



LIVING IN THE PRESENT, HOPING FOR THE FUTURE: LATINOS AND INSURANCE

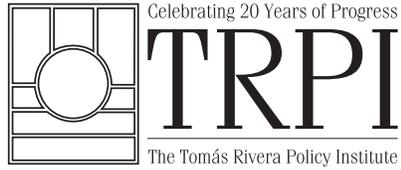
A L O S A N G E L E S C A S E S T U D Y



Celebrating 20 Years of Progress

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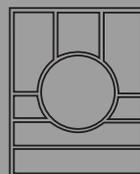
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EXECUTIVE SUMMARY

To gain a better understanding of how Latinos participate in the insurance market, the Tomás Rivera Policy Institute (TRPI), with a research grant from Allstate Insurance Company, conducted two focus groups and a telephone survey with adult Latino residents in the Los Angeles metropolitan area. The project focused exclusively on three types of insurance—auto, life, and home or renter’s insurance—and examined Latino purchasing dynamics, attitudes toward insurance, and sources of information about insurance, among others.

We found that Latinos under-utilize insurance and thus may be exposed to financial risk. A majority of Latino consumers in Los Angeles do not have either life insurance or home or renter’s insurance. A quarter of Latinos do not have auto insurance. However, this does not mean that Latinos do not value insurance coverage. On the contrary, Latino consumers tend to hold an affirmative attitude and receptive view of insurance and the insurance industry.

The study further showed that Latinos are not a monolithic group. Latinos vary in their purchasing behavior and attitudes notably by age, income, education, immigrant generation, length of residence in the United States, and language use. Overall, the study found that Latino consumers are price-conscious and the perceived high price of insurance premiums discourages Latinos from purchasing insurance.

Although income could be the most important factor that determines Latino attitudes and behavior, levels of acculturation also play a role. Latinos who are of later immigrant generations, have lived in the United States longer, and primarily speak English at home tend to be more receptive to purchasing insurance products.

Regardless of demographic characteristics, Latinos understand the importance of having insurance. But foreign-born Latinos—in particular, recent immigrants—are more likely to be uninsured, as their income is relatively low and lower than their native-born counterparts, prompting them to put off purchasing insurance. They are also not completely convinced that they need insurance. Some seem to think that, while acknowledging its importance, insurance is something one could live without—a notion they might have carried with them from their home country.

That being said, most Latinos, if not all, acknowledge the importance and value of insurance particularly for the long-term stability of their family and children. This leads us to believe that Latino consumers are ultimately prone to respond to well-designed information outreach programs intended to increase the number of Latino consumers participating in the insurance market in the near future.



INTRODUCTION

Do we need insurance? The answer is a definite yes. Most immediately, under certain circumstances, the law may require it. Long-term, insurance protects us against unfortunate events that are likely to occur at some point in our life. Insurance policies protect assets and personal wealth and offers financial security for our loved ones. Insurance, thus, is an essential tool that serves to protect our financial future.

To gain a better understanding of Latino consumers in the insurance market, the Tomás Rivera Policy Institute (TRPI) conducted two focus groups with 14 participants each and a telephone survey of 616 Latino adult residents in the Los Angeles metropolitan area.¹ Focusing exclusively on three types of insurance—auto, life, and home insurance—we examined Latino attitudes toward insurance, purchasing dynamics, sources of information on insurance, and media preferences in order to help answer the question: How do Latinos participate in the insurance market?

The following comments from focus group participants offer some insights into Latino attitudes toward insurance.

“You need to have insurance, because you don’t know what the future will bring to you and your family. You need to be prepared for the future. Insurance is something you must have for yourself and your family.”

Olga Martinez² in her early 50s grew a bit impatient and did not hesitate to make that remark once she heard Alicia Gonzales. Alicia said that she has none of the three types of insurance (auto, life, or home insurance), because other things in her life take priority over purchasing insurance. Twenty-one year old Alicia turned defensive when she responded by saying, *“I know it is important to have insurance. But when money is tight and you have other things going on, insurance is hardly your top priority.”*

Maria Orozco, a 23 year old part-time college student who came to the United States from Mexico a couple of years ago, interjected into the conversation (perhaps in an attempt to side with Alicia) by saying, *“You know, in Mexico, insurance is never considered something you must have. It is not like food. Some people even think that it is a waste of money [to purchase insurance]. Many others would think it is something you can live without.”* David Macias then broke his silence and started to talk about his relative who had a terrible traffic accident. He said he even took another job to help pay premiums for his 17-year-old daughter’s auto insurance.

Although we always encourage focus group participants to express their opinions freely without hesitation in the sessions, we did not necessarily anticipate such a candid and emotional exchange to occur among participants during a focus group session with 14 Latino participants. Nor did we fully realize at that time that those exchanges would point us to findings from a later telephone survey.

¹ Samples for the survey were drawn from the Los Angeles Consolidated Metropolitan Statistical Area (CMSA) encompassing Los Angeles, Orange, San Bernardino, Riverside, and Ventura Counties.

² To ensure confidentiality, TRPI uses fictitious names throughout this report when referring to study respondents.

Latino consumers who are older, with higher income, or more education are more likely than their counterparts to own auto, life, and home insurance.

As mentioned, being properly insured is important. However, some Latino participants in our study did not have any auto, life, and home insurance, while others have all, or one type of insurance but not others. Some firmly consider it very important to have insurance, while others do not. Such variations suggest that Latinos are not a monolithic consumer group.

To address the question of how Latinos participate in the insurance market, this study paid close attention to variations within the Latino community. In particular, it attempted to ascertain how and how much Latino attitudes, preferences, and behaviors toward auto, life, and home insurance differ depending on immigrant generation, length of residence in the U.S. (among foreign-born Latinos), language preference, education, income, age, and gender. The results from the study are presented in reference to the following four key questions:

- *WHAT INSURANCE PRODUCTS DO LATINOS BUY?*
- *WHAT DO LATINOS LIKE ABOUT INSURANCE?*
- *WHAT DO THEY CONSIDER WHEN THEY PURCHASE INSURANCE?*
- *HOW DO LATINOS WANT INFORMATION ABOUT INSURANCE?*

We found that a majority of Latinos in the Los Angeles metropolitan area own auto insurance but do not own home (or renter's) or life insurance. We also found that Latino consumers with certain demographic characteristics are more likely than others to own insurance. Latino consumers who are older, with higher income, or more education are more likely than their counterparts to own auto, life, and home insurance. Further, with each passing immigrant generation, Latinos increasingly tend to own insurance.

