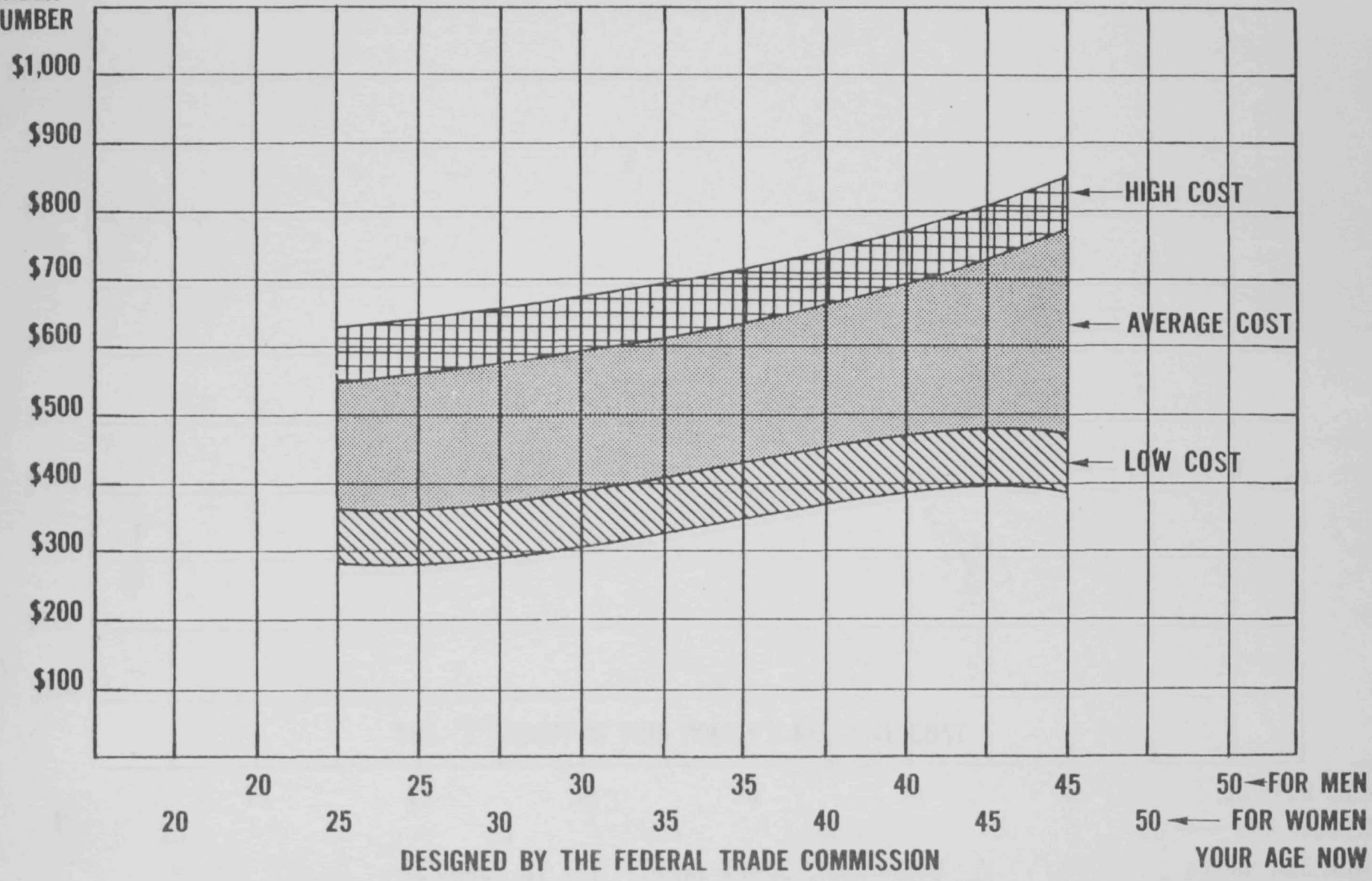
D



NOTE: SEE ATTACHED SHEET FOR INSTRUCTIONS ON HOW TO USE THIS GRAPH.

