Direct Mail Insurance

An Honors Thesis (ID 499)

by

Andrea C. Lesniak

Thesis Director
Dr. Numan Williams

Ball State University
Muncie, Indiana
Date April 13, 1984

Expected date of graduation (Spring/1984)
Special Thanks To:

There are many people who helped make this thesis possible. I'd like to thank Dr. Numan Williams for his patience and constructive criticism, my family and friends for their support, and Paul, who understands.
THE PROBLEM

Introduction

The purchase of an insurance policy is an important acquisition for a consumer. Whether it is life insurance, health insurance, or accident insurance, obtaining a policy should be one of the most carefully considered of all purchases.

The cost of an insurance policy is a major factor in the decision of a prospective buyer. Those in a "low-risk" category might be able to find reasonable rates. Those in the "high-risk" category might find the premiums difficult to finance. Even those in the "low-risk" category might find the premiums hard to finance if they are living on a limited income, due to retirement. One alternative for those considered poor risks is to purchase insurance without the assistance of an agent. The insured is informed of a prospective policy through an advertisement in a newspaper or magazine, or a commercial on radio or television.

Another aspect of obtaining insurance is having to deal with an agent. Some customers feel uncomfortable or pressured when talking with an agent, either on the telephone or in person, on a one-to-one basis. These people often feel that the agent is not interested in them as customer to be concerned with, but only as a possible commission. Some consumers may
also feel that they can save some money by not having to pay the agent a commission.

There are those individuals who would prefer not to have the usual medical examination that is required for most life, accident, and health insurance policies which are purchased through an agent. They might have a medical problem which they do not wish to reveal, or simply prefer not to have the examination. Those people with recurring health problems might be able to obtain coverage and finance the premiums, but might have difficulty renewing their policies or dealing with cancellation.

Elderly consumers, and those whose health makes it burdensome to contact an agent, might prefer to read and complete insurance applications in the convenience and privacy of their own homes. Most direct mail companies have a simplified application form, which is also appreciated by many.

This study reviews eight policies which may be purchased without the assistance of an agent.

**Statement of the Problem**

The purpose of this study is to describe and compare insurance policies applied for from several direct mail companies, without the assistance of an agent. The advantages, disadvantages, and costs of each policy are examined.

**Significance of the Study**

This study describes a method of purchasing insurance of which many consumers are unaware or do not consider. This
alternative allows individuals, who would not normally be able to purchase insurance, to obtain coverage.

Also, many people prefer obtaining coverage this way, hoping to avoid dealing with an agent.

Scope of the Study

This study will examine selected insurance policies, available through newspaper, magazine, television, or radio ads and issued to a 65-year old female. The policies were obtained without the assistance of an agent from several different companies. These companies are Colonial Penn Life Insurance Company, National Home Life Assurance Company, Old American Insurance Company, Academy Life Insurance Company, American Integrity Insurance Company, Gerber Life Insurance Company, Physicians Mutual Insurance Company, and the Union Fidelity Life Insurance Company. Applications from each of these companies were obtained, completed, and returned, each requesting coverage for a 65-year old female. All of the policies were issued without question, and each of these policies is reviewed.

Basic Assumptions

The following are basic assumptions:

1. Life, health, or accident insurance is an important purchase.

2. Most insurance companies require a medical examination for 65-year old applicants.

3. Insurance may be purchased without the assistance of an agent.
Definitions of Terms Used

Following is a list of terms peculiar to the insurance industry. If not listed below or otherwise defined in the study, the terms have their common meaning.

Accident insurance - a form of health insurance against loss by accidental bodily injury.

Accidental death benefit - a provision under which certain benefits are doubled, tripled, or quadrupled when death is due to accident rather than illness.

Assurance - insurance.

Beneficiary - the person to whom a policy of insurance is payable.

Decreasing term insurance - a type of term insurance in which the benefit decreases over a specified number of years.

Direct mail insurance - a type of insurance purchased from a company that sells policies through the mail or other mass media, eliminating the need for agents and generating lower selling expenses.

Health insurance - a generic term applying to all types of insurance indemnifying or reimbursing for expenses or losses caused by bodily injury of illness or for expenses of medical treatment necessitated by sickness or accidental bodily injury.

Insurance - an economic device whereby the individual substitutes a small certain cost (the premium) for a large uncertain financial loss (the contingency insured against which would exist if it were not for the insurance contract.)
Limited benefit period - during this period the benefits of the policy are limited, usually a set dollar amount is paid per unit.