It should be noted that, although they do not own life or home insurance, a majority of Latino consumers value insurance. They are receptive toward insurance and express confidence in the insurance industry. However, the study also revealed that Latinos remain a largely untapped pool of consumers, and that the insurance industry is expected to encounter little negative reaction or suspicion from the Latino community as it attempts to penetrate the community's great market potential.

LATINO PARTICIPATION IN THE INSURANCE MARKET

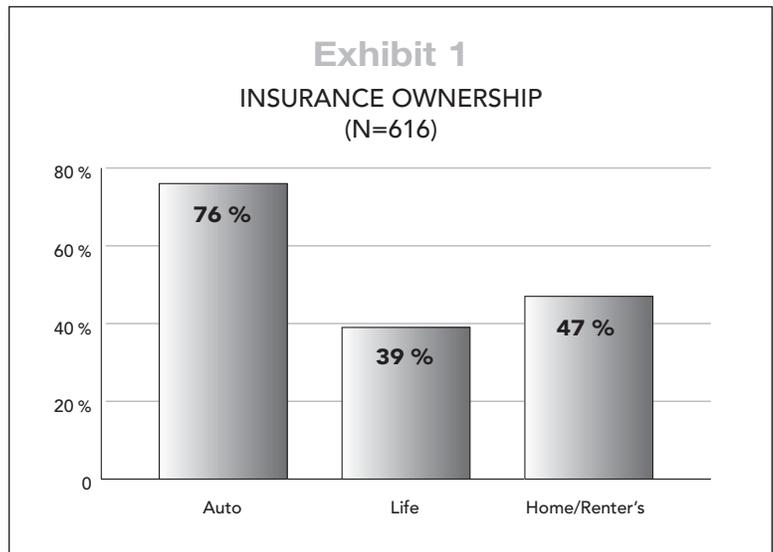
Data from a survey of 616 Latino adult residents—regardless of place of birth and legal status—in the Los Angeles metropolitan area revealed that Latino consumers are not equally likely to own all three types of insurance. As shown in Exhibit 1, 76% of Latino consumers in Los Angeles own auto insurance, while 39% and 47% report having life³ and home, or renter’s, insurance, respectively. Further, Latinos with certain demographic characteristics are more likely than others to own insurance.

AUTO INSURANCE

As long as one owns and drives a car in the state of California, one is required by law to have auto insurance with at least liability coverage. So it comes as no surprise to find that over three-quarters of Latino adult respondents have auto insurance. The survey found, however, that one out of four (24%) Latino respondents do not have auto insurance. This does not suggest that 24% of Latino residents living in Los Angeles are uninsured drivers. In fact, there are potentially several reasons why they do not have auto insurance. Some may not own a car or may not drive.⁴ Thus, it should not be assumed that all of those who report having no car insurance are driving without insurance.

Undoubtedly, however, there are uninsured drivers. In the focus group session mentioned above, Alicia Gonzales confessed that she drives without auto insurance. Her reason for not having auto insurance is solely financial. The perceived high cost of purchasing auto

insurance, as found in both English and Spanish focus group sessions, seems to prevent a number of people from acquiring it. Alicia and another younger participant in the focus group said that at one point their insurance premium was higher than their car loan payment. *“It is too expensive to buy car insurance. I simply don’t have money to buy it,”* said Alicia.

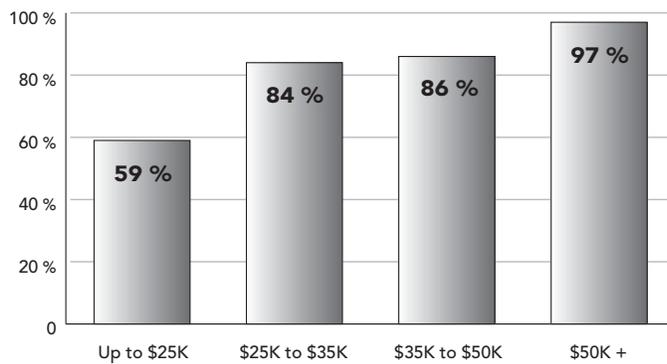


³ According to another recent survey sponsored by Allstate Insurance Company, Los Angeles ranked at the bottom of 25 most populated cities on life insurance coverage. Results also show that 74% of respondents nationally have some form of life insurance.

⁴ There could be other reasons people drive without insurance. Driving without a driver’s license is another reason. For example, undocumented immigrants are not allowed to get driver’s licenses in California. Thus, they cannot buy auto insurance. If they venture to drive, they would drive unlicensed and uninsured. We do not have data, however, to say more about reasons for not having auto insurance in a concrete manner. Nor do we have data on the number of undocumented immigrants driving a car.

Exhibit 2

THE OWNERSHIP OF AUTO INSURANCE BY INCOME (N=453)



Obviously, financial challenges are more pronounced among low-income Latinos. The survey found that Latinos with lower incomes are much less likely to own auto insurance, as are younger, less educated and more recent immigrant Latinos.

Exhibit 2 shows that the higher the income, the more likely Latinos are to have auto insurance. Ninety-seven percent of Latinos with incomes above \$50,000 indicated that they own auto insurance. In contrast, only 59% of Latinos with incomes less than \$25,000 claimed to own auto insurance.

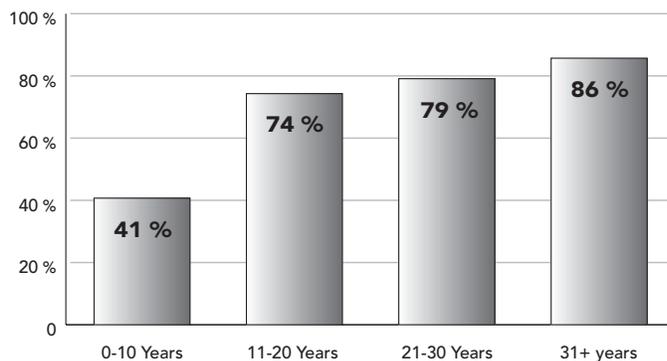
Age and income appear to be factors determining the likelihood of having auto insurance. Although a majority of Latinos of all ages own auto insurance, 80% of those 35 years and older reported having auto insurance compared with only 66% of Latinos between the ages of 18 and 24. Latinos with lower levels of education are less likely than their more educated counterparts to have auto insurance. Over 92% of Latinos who have at least some college education had auto insurance, while 66% of Latinos with less than a high school education and 73% of Latinos with a high school diploma reported so.