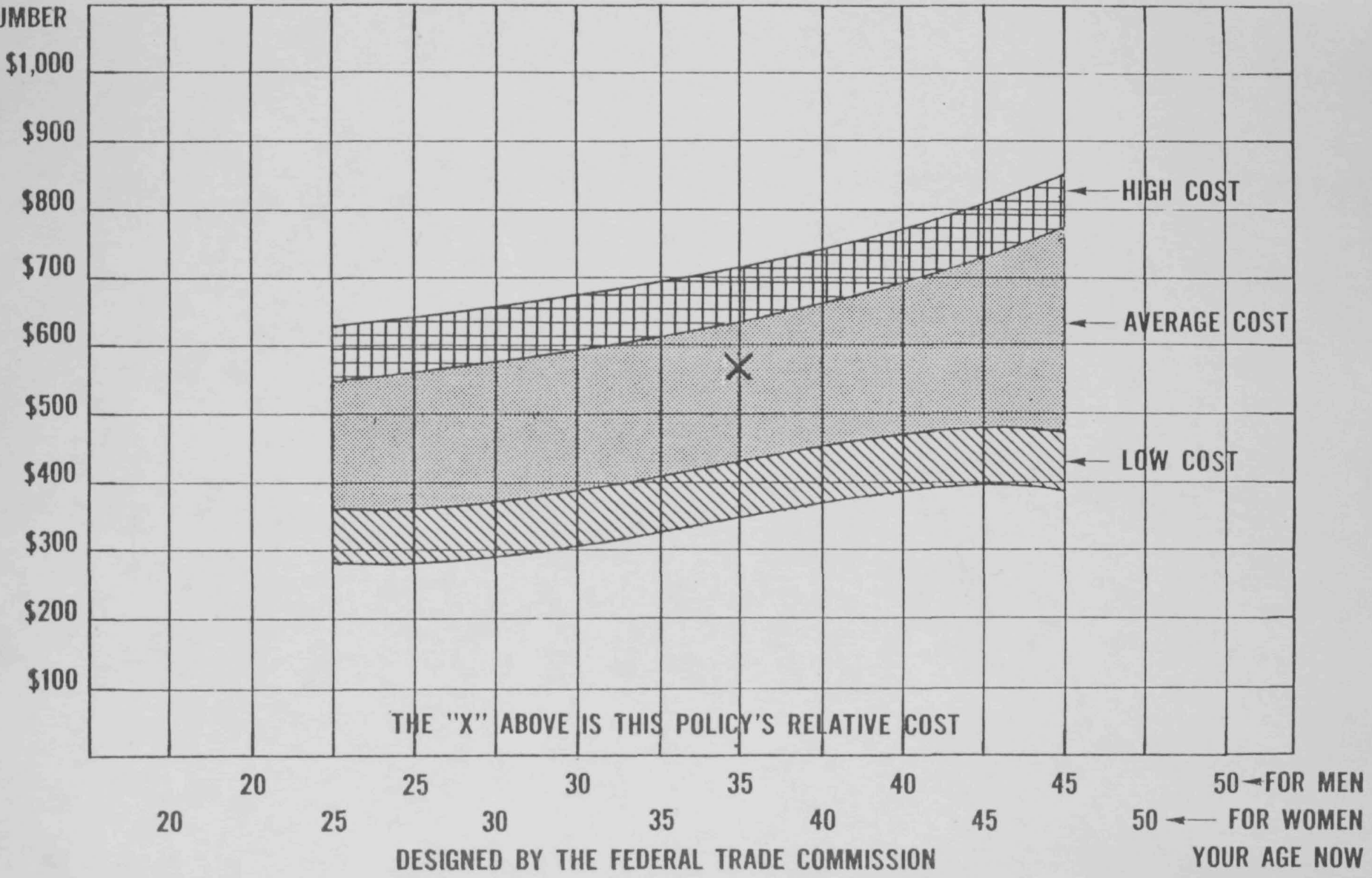
HOW THIS POLICY'S COST COMPARES WITH THE COST OF OTHER SIMILAR POLICIES

Q



HOW THIS POLICY'S COST COMPARES WITH THE COST OF OTHER SIMILAR POLICIES

P



NOTE: SEE ATTACHED SHEET FOR INSTRUCTIONS ON HOW TO USE THIS GRAPH.

APPENDIX E

Respondent No. _____

Test order # _____ | Design _____ Policy Set _____

1. Which of the policies has the lowest cost in terms of the company retention index? _____.

2. Rank order the policies from highest to lowest relative cost in terms of the company retention index (1= highest, 4= lowest cost).

_____ 1 Highest cost

_____ 2

_____ 3

_____ 4 Lowest cost

Time _____