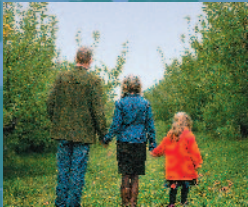


Patterns in Group Life Insurance

from the 2004 MetLife Study of Employee Benefits Trends



An executive summary of research focusing on life insurance as a critical employee benefit. The data and analysis you need to understand the role of life insurance in the workplace today. Includes practical suggestions to build awareness, increase participation and meet employees' diverse needs with the right mix of product solutions.



Executive Summary

During the third quarter of 2004, MetLife commissioned a national study of benefits trends, surveying employees from a broad range of companies.

The study, which was designed in part to examine broad employee benefits—including trends in employees' life insurance attitudes and ownership—is an important component of MetLife's ongoing efforts to gauge employer and employee attitudes and behavior around life insurance benefits.

The study uncovered specific trends, including:

Inadequate ownership levels among employees

Employees continue to lack life insurance coverage, and those who are covered are significantly underinsured. Regardless of income, all employee segments express some concern about the impact their premature death would have on their families' financial security, yet almost half of all employees have not taken any steps to determine their households' financial needs in terms of life insurance.

Employees' concerns about the financial impact of premature death vary across demographic segments

Findings reveal that concern about the financial impact of premature death is higher among the life prime needs segment. Female breadwinners have lower personal income and are less likely to be married, which underscores why their concern about the financial impact of premature death is higher than their male counterparts. Highly-compensated employees are also worried about the financial impact of premature death—however, they have more income to protect and therefore have specialized financial planning needs.

The workplace is the main source for life insurance purchases

Employees remain confused about where they obtain coverage, and continue to place a lower value on life insurance as compared to their other benefits. Employers, however, have an important role to play in educating employees about the value of life insurance, through enhanced benefit communications. And since benefits satisfaction is strongly correlated with employee loyalty and overall job satisfaction, there is an opportunity for employers to increase awareness and provide decision-making tools.

Major Findings

- I. ● Employees Remain Significantly Underinsured
- II. ● Despite Concerns About Income Loss, Inertia Persists
- III. ● Lack of Adequate Coverage Is Equally Disturbing Among the Prime Needs Segment
- IV. ● Employees Miss a Serious Checkpoint in Reexamining Life Insurance Needs
- V. ● The Financial Impact of Premature Death May Be Especially Worrisome for Female Breadwinners
- VI. ● Highly-Compensated Employees Have More Income to Protect
- VII. ● The Workplace Continues to Be the Main Source for Life Insurance
- VIII. ● Life Insurance Benefits Are Undervalued
- IX. ● Benefit Communications Should Be Tailored to Employees' Needs
- X. ● Employees' Preferences for Benefits Enrollment Need to Be Addressed
- XI. ● Conclusions and Recommendations

Methodology

The annual **MetLife Study of Employee Benefits Trends** was conducted during the third quarter of 2004. The survey, fielded by NOP World, polled 903 randomly selected, full-time employees, age 21 and older, at companies with at least two employees. To supplement this base sample, an additional 248 full-time employees, with personal incomes of more than \$75,000, were surveyed. Approximately half of the participants worked at companies with less than 1,000 employees; results were weighted back to national averages.

Demographic Profile of the Employee Sample

The employees polled for the MetLife study represent a broad cross section of respondents. Employees included an even mix of men and women and were drawn from a diverse pool of ethnic backgrounds. In reporting the results of this study, we will present findings for the cross section of employees, as well as for three specific consumer segments:

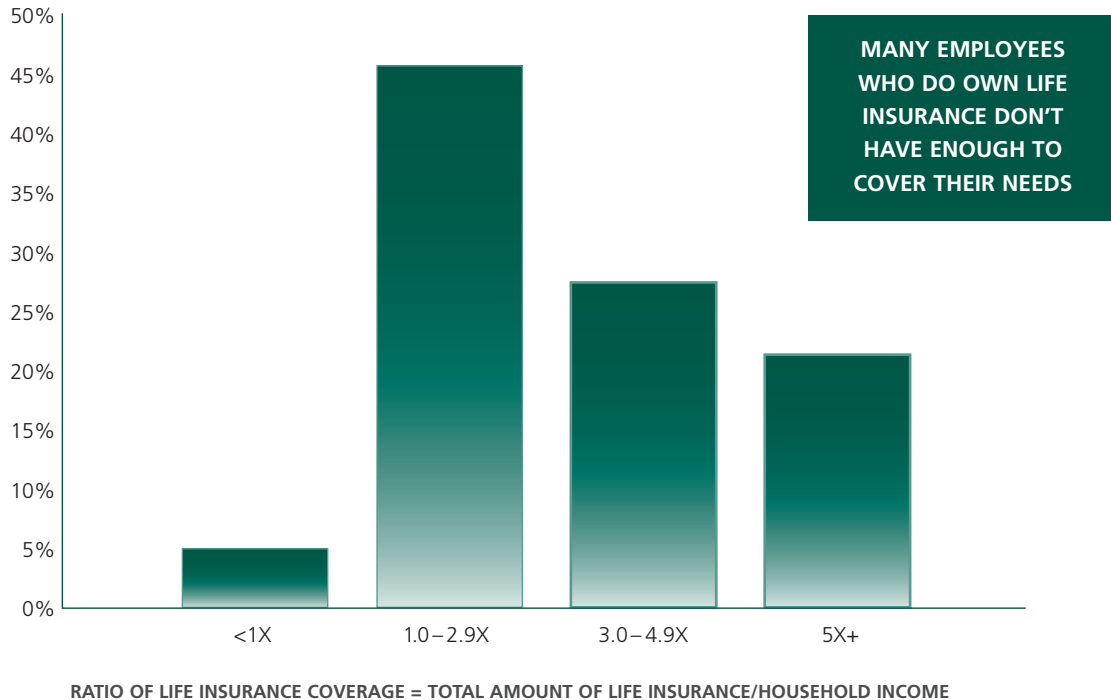
- **Prime Needs Segment**, defined as individuals who work full-time and have a financially dependent spouse and/or child (483 respondents)
- **Female Breadwinners**, defined as women who account for the majority of the household income, work full-time and have children under the age of 18 (183 respondents)
- **Highly-Compensated Employees**, defined as individuals with more than \$75,000 in annual personal income (456 respondents)

I. Employees Remain Significantly Underinsured

Having adequate life insurance protection is an important part of an employee's overall financial security. However, the study revealed that 50% of all employees are underinsured, owning life insurance coverage that is less than three times their annual income. Even more troubling, 34% of this group think this amount is adequate.

RATIO OF LIFE INSURANCE COVERAGE AMONG ALL EMPLOYEES

Ratio of Life Insurance Coverage Among Those Who Own Life Insurance
Median Amount of Coverage Is 3X Household Income



Q6: Approximately how many times your annual household income is your life insurance worth?

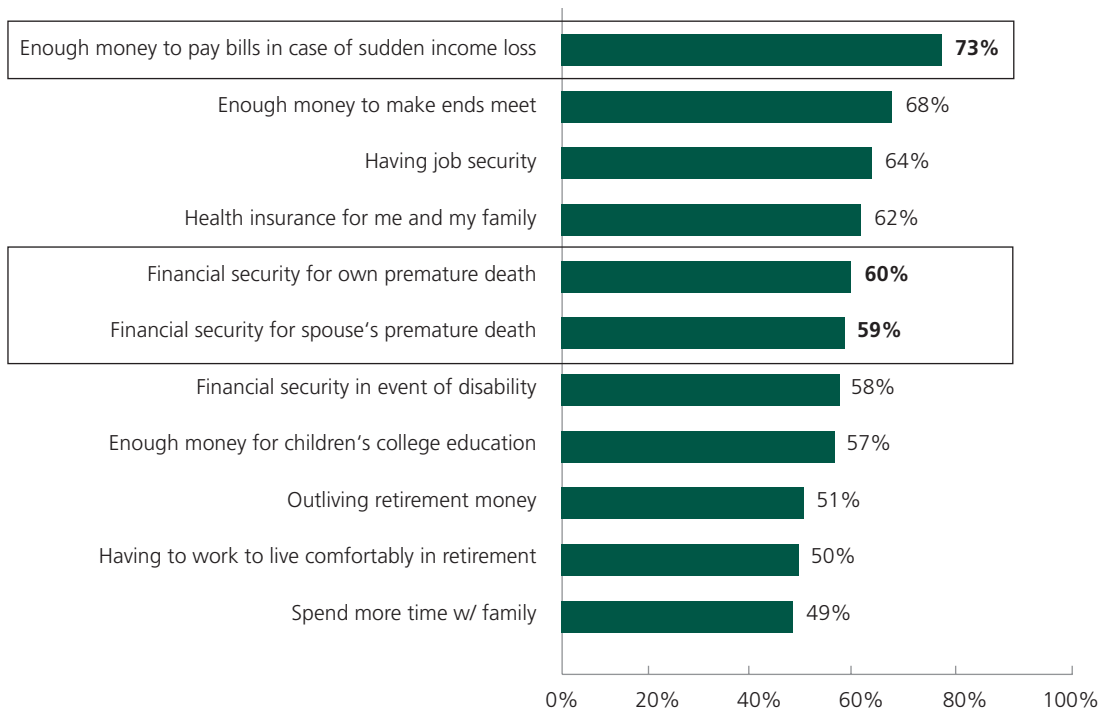
II. Despite Concerns About Income Loss, Inertia Persists