Rating - a review of the insurance company's financial strength. Best's Insurance Report is one of the most important of these.

Term insurance - a type of life insurance that provides protection for a specified number of years. (the term)

Unit of insurance - insurance is purchased in units; that is, each unit is worth a set dollar amount i.e. $1,000.

Whole life insurance - insurance payable to a beneficiary at the death of the insured whenever that occurs.

Design of the Study

This study compares insurance policies which were "purchased" without the assistance of an agent. Beginning with an introduction, the problem is stated and the significance of the study explained. The scope of the study is outlined, along with some basic assumptions, helpful terms, design of the study, and related literature.

The following sections discuss each policy individually. Information is given on the company, type of policy, and the type of offer supplied through the media. Other details are also discussed, such as quality of service received, length of time for policy delivery, and how closely the company followed the ten steps outlined in Andrew J. Burne's article on direct marketing techniques.

The last section, a summary, reviews the policies and
Related literature

There are few articles relating to the purchase of insurance without the assistance of an agent. The most informative one found was written by Andrew J. Byrne in Best's Review of December 1981 entitles "ABC's of Insurance Direct Marketing". Mr. Byrne stated that a former associate of his had termed insurance a nearly perfect product because there is a universal need for it; the selling price justifies the marketing risk; it is inexpensive to pack and ship; there is no breakage in shipping and no investment in inventory; and the marketer does not have to worry about storage problems, returned merchandise, or goods left over to liquidate. Best of all, the customer always needs more of it, so that repeat sales are almost automatic - and very inexpensive to make.

The success rate of mail order insurance is higher than most would expect. According to the Mail Order Industry Annual Report of the Maxwell Sorage Company, insurance was the top product category with $4 billion in sales in 1981.

The type of policy which sells best is hospital indemnity. This type of policy pays the insured cash when he/she enters the hospital and pays in addition to any other insurance policies which he/she might have. The insured receives the money directly and may spend it on whatever is necessary. In contrast to the hospital indemnity policy, the most difficult policy to sell is standard life insurance. This policy is similar to one that can be purchased through an agent. However, when the life insurance policies are directed at a "specialty group", direct marketing becomes more effective.
According to Byrne, examples of specialty groups include "people over 50, union members, government employees, self-employed people, teachers, shopkeepers, professional people, farmers, non-drinkers, non-smokers, military officers, war veterans, students, and members of various clubs, associations, and religious denominations".

The insurance policies offered through direct marketing differ from those offered by an agent in one main aspect. The policies which can be purchased without the assistance of an agent are meant to be supplemental coverage; to provide more coverage over and above that provided by the policy purchased through an agent.

Mr. Byrne had these suggestions for success:

To be mass-marketed successfully, it helps if the policy has (1) a high benefit, (2) low premium, (3) monthly payments, (4) a simple application, (5) a guaranteed acceptance provision, (6) few choices, (7) offers a 10-day free look, (8) is a limited time offer, (9) is easy to understand, and (10) has a deviated premium.

A deviated premium is a greatly reduced rate for the first policy premium. For example, if the standard cost of 30 days coverage is $4.50, a deviated premium would be 30 days coverage for 25¢. Another method for success includes a "follow-up" on the sale. Every six to eight weeks after the initial policy has been accepted, the insured will receive an offer to expand the policy for a slightly higher premium, or to purchase a new type of coverage.

Other success tips include the use of a sports figure or television personality to endorse the company and its policies. The well-known figure not only appears in television
and newspaper ads for the products, but also sends "personalized" statements and letters to prospective buyers. To insure easy payment for their policyholders, some companies offer to accept their premiums on a credit card. The insured does nothing; the premium is just another entry on his/her credit bill.

Summary

The first section of this study formulates the problem, significance of the study, and the scope of the study. Basic assumptions, along with some definitions, are stated. The design of the study is outlined, and related literature is discussed.
The Colonial Penn Life Insurance Company is located in Wayne, Pennsylvania. The application for their "Prime Life 50+" policy stated that Colonial Penn had been rated by the A.M. Best Company, which was a "highly respected and impartial insurance statistical and financial reporting organization". The rating of A+ (Excellent) assured buyers that this was "an indication of Colonial Penn's soundness, permanency and financial stability". The company is licensed in 49 states, the District of Columbia, the Virgin Islands, and Puerto Rico.