Age and income appear to be factors determining the likelihood of having auto insurance. Although a majority of Latinos of all ages own auto insurance, 80% of those 35 years and older reported having auto insurance compared with only 66% of Latinos between the ages of 18 and 24. Latinos with lower levels of education are less likely than their more educated counterparts to have auto insurance. Over 92% of Latinos who have at least some college education had auto insurance, while 66% of Latinos with less than a high school education and 73% of Latinos with a high school diploma reported so.

Foreign-born Latinos are also less likely to have auto insurance. Seventy-one percent of foreign-born Latinos have auto insurance, while 87% of native-born Latinos own it. However, as shown in Exhibit 3, the longer foreign-born Latinos live in the U.S., the more likely they are to have auto insurance. Over 79% of Latinos who have lived in the U.S. more than 21 years have car insurance. In contrast, only 41% of Latinos who have lived in the U.S. less than 10 years have auto insurance.⁵

Exhibit 3

THE OWNERSHIP OF AUTO INSURANCE BY LENGTH OF RESIDENCE IN THE U.S. (N=388)



The survey also found that Latinos living in a Spanish-dominant household are less likely to have car insurance. Ninety-three percent of Latinos living in an English-dominant household and 88% of Latinos living in a household where both English and Spanish are equally spoken report having auto insurance. Only 68% of Latinos in Spanish-dominant households indicate the same. This also signifies that recent Latino immigrants, who have not fully learned about and

adapted to the intricacies of the host society, comprise a segment of consumers who are least likely to afford and/or recognize the value of auto insurance and thus own it.

⁵ It is conceivable that foreign-born—in particular, recent immigrant—Latinos are less likely than their counterparts to own and drive a car and as a result, less likely to have auto insurance. Unfortunately, we do not have data that show the proportion of recent immigrant Latinos who neither own nor drive a car and therefore do not need auto insurance vis-à-vis that of recent immigrant Latinos who drive a car without insurance or drive a car unlicensed and uninsured.

Maria Orozco and a few other focus group participants indicated that purchasing insurance is not the norm in Latin American countries, especially among individuals of lower socio-economic status who have less disposable incomes for what they consider a non-essential item. Some recent Latino immigrants seem to carry the view that insurance is a non-essential item when compared to food or rent. However, as they live longer in the United States, foreign-born Latinos appear to buy into the idea that insurance is a necessity.

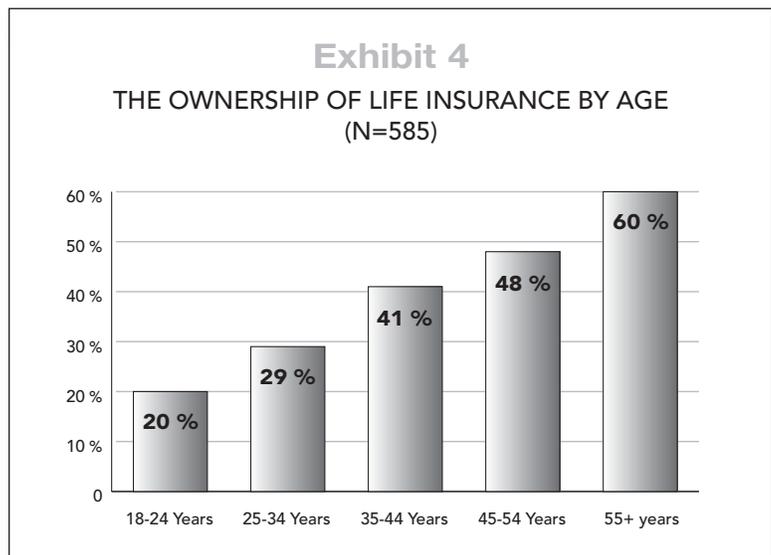
LIFE INSURANCE

Of the three types of insurance ownership we examined, Latino consumers in the Los Angeles metropolitan area are least likely to own life insurance. As previously reported, 61% of respondents indicate that they do not have life insurance. The ownership of life insurance, however, tends to vary with age, education, income, immigrant generation, and length of residence among immigrants.

The survey reveals that the older they are, the more likely Latino consumers are to have life insurance. For example, as shown in Exhibit 4, 60% of Latinos age 55 or older have life insurance, while only 20% of Latinos age 18 to 24 report so. *"We have other priorities [than buying life insurance],"* said Christina Diaz, a 24 year old focus group participant who seemed to feel compelled to justify why she does not have life insurance. This sentiment was shared by most, if not all, younger focus group participants in their 20s. *"We also feel uncomfortable recommending to our parents to purchase life insurance,"* added Jose Garcia. *"I don't want them to think I wanted them to die."*

Older focus group participants also seemed to recognize the value of life insurance. *"We used to cross the border with 25 cents and [life] insurance was not important. Now it is ... I have children and wouldn't want to be caught dead without life insurance,"* said Joe Lopez in his 50s. Maria Perez in her 40s echoed this sentiment with an interesting twist. *"When I see my husband, I wonder whether I really need to have life insurance. He would probably spend all the insurance money with another woman if I die. But when I see my children, I feel that I really need to have life insurance ... for their future."*

Having children certainly changes one's life style and perspective. It is perhaps the most important factor that prompts Latinos to purchase life insurance. Most Spanish-speaking focus group participants said that if they had to choose one form of insurance to buy, they would purchase life insurance. They said that the secure future of their family was the motive driving their choice.



Of the three types of insurance ownership examined, Latino consumers in the Los Angeles metropolitan area are least likely to own life insurance.