Results of the study reveal that 60% of employees are extremely concerned about the impact of premature death on their families’ financial security, but despite this concern, almost half of all employees have not taken any steps to evaluate their households’ financial needs in terms of life insurance. Compounding the problem is the fact that most employees are extremely concerned about having enough money to pay bills in the event of a sudden loss of income, yet 48% of employees reported living paycheck to paycheck. Based on these findings, having adequate life insurance coverage is even more critical, as a loss of income in these circumstances would be financially devastating to the surviving family members.

EMPLOYEES’ TOP-RANKED FINANCIAL CONCERNS

—Top 11 of 22 Tested—

“Extremely Concerned” (“7” & “6” on 7-point scale)



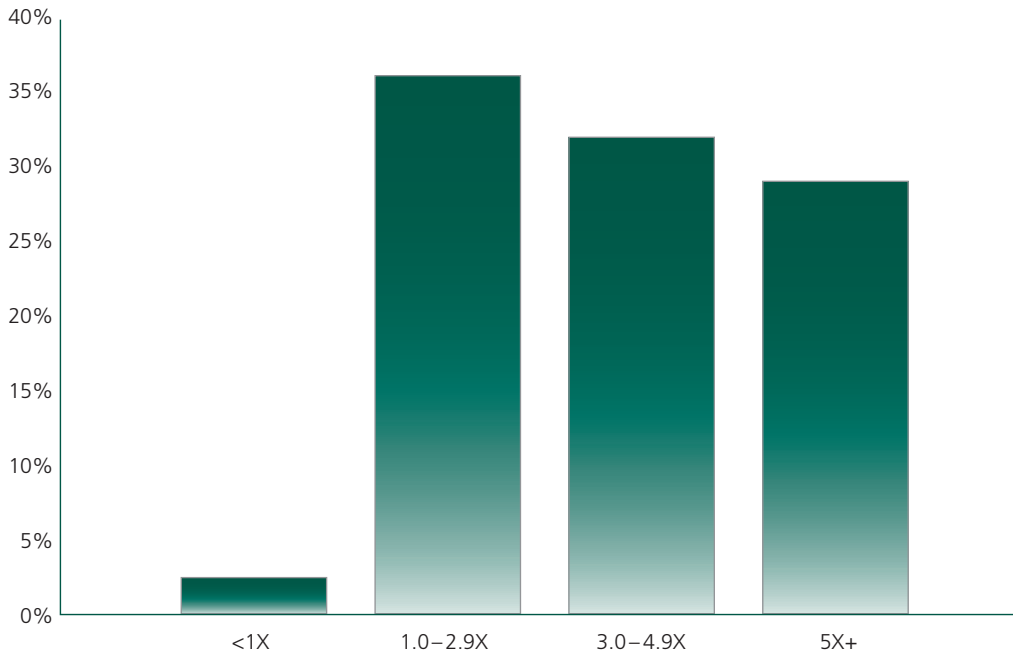
Q1: Thinking about your concerns regarding your basic financial security, your work, and life goals, please rate how much of a concern each of the following is...

III. Lack of Adequate Coverage Is Equally Disturbing Among the Prime Needs Segment

The study found that 68% of the prime needs segment are “extremely concerned” about the financial impact of premature death on their families’ financial security, yet 40% have not taken any steps to determine their households’ financial needs. Considering this segment needs adequate coverage the most—more than any other segment—it’s surprising that one in five prime needs employees has no life insurance coverage at all, and, of those who do have coverage, 40% have less than three times their annual household income. For these employees, this coverage is simply not enough.

RATIO OF LIFE INSURANCE COVERAGE AMONG PRIME NEEDS SEGMENT

Ratio of Life Insurance Coverage Among Those Who Own Life Insurance
Median Amount of Coverage Is 3.1X Household Income