The company chose Ed McMahon as their promoter. The well-known co-host of the Tonight Show appeared on a brochure which accompanied the application, and encouraged buyers to complete the application. Prospective customers were promised the free booklet entitled "1983 Handy Guide to Your Social Security" for returning the application.

The "Prime Life 50+" is a whole life policy. It was offered only to those between the ages of 50 and 80, and this age group was referred to as "mature". There was a portion of the application designed to provide coverage for the insured's spouse, or for another family member if coverage for them was desired. The postage-paid envelope to return the application was included, although the insured had to provide postage for subsequent premium payments.
After the application was sent to Colonial Penn, the company sent a "second opportunity" envelope. Included in this packet was another application and an encouraging note from Ed McMahon. He also included a pamphlet containing quotes from other satisfied customers stressing that the application asked no questions about the insured's health, no applicant could be refused, even those living on limited funds could afford the premiums, and mentioning the convenience of purchasing insurance through the mail. A note was included from the executive vice-president with a benefit schedule and a list of most commonly asked questions.

The policy had a modified benefit period. During the first year, the policy was worth $100 per unit of coverage purchased. During the second year, the policy was worth $250 per unit of coverage purchased. After the second year, the policy was worth the full face amount. Enclosed with the policy was a form for changing the insured's beneficiary. Colonial Penn also sent two pamphlets: the "Life Insurance Buyer's Guide" and "Your Handbook to Service" which contained details of the company's procedures, the address to contact about questions, and a toll-free number for other areas of inquiry.

The Colonial Penn marketing techniques followed the majority of the guidelines mentioned by Mr. Byrne in his article.

1. **high benefit** - The benefit schedule was included with the application and with the policy. The insured was required to use the chart to find the amount of his/her benefit.
2. **low premium** - The premium is advertised as $6.95 per month. It is broken down further to become "less than 25¢ a day".

3. **monthly payments** - The premium was payable in two ways: monthly or annually. The monthly rate was $6.95 and the annual rate was $83.40. There was no reduced premium rate for paying annually as compared to paying monthly.

4. **simple application** - The application required the prospective insured to complete his/her name, address, sex, date of birth, and the number of units of insurance desired. The applicant was also asked to state the name and relationship of the person who was to be the beneficiary, and if the insurance was replacing an existing policy or annuity. The application was completed after being signed and dated by the applicant.

5. **guaranteed acceptance** - The policyholder was guaranteed acceptance provided 1) he/she was between 50 and 80 years old, and 2) he/she replied before the guaranteed acceptance date (approximately two weeks after receiving the application).

6. **few choices** - There were few choices to be made. The only choices offered on the application were the number of units of insurance that the applicant desired and the choice of beneficiary.

7. **10-day free look** - This company offered each applicant 30 days in which to examine the policy before making a decision. If the consumer did not wish to continue coverage, he/she merely had to call the company's toll free number, and
return the copy of the policy. Any premiums paid would be refunded.

8. limited time offer - The policy offered had to be applied for within approximately two weeks after receiving the application for the consumer to be guaranteed acceptance. Nothing was mentioned as to what would happen if the company received the application after the time limit expired.

9. easy to understand - The application, pamphlets, and brochures were all relatively easy to understand. The policy itself, though, was longer and more complicated than the average consumer would want to bother with.

10. deviated premium - This policy had no deviated premium. The first month's premium had to be sent in with the application with the assurance of a 30-day money-back guarantee if the consumer chose to cancel coverage.
The National Home Life Assurance Company is located in Valley Forge, Pennsylvania. They described the A.M. Best Company as the "nation's leading independent insurance industry analyst". National Home received the rating of A (Excellent) and this assured prospective policyholders that this high rating was an "indication of National Home's financial stability and operating performance".

The policy being offered was decreasing term life insurance, and was structured for those individuals between the ages of 50 and 74. Lorne Greene, famous actor of the series "Bonanza", assured prospective customers that this was the first time he had endorsed a product like this. He did not, however, offer a gift as incentive for applying. The application provided room for a spouse to obtain coverage, but did not include space for another family member. A benefit schedule was included with the application, in addition to a pamphlet answering commonly asked questions. National Home provided the postage not only for the first premium, but also for the premiums which would follow. In addition, the insured could choose to have premiums automatically charged to their Visa or MasterCard, and receive a discount for taking advantage of this offer.

The policy arrived in an impressive folder "designed for
this policy", and the new insured received a membership card which he/she was encouraged to sign and carry at all times. It had the official National Home logo embossed on the front, along with the insured's name and policy number. The policy had a modified benefit period. During the first two years no benefits would be payable for death due to illness or suicide. After two years, however, the benefits were payable for death due to any cause.