Exhibit 5

THE OWNERSHIP OF LIFE INSURANCE BY EDUCATION (N=600)

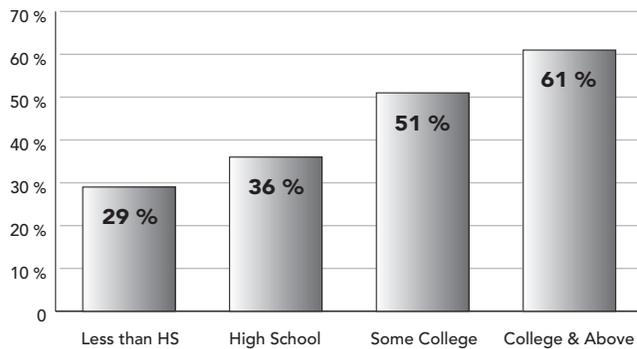
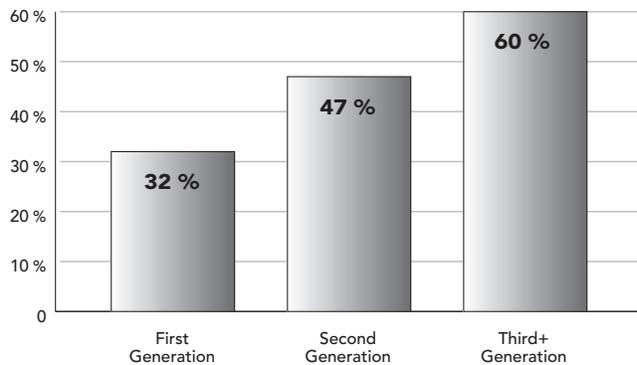


Exhibit 5 shows that the ownership of life insurance varies depending on the level of education. Sixty-one percent of Latino consumers with a college education report having life insurance. In contrast, only 29% of Latinos with less than a high school education have life insurance.

The ownership of life insurance varies with income in the same way as it does with education: The higher the income, the more likely Latino consumers are to have life insurance. For example, 65% of Latinos with income over \$50,000, as compared to 23% of Latinos with income less than \$25,000, have life insurance. When considering gender, there is little difference between male and female Latinos in owning life insurance.

Exhibit 6

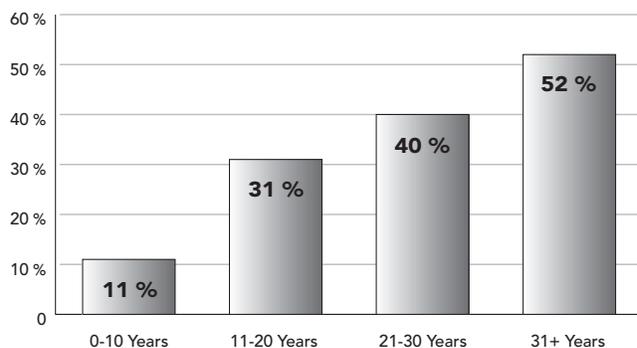
THE OWNERSHIP OF LIFE INSURANCE BY IMMIGRANT GENERATION (N=612)



As reported in Exhibit 6, immigrant generation has a positive effect on the ownership of life insurance. With each passing immigrant generation, Latinos are more likely to have life insurance. Sixty percent of third or later generation Latinos report having life insurance compared with only 31% of foreign-born Latinos.⁶ Further, among foreign-born Latinos, the longer they have lived in the U.S., the more likely they are to have life insurance. Exhibit 7 reveals that 52% of Latino immigrants who have lived in the U.S. for longer than 30 years report having life insurance, while only 11% of Latinos who have lived in the U.S. less than 10 years indicate the same. Taken together, Exhibits 6 and 7 suggest that acculturation plays a role in increasing the ownership of life insurance: As they settle in and become more accustomed to the norms and practices of the host society, they seem to become more inclined to have life insurance.

Exhibit 7

THE OWNERSHIP OF LIFE INSURANCE BY LENGTH OF RESIDENCE IN THE U.S. (N=388)

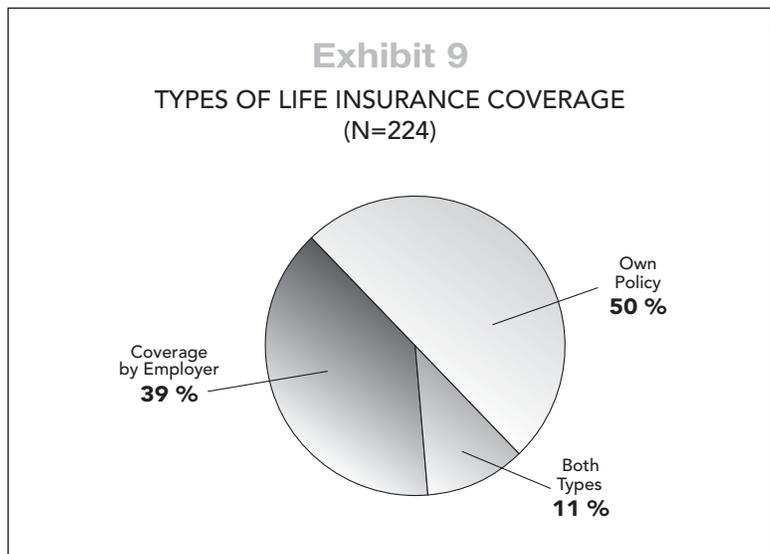
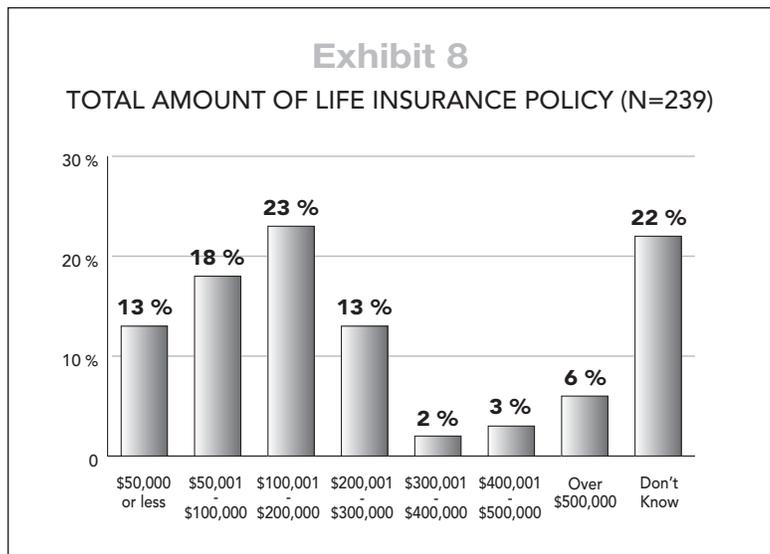


⁶ A third generation Latino is an individual with both parents born in the United States. A second generation is an individual born in the United States with either of or both parents born outside the U.S.