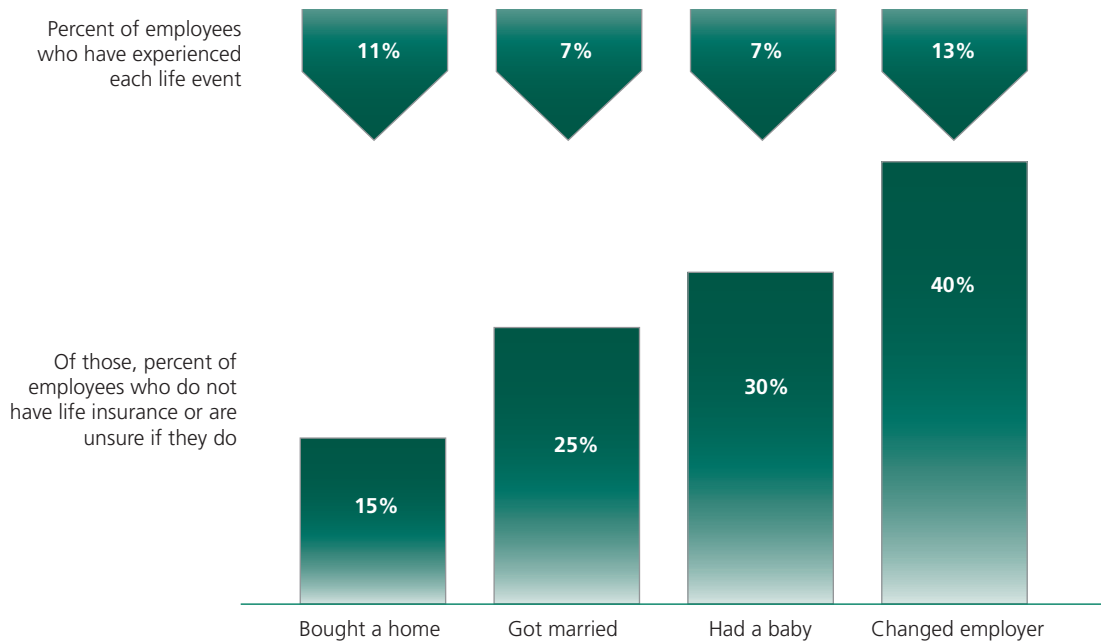
RATIO OF LIFE INSURANCE COVERAGE = TOTAL AMOUNT OF LIFE INSURANCE/HOUSEHOLD INCOME

Q6: Approximately how many times your annual household income is your life insurance worth?

IV. Employees Miss a Serious Checkpoint in Reexamining Life Insurance Needs

Reevaluating coverage after a life event is an important step in helping to ensure adequate financial protection in the event of premature death. According to the study, 30% of employees who had a baby and 25% of those married within the last 18 months do not own any life insurance coverage. Compounding the problem is the failure among employees, whether they are new families, established families, pre-retirees or retirees, to reexamine their coverage periodically as they move through the different stages of life.

WHILE MOST EMPLOYEES WHO HAVE HAD A SIGNIFICANT LIFE EVENT WITHIN THE LAST 18 MONTHS OWN LIFE INSURANCE, A SIZABLE PORTION DO NOT



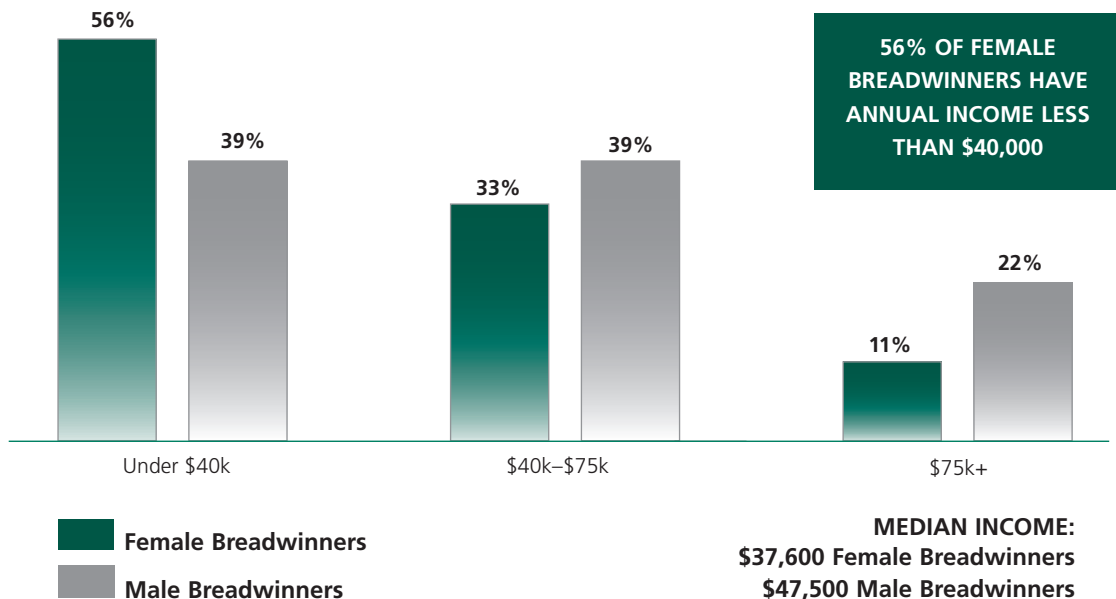
Q3: Please indicate whether or not you have life insurance.