National Home followed the majority of Mr. Byrne's marketing suggestions.

1. **high benefit** - The benefit schedule was included with the materials sent with the application. The policyholder had to read the chart to find the amount of benefits for his policy.

2. **low premium** - The premium for the policy is advertised at $4 per month.

3. **monthly payments** - The policyholder was given four choices as to the frequency of premium payments. One could choose paying $4.50 per month, $12.00 every three months, $24.00 every six months, or $48.00 once a year. The reason for the 50¢ discrepancy on the monthly rate is a service charge for those paying twelve times a year.

4. **simple application** - This application was the easiest one to complete. The application was printed with the prospective customer's name, address, sex, and date of birth. The insured merely had to indicate the number of units of insurance desired, who the beneficiary would be, and the
relationship of the beneficiary to the insured. The insured's signature and the date were also required.

5. **guaranteed acceptance** - The policyholder was guaranteed acceptance provided he/she was between the ages of 50 and 74.

6. **few choices** - The company left few choices to the applicant. The future policyholder chose the number of units of insurance desired and to whom the benefits would be paid.

7. **10-day free look** - National Home gave it's applicants 21 days to examine the policy, show it to financial advisors, and decide if they wished to continue coverage. If the consumer did not want the policy, he/she returned the copy to the company.

8. **limited time offer** - The policy had no specific time limit as to when the company had to receive an application to insure guaranteed acceptance.

9. **easy to understand** - The pamphlets, letters of encouragement, and brochures were all easier to understand than the policy itself.

10. **deviated premium** - This policy did not have a deviated premium. No money was required when the application was returned, and the first premium was not due after the consumer received the policy.
The Old American Insurance Company is located in Kansas City, Missouri. The company received no rating from Best's. The material which arrived with the application contained no information about the company, and it did not have a well-known figure promoting either the company or the policy. The Senior Accident Policy is designed for individuals ages 40-85, and is a disability, hospital, and death benefit policy. A gift of an outdoor thermometer was offered, though only for a limited time. The application did contain a portion to complete if the insured's spouse or another family member desired coverage. The company included a postage paid envelope to return the application, but no further postage paid envelopes were provided. The information included with the application included the benefit amounts, but not in a chart form. The applicant had to read through the information several times to find the correct amount for his/her own policy.

The policy contained no modified benefit period. The policy was very detailed and contained a section where terms were defined, accidents were listed as either single or double indemnity, and a benefit schedule was included. Several other notices were enclosed. The first was a "request for benefits" form. If the insured desired to make a claim, a form was provided. Another notice informed the applicant that
his/her name was on a mailing list that Old American made available to "certain other carefully selected organizations". Part of the notice could be returned to the company if the insured wished to remove his/her name from the list. A third notice provided room to write the names, addresses, and approximate ages of five friends who could benefit from Old American Insurance protection. The applicant's name would not be used.

The "Senior Accident Policy" followed most of the suggestions give by Mr. Byrne.

1. **high benefit** - On the front of the information received from Old American were the words "$25,000 SENIOR ACCIDENT POLICY" in bold-face type. The benefit, for certain double indemnity accidents which are fatal, is $25,000.

2. **low premium** - The premium is advertised as $4.15 per month, and then further stated as 13¢ a day.

3. **monthly payments** - The insured had the option of paying $4.15 per month, $11.65 every three months, or $22.90 every six months. The insured could save money by paying less frequently.

4. **simple application** - The application required a minimal amount of information: name, address, date of birth, beneficiary's name, and relationship to the insured. The insured's signature was also needed and the application had to be dated.

5. **guaranteed acceptance** - Provided the applicant was between the ages of 40 and 85, the company could not refuse
to provide coverage.

6. few choices - The only choice that the applicant had was the choice of beneficiary.

7. 10-day free look - The applicant had 30 days to review the policy. If the consumer decided against keeping the coverage, he/she was required to return the policy and assured that any premium paid would be refunded.

8. limited time offer - The guaranteed acceptance for the policy did not have a time limit in which the applicant had to respond. The offer for the free gift of the outdoor thermometer, however, had a time limit of approximately two weeks from when the consumer received the application.

9. easy to understand - Since the policy was very detailed, understanding it was easier.