Having children is perhaps the most important factor that prompts Latinos to purchase life insurance.

Those who have life insurance are asked the total dollar amount of their life insurance policy. As reported in Exhibit 8, a policy that pays an amount between \$100,001 and \$200,000 appears to be most popular, accounting for 23% of Latinos' life insurance policies. Thirty-one percent of insurance holders report having a policy that pays \$100,000 or less. Surprisingly, however, 22% of those who report having life insurance cannot recall or do not know the total dollar amount of their life insurance policy.

Of those who have life insurance, Latinos more often have their own coverage rather than employer-provided coverage. As shown in Exhibit 9, 50% of respondents have their own policy, 39% have coverage by their employers, and 11% have both types of life insurance coverage. Of those who have their own coverage, two-thirds have permanent, or universal, life insurance, while one-third have term life insurance.⁷



HOME/RENTER'S INSURANCE

As with life insurance, a majority—53%—of Latinos do not have home or renter's insurance. This may be due to a low level of home ownership among Latinos. According to the 2002 Current Population Survey (CPS) data, only 47% of Latinos owned their homes. As in the case of auto and life insurance, however, age, education, income, immigrant generation, and language preference have an effect on the ownership of home/renter's insurance.

Exhibit 10 reveals that age is an important factor that determines the ownership of home/ renter's insurance. The older they are, the more likely Latinos are to own home/renter's insurance. For example, only 27% of 18-24 year olds report having home/renter's insurance, compared to 62% of those age 55 or older.

⁷ We do not have a concrete explanation for why permanent or universal life insurance coverage is preferred to term life insurance coverage among Latino consumers. To speculate, it may be because Latino consumers like the idea of getting back what they have paid on insurance at some point in the future even if this means paying much higher premiums on insurance. It may also be because they do not understand the benefits of term life insurance, financially.

Exhibit 10

THE OWNERSHIP OF HOME OR RENTER'S INSURANCE BY AGE (N=585)

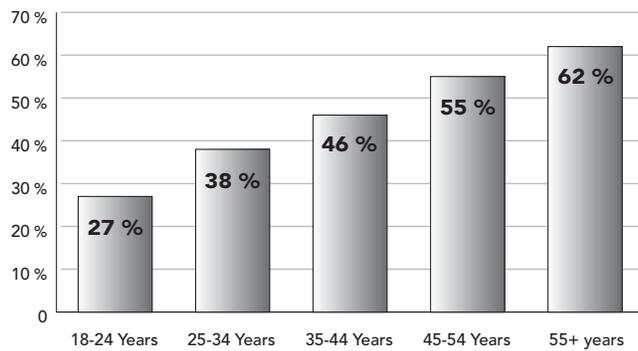


Exhibit 11

THE OWNERSHIP OF HOME OR RENTER'S INSURANCE BY INCOME (N=453)

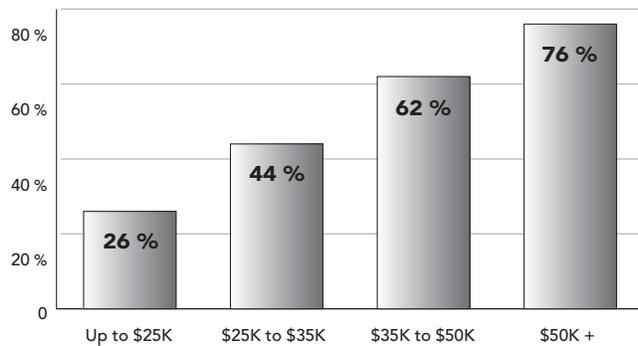
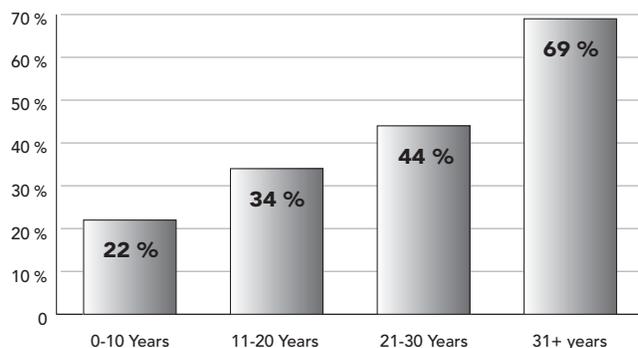


Exhibit 12

THE OWNERSHIP OF HOME OR RENTER'S INSURANCE BY LENGTH OF RESIDENCE (N=388)



Both income and education have a positive impact on the ownership of home/renter's insurance: The higher the level of income and the higher the level of education, the more likely Latinos are to have home/renter's insurance. As shown in Exhibit 11, 76% of Latinos with an income over \$50,000 have home or renter's insurance. In contrast, only 26% of Latinos with an income less than \$25,000 have home or renter's insurance. Similarly, 68% of Latinos with a college education report having home or renter's insurance compared to 43% of those with a high school diploma and 36% of those with less than a high school education.

Immigrant generation also has an effect on the ownership of home or renter's insurance: Later immigrant generations of Latinos more frequently report having home/renter's insurance. Sixty-four percent of third or later generation Latinos have home or renter's insurance as compared to 52% of the second generation and 41% of the first generation. Among first generation Latinos, recent immigrants are much less likely to have home or renter's insurance. As reported in Exhibit 12, only 22% of the foreign-born with less than 10 years of residence report having home or renter's insurance while 69% of those with 31 years or more of residence indicate so. Consistently, Latinos living in Spanish-dominant households are less likely to have home or renter's insurance. Thirty-eight percent of Latinos whose primary language spoken at home is Spanish have home or renter's insurance. Fifty-three percent of bilingual households and 68% of those in English-dominant households report having home or renter's insurance.