V. The Financial Impact of Premature Death May Be Especially Worrisome for Female Breadwinners

With so many women in the workforce, it is important to consider the financial needs and concerns of female breadwinners. According to the study, almost 80% of female breadwinners are very concerned about the financial impact of their own premature death versus only 59% of male breadwinners. Their concern is well-founded, considering that female breadwinners have less personal income and are more likely to be single. The study found that 13% of female breadwinners are single as opposed to 9% of male breadwinners. Even though they are just as likely to own some form of life insurance as their male counterparts, female breadwinners overall have lower amounts of coverage.

CONCERN FOR FINANCIAL IMPACT OF PREMATURE DEATH IS HIGHER AMONG FEMALE BREADWINNERS, SINCE THEY HAVE LOWER PERSONAL INCOME

Personal Annual Income—Female vs. Male Primary Breadwinners



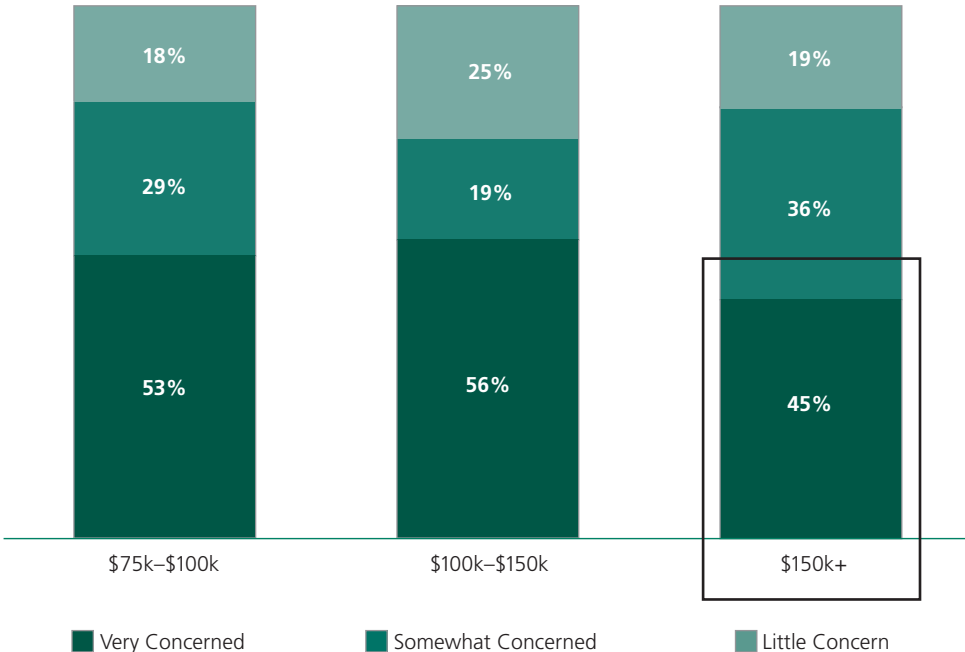
Q8: What is the category that best describes your personal annual income?

VI. Highly-Compensated Employees Have More Income to Protect

Although life insurance ownership tends to be higher among highly-compensated employees, with almost nine out of 10 owning some type of life insurance product, concern still exists around adequacy of coverage. In fact, more than half of highly-compensated employees are “extremely concerned” about the impact of premature death on their families’ financial security, yet, among those who have some form of coverage, 50% have less than three times their household income in life insurance. And since high-income employees have more income to protect, they have different financial planning needs in terms of life insurance. They allocate more of their income to retirement savings than most employees do and they also need to find ways to supplement their 401(k) plans while minimizing their taxes. Therefore, highly-compensated employees may need access to additional options tailored to meet their specialized insurance and financial needs.

ALMOST HALF OF EMPLOYEES IN THE HIGHEST INCOME BRACKET ARE “VERY CONCERNED” ABOUT THE FINANCIAL IMPACT OF PREMATURE DEATH