10. deviated premium - The first premium was deviated. Regular cost for 30 days of coverage is $4.15. With this offer, the first 30 days of coverage cost only 25¢. As an attention getter, a large picture of a quarter was pictured on the front page of the introductory brochure.
ACADEMY LIFE INSURANCE COMPANY

The Academy Life Insurance Company is in Valley Forge, Pennsylvania. The company was given no rating by the A.M. Best Company, but the applicant was informed that "Academy Life is a stock life insurance company and a member of the Academy Insurance Group, Inc. Academy Life was founded over a quarter century ago, and is currently licensed in 44 states and the District of Columbia". The envelope to return the completed application, which did not require postage, pictured the International Headquarters of the Academy Life Insurance Company. James Arness used his acting experience as Matt Dillon in "Gunsmoke" in a message urging applicants to apply for coverage. There was no gift offer made. The policy was term insurance for those between the ages of 45 and 75. Room was provided on the application for a spouse to obtain coverage, but not for other family members. There was a benefit schedule enclosed with the application. The policy, which came in a monogrammed folder, also contained a benefit schedule. It did not include a membership card, although part of the premium notice could be removed and carried as identification. The subsequent premiums required postage. The policy had a modified benefit period. During the first two years the policy only covered death caused by accidental bodily injury. After the first two years, death from any cause was covered.
The Academy Life Insurance Company followed Mr. Byrne's suggestions for marketing direct mail insurance.

1. **high benefit** - Although no dollar amounts are quoted in the initial material, the brochure states "Big dollar term life benefits" and "added benefits for accidental death".

2. **low premium** - The coverage is advertised for "as little as $5.00 per month".

3. **monthly payments** - The premium notice informs the insured that he/she may pay any of the following amounts, "whichever amount is most convenient for you". Rates varied from $5.00 per month, $14.45 for three months, $28.61 for six months, or $55.56 for twelve months of coverage. The insured could save money by paying premiums less frequently.

4. **simple application** - The insured was required to provide the following information: name, address, phone number, age, sex, and date of birth. The insured also had to indicate the number of units of insurance desired, who the beneficiary would be, and how the beneficiary was related to the insured. The insured's signature was also required.

5. **guaranteed acceptance** - The application insisted that no one between the ages of 45 and 75 could be refused coverage regardless of the applicant's health or the number of times he/she had been refused coverage from others.

6. **few choices** - The choices on the application were limited to the number of units of coverage desired, and the choice of the beneficiary.

7. **10-day free look** - The company allows the insured to
examine the policy for 21 days. After the first premium is paid, the insured has an additional nine days to examine the policy. If the policyholder wished to discontinue coverage, the policy must be returned to the company, and any premiums paid will be refunded.

8. **limited time offer** - There was no time limit on returning the application, but prospective customers were encouraged to "ACT TODAY".

9. **easy to understand** - The multitude of pamphlets and brochures were easy to read and understand. The policy required more thought.

10. **deviated premium** - There is no deviated premium. No money is required to be sent with the application. The first notice of a premium due arrives after the policy. If dissatisfied, the policyholder is required to return the policy, and any premiums paid will be refunded.
AMERICAN INTEGRITY INSURANCE COMPANY

The American Integrity Insurance Company is located in Philadelphia, Pennsylvania. The company's brochure had a picture of the home office on it and stated "American Integrity carries an 'A+' (Excellent) rating from A.M. Best Company . . . the nation's leading authority on the financial stability and operating performance of insurance companies".

The company did not use a television or sports figure as a promoter, and it did not offer a gift for applying. The brochure did include recommendations from other customers, and a Question and Answer section containing questions which were most frequently asked. The enrollment form provided space if the customer desired coverage on his/her spouse, but not for other family members.

The policy arrived in a special folder and included a membership card which was to be carried with the insured at all times. American Integrity provided the customer with a postage paid envelope for the first premium due, but not for the premiums that followed. On the front of the policy was a benefit schedule in easily understandable form. The policy had the words "Limited Coverage" stamped across the first page. There was also a warning which urged policyholders to read their policy carefully. The company sent the new policyholder a "request for claim form" card, and another prepaid
card with room for any questions the policyholder might have.

American Integrity Insurance Company followed the majority of marketing techniques that were suggested by Mr. Byrne.

1. high benefit - The benefit schedule was included in the brochure and printed on the policy. In the brochure, the dollar amount of the benefits was printed in blue ink which contrasted with the black ink used for the rest of the brochure.

2. low premium - The premium is advertised at $6.95 per month. The brochure stresses that the rates will never increase.