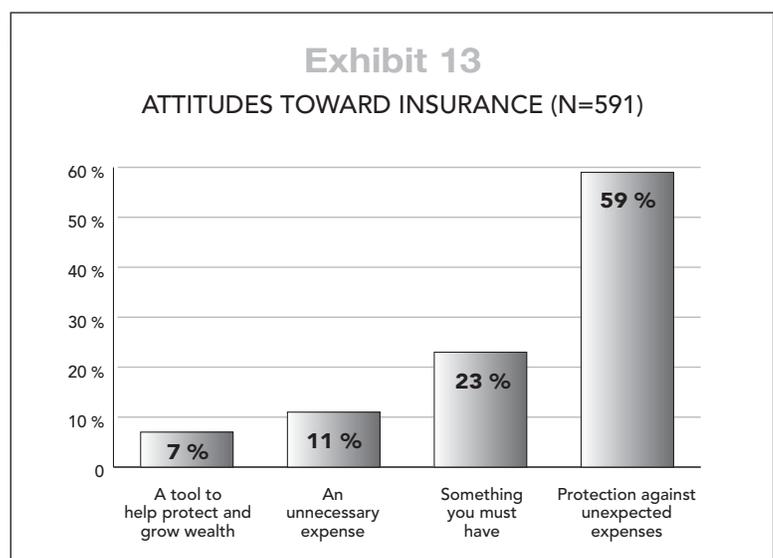
LATINO ATTITUDES TOWARD INSURANCE

As reported in the previous section, a majority of Latino consumers do not have either home/renter's insurance or life insurance. Additionally, about one-quarter of Latino consumers do not have auto insurance. Despite these low levels of insurance ownership, the survey found that a majority of Latino consumers value insurance. Latino consumers have a receptive attitude toward insurance and express confidence in the insurance industry. In fact, a majority consider it trustworthy. Latino attitudes toward insurance, however, appear to vary in particular with immigrant generation and length of residence in the U.S. among foreign-born (first generation) residents.

As shown in Exhibit 13, only 11% of Latino respondents feel that insurance is an unnecessary expense and 23% think of insurance as something one must have to register his car or get a home loan. However, a majority are more affirmative about insurance. Fifty-nine percent consider it a protection against unexpected expenses. Further, 7% feel that it is a tool to help protect and grow wealth.

The survey findings are consistent with findings from the focus groups. Alicia Gonzales, who has let her auto insurance policy elapse and now drives without auto insurance, and Christina Diaz, who in the focus group session argued, *"We have other priorities [than buying life insurance],"* did not say that they consider insurance to be unnecessary. *"I know you need insurance. It is better to have it,"* said Alicia. She then added, *"I simply don't have enough money to buy insurance."*⁸

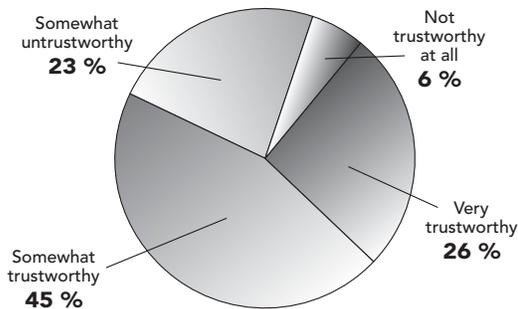
Despite low levels of insurance ownership, the survey found that a majority of Latino consumers value insurance. Latino consumers have a receptive attitude toward insurance and express confidence in the insurance industry.



⁸ This does not necessarily mean that someone like her lives in poverty. It might be the case that, borrowing from Christina, they seem to have other priorities than buying insurance.

Exhibit 14

OPINION OF THE INSURANCE INDUSTRY (N=572)



While most, if not all, focus group participants valued insurance, few saw it as an investment. Maria Perez indicated that the price of insurance discouraged her from thinking of it as an investment. *“All insurance is too expensive given the typical salary Latino workers make. It doesn’t seem like an investment. It can help you out at certain points in life if something happens but it is money that is coming out of your pocket every month that you can use for something else,”* said Maria in Spanish. Almost all participants seemed to agree with her on this point.

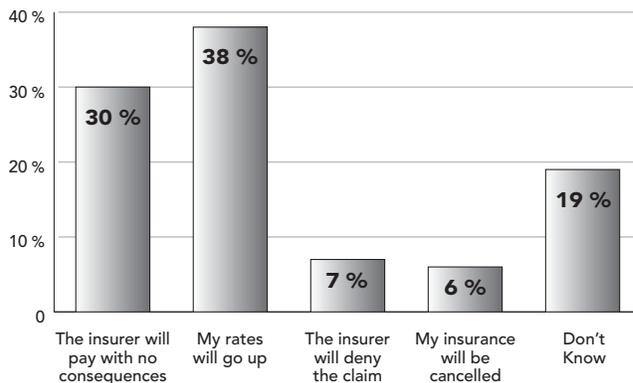
Most focus group participants, however, indicated that having insurance would make them feel more secure and comfortable about the future. With insurance, they said that they do not have to worry about unexpected expenditures during a crisis. In particular, several participants mentioned the importance of life insurance for their children, should they pass away. *“Life insurance is very important for children. My children are small and I think about their education. They want to go to college so at least if I won’t be alive, they can go ahead and get a college education,”* said Jose Gutierrez. Nodding to Jose, Victor Rivas in his late 30s said in Spanish, *“In reality, you are ensuring the future of your children when you get life insurance. None of us know when we are going to die ... the cost is not important to me. What matters to me is that their future is insured.”*

Maria Perez earlier made the same point. We, once again, see one key factor that motivates Latinos to purchase insurance—children.

There is no significant variation across different income groups in their attitudes toward insurance. A great majority of Latino consumers acknowledge the need to have insurance and Latino attitudes toward insurance do not seem to vary significantly with education, age, gender, immigrant generation, or length of U.S. residency. Thus, the lack of insurance observed among younger, lower-income, less educated, and less acculturated Latinos may be due to other factors and not attributable to a view that insurance is an unnecessary expense.

Exhibit 15

EXPECTED CONSEQUENCES AFTER FILING AN INSURANCE CLAIM (N=611)



Further, a majority of Latino consumers have a positive opinion of the insurance industry. As reported in Exhibit 14, 71% of Latino consumers consider the insurance industry trustworthy, while only 6% think that the insurance industry is not trustworthy at all. There seems to be little significant variation in Latino opinion of the insurance industry by income, education, age, gender, immigrant generation, length of residence, and language preference. Across the board, over two-thirds of Latino consumers express a trust in the insurance industry.