Concern About Impact of Premature Death on Family Financial Security



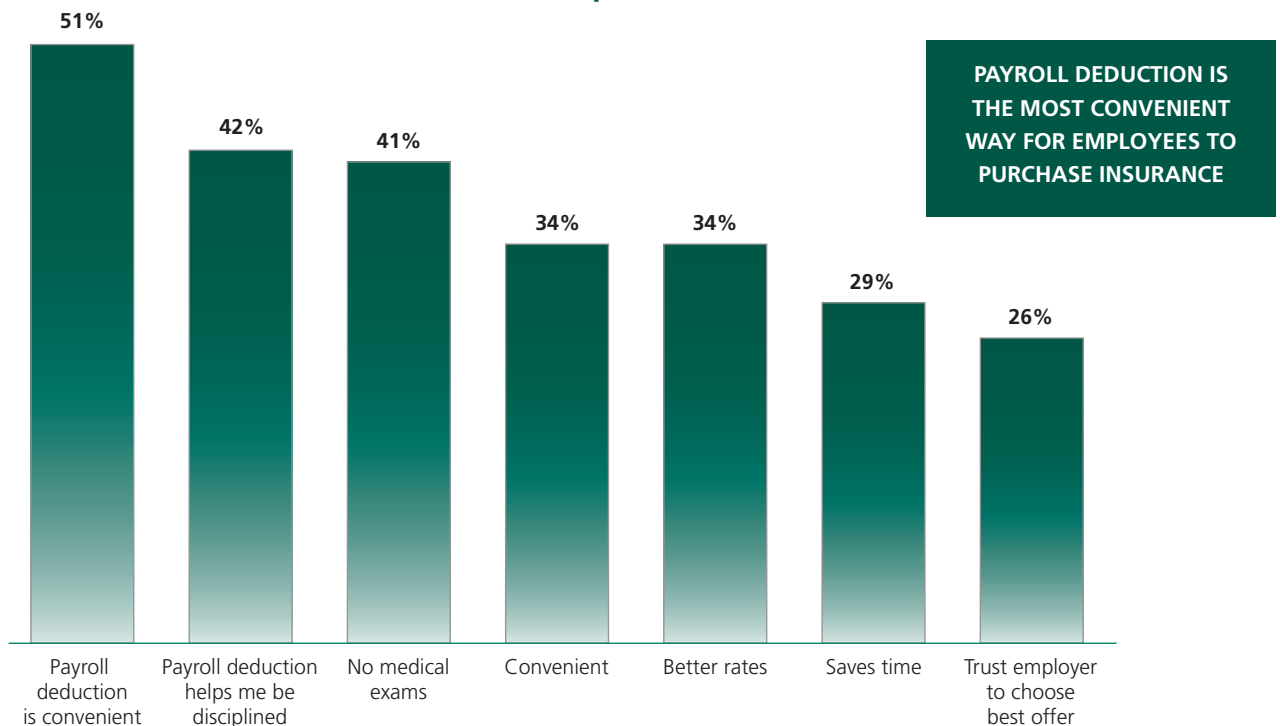
Q2: When thinking about the unforeseen events that could affect your family, such as premature death, please rate your level of concern of having financial security for your family in the event of your premature death.

VII. The Workplace Continues to Be the Main Source for Life Insurance

Approximately 60% of employees own a life insurance product through the workplace. The convenience of payroll deduction ranks as the leading reason to purchase voluntary benefits, in addition to no medical exams (simplified underwriting), trust in the employer to choose the best program and the overall ease of purchasing through the workplace. Therefore, employers play a crucial role in helping their employees understand the importance of life insurance, how much coverage they need and the details of their specific plan.

MOTIVATIONS FOR PURCHASING BENEFITS THROUGH THE WORKPLACE

Based on Percent of Consumers Who "Strongly Agree"
("7" & "6" on 7-point scale)



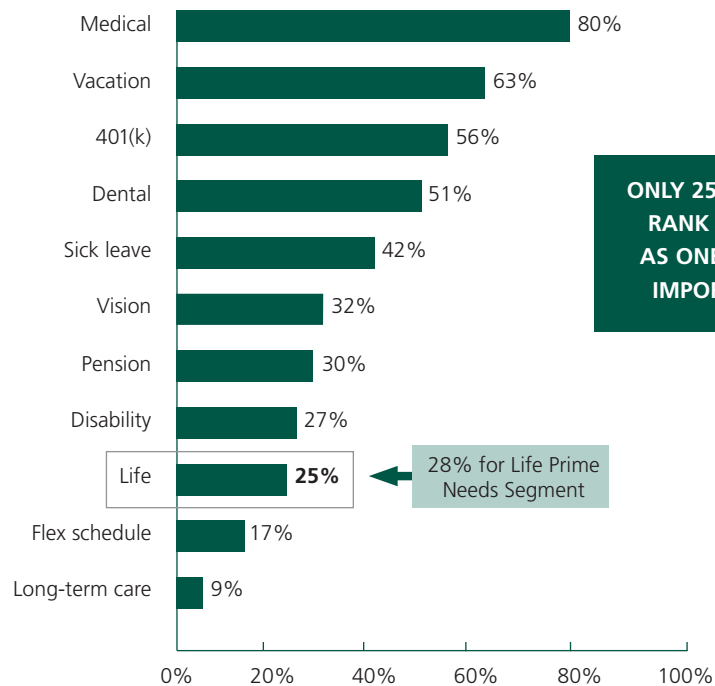
Q35: Please rate the following reasons people may buy voluntary benefits.