3. monthly payments - American Integrity offered four ways to pay premiums. A policyholder could choose to pay twelve times a year, four times a year, twice a year, or once a year.

4. simple application - The application required the applicant's name, address, age, sex, and signature.

5. guaranteed acceptance - American Integrity guaranteed acceptance provided the applicant was over 50 years of age. If coverage was desired for the insured's spouse, the spouse was not required to be over 50 years old.

6. few choices - The only choices offered were the number of units desired and if the insured wished to provide coverage for his/her spouse.

7. 10-day free look - American Integrity allows applicants to examine their policy for 21 days. If the policyholder
is not satisfied, he/she can return the policy and coverage will be cancelled.

8. **limited time offer** - The application did not have to be returned before any certain deadline. However, the consumer was urged to act soon and not delay returning the enrollment form.

9. **easy to understand** - The brochures and application were easy to understand. Parts of the policy were easy to understand because the policy contained a section of definitions. Other sections of the policy were confusing.

10. **deviated premium** - There was no deviated premium. However, the policyholder was assured of no increase in premiums. The policyholder was not required to send in the first month's premium before the policy was issued.
GERBER LIFE INSURANCE COMPANY

The Gerber Life Insurance Company is located in White Plains, New York. The brochure with the application contained a few facts about Gerber Life. These included: "'A' (Excellent) is the A.M. Best rating earned by Gerber Life. A.M. Best is the impartial reporting firm that rates insurance companies on their financial stability and operating performance", and "Gerber Life is licensed in all 50 states and in the District of Columbia". In a brochure included with the policy was a picture of the home office in White Plains, New York and a statement noting that the company was licensed in the District of Columbia and every state except Hawaii. The question of which states the company was licensed in was the only discrepancy found.

The only "promoter" used by the company were many pictures of the Gerber baby. The company sent two brochures as gifts to new policyholders. One was the "Buyer's Guide to Life Insurance" and the other was titled "What You Should Know About Gerber Life". The latter was subdivided into categories such as "History", "Management and Operation", "Assets and Liabilities, December 31, 1982", "Products", and "Territory".

The policy arrived in a special folder and included an Emergency Identification/Membership card. Printed on the policy was a benefit schedule. A postage paid envelope was
included for the first premium. A postage paid card was included for the new policyholder to fill out if he/she had friends which might be interested in coverage. Several letters from satisfied policyholders were also printed. The Gerber Life Insurance Company offered the policyholders the option of paying their premiums with Visa or MasterCard. A form was included to complete if this method of billing was desired. The pamphlet stressed that a month’s premium could be saved by paying in this manner.

The policy had a graded death benefit. If the applicant is between 40 and 65 years old, the death benefit is $100 per unit the first year, $200 per unit the second year, $400 per unit the third year, and the full amount after the third year. If the applicant is 66 years old or older, the death benefit is $100 per unit the first year, $200 per unit the second year, and the full amount after the second year.

Gerber Life Insurance Company followed most of Mr. Byrne’s marketing suggestions.

1. **high benefit** - The benefit schedule was printed on several brochures and on the policy. The brochures stressed that the benefits could never decrease.

2. **low premium** - The premium is advertised as $6.75 per month, and guaranteed not to increase.

3. **monthly payments** - Gerber Life Insurance Company offered four ways in which the policyholder could pay premiums: monthly, quarterly, semi-annually, or annually.

4. **simple application** - The application required the
applicant's name, address, age, sex, and number of units desired. The choice of beneficiary was restricted by this statement on the application: "BENEFICIARY" Unless otherwise requested, the beneficiary shall be my spouse at the date of this application, if surviving; otherwise, all my children in equal shares".

5. guaranteed acceptance - Gerber Life assured the applicant that he/she could not be refused coverage provided his/her age was between 40 and 80.

6. few choices - The choices were limited to the number of units and, if desired, a beneficiary other than a spouse or children.

7. 10-day free look - The company allowed the policyholder to review the policy for 30 days. Coverage could be cancelled by returning the policy to the home office.

8. limited time offer - The company requested that the application be returned within 60 days. Nothing was mentioned as to what would happen if the application was received after the 60 day period.

9. easy to understand - With the exception of which states the company was licensed in, the rest of the brochures and the policy were easily understood.