However, this does not mean that Latino consumers have almost blind faith in all companies, policies, and brokers or agents in the insurance industry. In fact, several focus group participants expressed their displeasure with some specific insurance companies and agents. Alejandro Reyes in his 40s said that he was satisfied with his policy but had a bad experience with insurance agents. *“Because you don’t earn much, [insurance agents] make you feel like you are at the bottom of the totem pole. Well, my money is as green as the person who lives up on the hill,”* stressed Alejandro. Further, several focus group participants said that they either saw others experience, or they personally experienced, problems with some insurance companies. Some others also complained about auto insurance brokers who did not fully explain the insurance policies. *“That is why I prefer to buy from more established [insurance] companies,”* said David Macias who took another job to help pay for his daughter’s insurance premiums.

Exhibit 16
EXPECTED CONSEQUENCES AFTER FILING AN INSURANCE CLAIM BY EDUCATION (N=596)

	Less Than High School	High School	Some College	College Graduate +
The insurer will pay with no consequences	28%	31%	33%	38%
My rates will go up	24%	50%	52%	48%
The insurer will deny the claim	9%	3%	6%	6%
My insurance will be cancelled	8%	5%	5%	2%
Don't know	31%	11%	4%	6%
Total	100%	100%	100%	100%

The survey asked respondents what is most likely to happen if they file an insurance claim. As shown in Exhibit 15, 38% of respondents expect their rates to increase once they file a claim. Thirty percent believe that the insurer will pay with no consequences, while seven percent expect their insurer to deny the claim and six percent think their insurance will be cancelled after filing an insurance claim. It seems to be very telling, however, that almost one in five does not know what to expect.

As shown in Exhibit 16, some significant variation in the expected consequences after filing an insurance claim emerges across different levels of education—the lower the level of education, the less likely Latino consumers are to know what to expect after filing an insurance claim. Thirty-one percent of those who did not graduate from high school indicate that they do not know what to expect and only a quarter of them expect their insurance rates to increase. About one-half of those with a high school or higher education expect that their insurance rates will go up after filing an insurance claim. This pattern applies to variation by income—the lower the level of income, the less likely Latino consumers are to know what to expect.

Older consumers tend to be unsure about what to expect. Exhibit 17 reveals that over 20% of Latinos age 35 and older do not know what to expect after filing an insurance claim compared with only 13% of Latinos age 34 and younger. Further, 53% of Latinos ages 18 to 24 believe that their insurance rates will go up once they file an insurance claim.

Exhibit 17
EXPECTED CONSEQUENCES AFTER FILING AN INSURANCE CLAIM BY AGE (N=581)

	18-24 Years	25-34 Years	35-44 Years	45-54 Years	55+ Years
The insurer will pay with no consequences	19%	34%	32%	36%	28%
My rates will go up	53%	41%	36%	31%	35%
The insurer will deny the claim	6%	5%	6%	6%	7%
My insurance will be cancelled	9%	7%	5%	6%	4%
Don't know	13%	13%	21%	21%	26%
Total	100%	100%	100%	100%	100%

Exhibit 18

EXPECTED CONSEQUENCES AFTER FILING AN INSURANCE CLAIM BY IMMIGRANT GENERATION (N=607)

	First Generation	Second Generation	Third+ Generation
The insurer will pay with no consequences	30%	28%	36%
My rates will go up	32%	49%	51%
The insurer will deny the claim	7%	7%	5%
My insurance will be cancelled	6%	6%	5%
Don't know	25%	10%	3%
Total	100%	100%	100%

Exhibit 18 shows that foreign-born Latinos are least likely to know what to expect after filing an insurance claim. A quarter of foreign-born (first generation) Latino consumers as compared to three percent of third and later generation Latinos indicate that they do not know what to expect after filing an insurance claim. About one half of native-born (second, third and later generation) Latinos expect their rates to go up after filing an insurance claim. It should be noted that there is no significant variation by length of residence in the U.S. among foreign-born Latinos in what to expect after filing an insurance claim.

Exhibit 19

EXPECTED CONSEQUENCES AFTER FILING AN INSURANCE CLAIM BY LANGUAGE PREFERENCE (N=606)

	English	Spanish	Both Equally
The insurer will pay with no consequences	33%	31%	26%
My rates will go up	56%	31%	46%
The insurer will deny the claim	4%	7%	5%
My insurance will be cancelled	3%	7%	7%
Don't know	4%	24%	16%
Total	100%	100%	100%

Exhibit 19 reveals that Latino consumers in Spanish-speaking families tend to be unsure about what to expect after filing an insurance claim. Almost a quarter of Latino consumers living in a Spanish dominant household indicate that they do not know what to expect, while only four percent of Latino consumers whose primary language spoken at home is English feel the same way.

WHAT LATINOS CONSIDER WHEN PURCHASING INSURANCE

Latino consumers report price is the most influential factor to consider when purchasing either auto or home/renter's insurance from one company over another. Auto insurance purchasers cite price more often (44%) than home/renter's (28%) insurance purchasers.

Those without auto or home/renter's insurance also say price is the most influential factor in their decision to buy from one insurance company over another. Analyses of data from the telephone survey by demographic factors do not render fundamentally different results. Price continues to be the most often reported consideration when purchasing insurance.

AUTO INSURANCE

As shown in Exhibit 20, of those who own auto insurance, price is the most influential factor in their decision to buy auto insurance from one company over another. Forty-four percent of insurance holders indicate that price influenced their decision most in selecting an auto insurance company. Latino insurance holders also cite quality of customer service (13%), terms of coverage (12%), company reputation (9%), and name recognition (7%) as influential factors in purchasing auto insurance.