VIII. Life Insurance Benefits Are Undervalued

Despite financial concerns surrounding life insurance, employees overall place a higher value on vacation (63%) and 401(k) plans (56%) than life insurance, with only 25% of employees ranking it as one of their most important benefits. In fact, the majority of employees spend less than thirty minutes making their benefits decisions—which is inclusive of all benefits. As a result there is an opportunity for employers to better educate employees about why life insurance is a valuable benefit, and on the importance of selecting the right coverage amounts.

VALUE OF VARIOUS EMPLOYEE BENEFITS (MOST IMPORTANT)

All Employees—2004



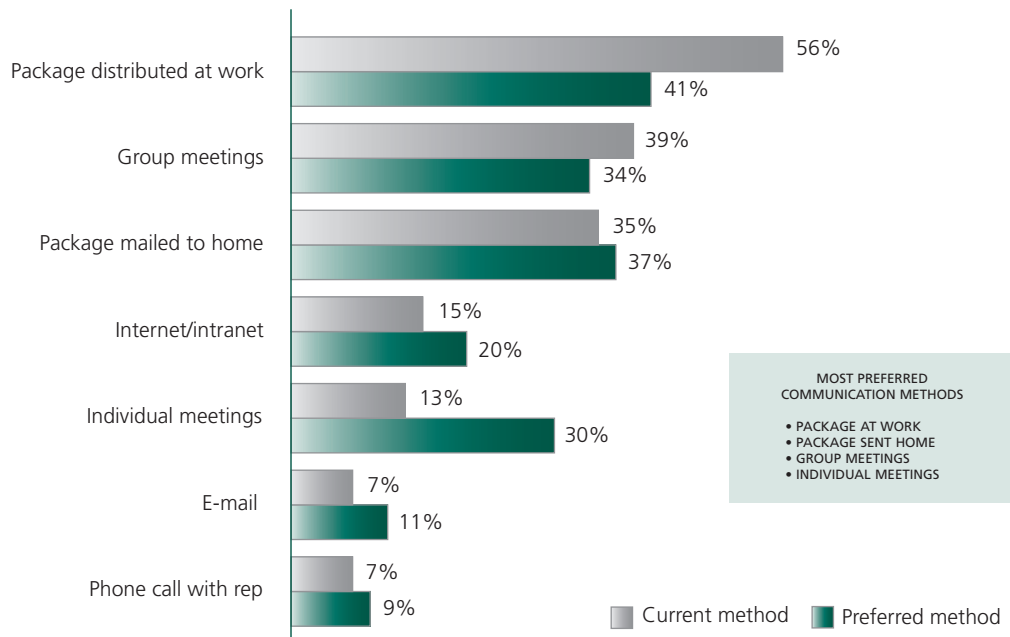
Q37: Which of the following employee benefits are the most important to you?

IX. Benefit Communications Should Be Tailored to Employees' Needs

Employees prefer a wide variety of communication methods when it comes to their benefits, yet a gap between preferred and current communication methods exists. In fact, most employees prefer a mix of traditional communication vehicles, including benefit materials distributed at work (41%), group meetings (34%) and packages mailed to their homes (37%). Benefit communication methods play a crucial role in employees' overall benefits satisfaction. Findings reveal that 62% of employees who are highly satisfied with their benefits believe their company's benefit communications effectively educate employees. And since benefits satisfaction is strongly correlated with employee loyalty and job satisfaction, employers are encouraged to evaluate their current communication methods in order to provide a broad array of benefit communications suited to their employees' varied needs.

BENEFITS DECISION: CURRENT AND PREFERRED COMMUNICATION METHODS

(multiple responses)



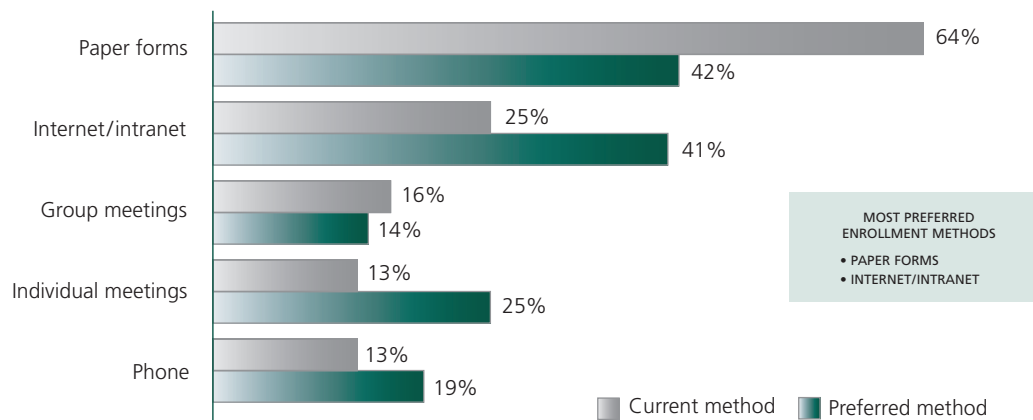
Q24/Q25: How did you initially obtain information about your benefits/services? And how would you prefer to initially obtain information?