10. deviated premium - The company did not have a deviated premium for the first month, nor was the policyholder required to send in a month's premium until after the policy was issued.
PHYSICIANS MUTUAL INSURANCE COMPANY

The Physicians Mutual Insurance Company is located in Omaha, Nebraska. A brochure for the company stated "Physicians Mutual had been awarded the highest rating - A+ (Excellent) from A.M. Best Company, recognizing our financial stability and sound operating performance". The brochure quickly noted that only 12% of the companies rated by Best's received the "Excellent" rating. The history of the company was given as "At its founding in 1902, the Company specialized in health insurance for physicians, surgeons and dentists only. Then in 1962, recognizing the growing need for extra protection against the rising cost of hospitalization, we began offering supplemental insurance to the general public. Headquartered in Omaha ... licensed in all 50 states and the District of Columbia, Physicians Mutual is proud of its record of service. Last year alone, we paid claims totalling over $100,000,000 on all policies". The brochure had a picture of the company headquarters and contained letters from satisfied policyholders. Physicians Mutual did not use a known figure as a promoter.

The "Protection Plus Hospital Plan" was offered for the policyholder, his/her spouse, and their children. The policy arrived in a folder and an identification/membership card was included. A postage paid envelope was available for the first premium, but the policyholder was not permitted to pay any
any premiums with a Visa or MasterCard. In addition to the policy, the policyholder received a benefit schedule, a claim form, and a card to return if the policyholder know of friends who desired coverage. A pamphlet titled "Analysis and Rating 1983" was sent for the applicant's inspection.

Physicians Mutual followed the majority of marketing techniques suggested by Mr. Byrne.

1. **high benefit** - the amount of benefit that the policyholder could receive was stated several ways. The possible amount paid to the policyholder for a month was stated, and then broken down further into the amount paid per week and day. For example, $1500 per month, $375 per week, or $50 per day.

2. **low premium** - The brochures stressed that the insured's rates would never increase. The premium for a 65 year old female was $29.95 per month.

3. **monthly payments** - Physicians Mutual offered two ways for policyholders to pay their premiums: $29.95 monthly or $329.45 annually. The pamphlets reminded policyholders that a full month's premium could be saved by paying annually.

4. **simple application** - The application required a name, address, age, sex, and plan preferred. There were four plans offered: Individual Plan, Husband-Wife Plan, All-Family Plan, and One-Parent Family Plan.

5. **guaranteed acceptance** - Physicians Mutual assured prospective customers that they could not be refused coverage regardless of age, health, or family size.
6. **few choices** - The only choice allowed the policyholder was the type of plan desired: the Individual Plan, the Husband-Wife Plan, the All-Family Plan, or the One-Parent Family Plan.

7. **10-day free look** - The company allowed customers to examine the policy for 30 days. Coverage could be cancelled by returning the policy to the home office. Any premiums paid would be refunded.

8. **limited time offer** - Physicians Mutual did not require the application to be returned by a specified date. Prospective customers were encouraged to act quickly, and reminded of the increase in medical costs.

9. **easy to understand** - The brochures from the company were easy to understand. Included with the policy was a policy summary titled "Outline of Coverage". The customer was urged to read this and the policy carefully.

10. **deviated premium** - Physicians Mutual had a deviated premium of $1.00 for one month's coverage, regardless of age or plan chosen. The first month's premium was required before the policy would be issued.
The Union Fidelity Life Insurance Company is located in Trevose, Pennsylvania. None of the brochures gave any information on the company's history or its rating. Danny Thomas was the spokesman for Union Fidelity, and the policy he was promoting was the National Senior Citizens Group Insurance Trust Medicare Supplement Plan. This plan was designed to cover the policyholder and his/her spouse, but no other family members.

Included with the policy was a membership card, and the free gift of a Medicare Reference Card. A postage paid envelope was sent for the due premium.

Danny Thomas sent a personalized message to the new policyholder. Also included was a claim request card, and a card to return to Union Fidelity with the names and addresses of friends who might desire coverage. A separate brochure was sent with a section containing commonly asked questions, and another section contained a benefit schedule.

Union Fidelity followed the majority of the marketing techniques discussed by Mr. Byrne.

1. **high benefit** - The benefits were listed in comparison to what Medicare would pay and what the customer would normally pay. Another table showed the amounts that Medicare would pay, the amounts Union Fidelity would pay, and the amounts
the customer would pay. The customer had to consult the table.

2. **low premium** - The monthly premium for a 65 year old female was $29.95. The rates would not increase.

3. **monthly payments** - Union Fidelity provided its customers four ways in which to pay premiums. These are annually, semi-annually, quarterly, and monthly. A month's premium could be saved by paying annually.