X. Employees' Preferences for Benefits Enrollment Need to Be Addressed

With today's diverse workplace, providing multiple enrollment options is crucial to meet the needs of all employees and maximize enrollment. While almost half of employees prefer to enroll via the Internet or their company's intranet for their benefits, only 25% are able to do so. The study further revealed that younger employees prefer to enroll via the Internet (about half of 21–40-year-olds), while older employees still prefer paper forms. As a result of these findings, benefits managers may want to include multiple channels to meet employees' wide range of preferences and help ensure that all employees who need coverage enroll successfully.

BENEFITS PURCHASE: CURRENT AND PREFERRED ENROLLMENT METHODS

(multiple responses)



Q26/27: Which methods did you use to enroll in your employee benefits? And how would you prefer to enroll?

XI. Conclusions and Recommendations

Inadequate life insurance continues to be a serious issue across all employee segments. Additionally, while many employees express concern about the adequacy of their coverage, appreciation for life insurance benefits continues to decrease. Since the workplace is the main source for life insurance purchases, employers are in a powerful position, as they can help employees get the coverage they need, as well as heighten their appreciation of their life insurance benefit.

With 137 years of experience and over 38,000 Group Life customers, covering more than 29 million participants,¹ MetLife has the capability to provide effective solutions that help employers educate employees and build awareness around life insurance as a critical employee benefit. Our rich history of commitment to Group Life and our financial strength ensure we will be here to evolve with employers and their employees, and to meet their needs well into tomorrow. There are a number of best practices that employers can adopt to meet both of these objectives and improve employees' overall benefits satisfaction.

- Consider offering different product solutions to meet diverse needs. A supplemental term life plan will likely meet the needs of many employees for whom adequate coverage is a priority. However, a plan useful to employees today, with features like Will Preparation, can help employees better appreciate this critical benefit. In addition, employers may want to consider offering highly-compensated employees a life insurance plan with additional tax-advantaged investment features to meet their unique financial planning needs.
- Educate employees through a wide variety of communications. Employees prefer receiving information in different ways. Using the employer's census data, the carrier can prepare a detailed analysis of employees' life insurance participation by demographics, then implement a communications program using a variety of channels to reach employees so they better understand their benefits. This may include web-based education and decision-support tools, and a variety of additional awareness communications. To complete the process, the carrier provides a post-enrollment analysis to measure success and analyze specific results.
- Use personalized enrollment materials. Life insurance enrollment materials personalized with employees' specific coverage information are tremendously effective at getting employees to understand their benefits and what their needs might be. Mailing these materials to employees' homes complements the personalized approach and helps employees focus on life insurance.
- Leverage multiple enrollment channels. With preferences for enrollment varying among different types of employees, it is important to offer convenient options best suited to your employees' needs. This may include traditional paper enrollment, online enrollment via a secure website, or a combination of methods.

- Offer improved decision-making tools and easy-to-understand messages. For many employees, part of the inertia around obtaining adequate life insurance coverage is confusion about its importance and how much coverage is right for them. Communications that demonstrate the value of life insurance and illustrate the importance of life events in determining coverage levels are critical. Needs-assessment tools are also key to helping employees evaluate their individual needs.
- Conduct a life insurance enrollment event outside of your standard enrollment period. Employees are overwhelmed with benefit choices. When life insurance is communicated off-cycle, it allows employees to focus on understanding the value of this benefit and assess their own needs more accurately. Special services like simplified underwriting and full program management help make it easy to conduct such an event.

The benefits of a best practice approach to life insurance are many. Employees get the coverage they may need to protect their loved ones and gain an increased understanding and appreciation of their benefits. Employers enrich their benefit offerings with no additional cost and virtually no effort. Increased awareness and appreciation of benefits leads to improved overall employee satisfaction and loyalty. Additionally, strong participation helps manage risk, which may lead to future rate stabilization—and this is more good news about life insurance in a world where benefits management and cost control are becoming increasingly challenging.

¹MetLife Company Relationship Datamart, as of 12/31/04.



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