4. **simple application** - The applicant had to provide his/her name, address, age, and sex. The application also had to be signed and dated.

5. **guaranteed acceptance** - Union Fidelity guaranteed acceptance provided the applicant was at least 65 years old. If the spouse desired coverage, he/she must also be at least 65.

6. **few choices** - The only choice provided was whether or not coverage was desired for a spouse.

7. **10-day free look** - The customer had 30 days in which to examine the policy. To receive a premium refund, the policy must be returned to the home office.

8. **limited time offer** - Union Fidelity had no time limit for the application. However, prospective customers were reminded of how high medical costs had become, and how Medicare was paying less of those costs.

9. **easy to understand** - The brochures from Union Fidelity seemed quite boring. They contained many statistics on rising medical costs and lowered coverage of Medicare. The policy
was a bit easier to comprehend.

10. **deviated premium** - The deviated premium was $1.00 for the first month's coverage. This was due before the policy was issued. Subsequent monthly premiums were $29.95.
SUMMARY

The option of purchasing direct mail insurance is one that may people consider. The marketing techniques of the company being considered can have an enormous effect on the decision of the consumer. Many different techniques are used, though some of these techniques seem to be standard for all companies. The ten suggestions of Mr. Byrne were used by the eight companies review as follows.

1. high benefit - Four of the companies promised "big dollar benefits" or displayed a large dollar amount printed across the introductory brochure. The other four had varying benefits determined by age and the number of units that were purchased. The insured had to consult a table to determine the dollar amount benefit for his/her policy.

2. low premium - Six of the companies stated the amount of a low monthly premium. The other two companies not only stated the monthly premium, but computed the cost of the insurance per day, i.e. less than 25¢ a day.

3. monthly payments - All of the companies reviewed allowed the insured to pay premiums monthly. Five of the companies also offered the option to pay every three months, every six months, or annually. The other three did not have as many options.

4. simple application - Seven of the companies had
applications which required the insured to supply his/her name, address, sex, date of birth, number of units desired, and the beneficiary. One form was simplified even further. All the application required was for the applicant to indicate the number of units desired and to name the person they wished as a beneficiary.

5. **guaranteed acceptance** - All of the policies reviewed promised guaranteed acceptance and only one company restricted the acceptance period to a certain time.

6. **few choices** - On five of the policies reviewed, the only choices the applicant had were the number of units of insurance desired and the choice of beneficiary. Three of the companies allowed no choices; the applicant merely signed the application.

7. **10-day free look** - All of the companies reviewed provided the consumer ample time to examine the policies. Two companies gave the applicant 21 days to review the policy, and five companies gave the applicant 30 days to make a decision. All companies refunded any premiums paid by the consumer. One company allowed 21 days to examine the policy, and an additional nine days after the first premium was paid. The premium was refunded if the policy was cancelled.

8. **limited time offer** - Five of the companies reviewed had no time limit on replying, but consumers were urged to "ACT TODAY". One company had no time limit on the policy, but had a two week time limit on the free gift that was offered. One company had a time limit of two weeks for its
guaranteed acceptance offer, and one company had a 60-day limit.

9. easy to understand - The brochures and pamphlets sent by the companies were easy to understand. They made the policy sound very simple. The policies themselves, however, were more complex.

10. deviated premium - Five of the policies had no deviated premium. Three of the companies offered a deviated premium for the first month.

An interesting difference among the companies was the amount of time required to receive the policy. The application for the Colonial Penn Life Insurance Company was sent on November 22nd. The policy was received on December 24th, or about one month after applying. The National Home Life Assurance Company application was sent on November 22nd. On December 20th the wrong policy was received. The correct policy arrived on December 31st, about five weeks after applying. The Old American Insurance Company application was returned to the company on December 12th. The policy was received on January 5th, approximately three weeks after applying. The Academy Life Insurance Company received a completed application on January 3rd, and a policy was sent on January 18th. It was able to issue a policy in two weeks. The American Integrity Insurance Company application was sent on February 2nd, and the policy was received on February 17th, or about two weeks after applying. The Gerber Life Insurance Company application was sent on February 8th, and it took until
March 6th to receive a policy, or approximately four weeks. The Physicians Mutual Insurance Company had the quickest service. An application was sent to the company of February 3rd, and the policy was received in eleven days, on February 14th. The Union Fidelity Life Insurance Company took approximately three weeks to issue a policy. The application was sent on February 13th and the policy was received on March 6th.