Price continues to be the most often reported consideration when purchasing insurance across demographic groups. However, there are occasions that display either growing or withering trends in purchasing considerations depending on certain demographic characteristics. For example, the survey finds that as education and income increase, Latinos more often select quality of customer service (16%

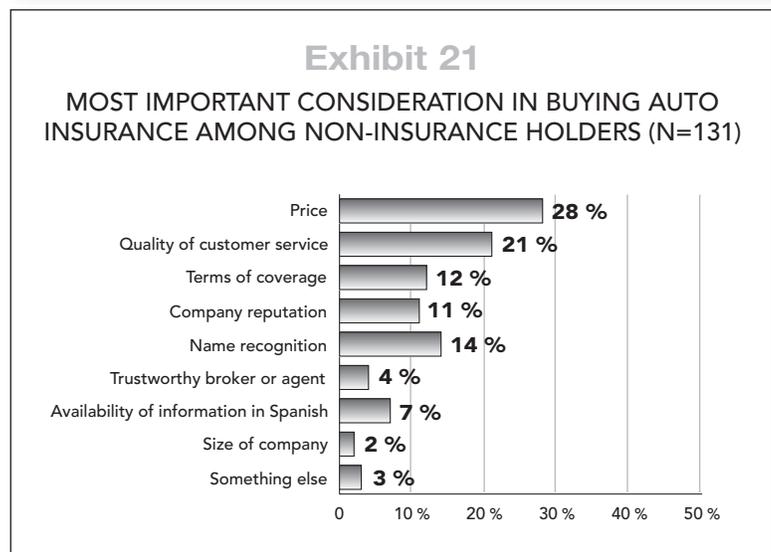
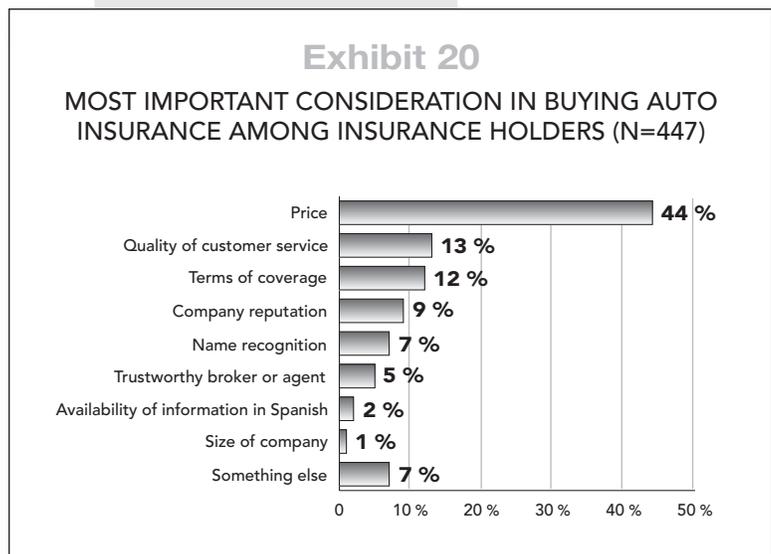
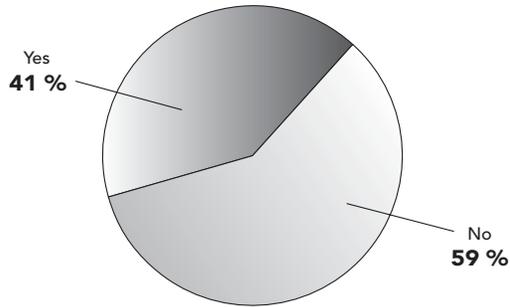


Exhibit 22

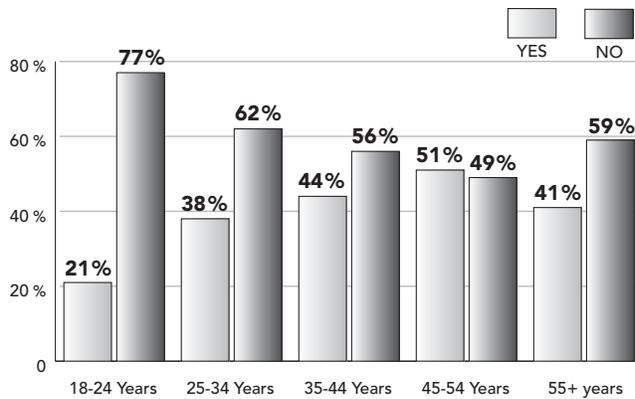
PROPORTION OF THOSE WHO HAVE CHANGED COMPANIES (N=468)



of those with a college education and 22% of those with incomes over \$50,000 compared to nine percent of those with a less than a high school education and nine percent of those with incomes below \$25,000). Further, nine percent of the foreign-born with less than 10 years of residence in the U.S. report that the availability of information in Spanish influences their decision to buy auto insurance from one company over another compared to two percent of those with 31+ years of residence.

Exhibit 23

PROPORTION OF THOSE WHO HAVE CHANGED COMPANIES BY AGE (N=440)

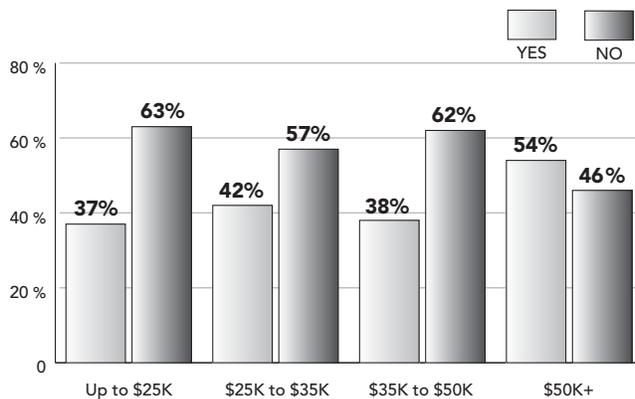


Of those without auto insurance, price is also the most influential factor in deciding to buy auto insurance from one company over another. As shown in Exhibit 21, 28% of those who do not own auto insurance indicate that if they were to purchase auto insurance, price would influence their decision most in buying it from one company over another. Twenty-one percent report that they would consider quality of customer care most in making their purchase decision.

CHANGING AUTO INSURANCE COMPANIES

Exhibit 24

PROPORTION OF THOSE WHO HAVE CHANGED COMPANIES BY INCOME (N=349)



As shown in Exhibit 22, 59% of those with auto insurance say they have never *voluntarily* changed auto insurance companies. Overall, this pattern holds true across demographic groups by education, gender, immigrant generation, length of residence, and language preference. One minor exception, as Exhibit 23 reveals, Latinos ages 18 through 24 are least likely to voluntarily change auto insurance companies. Additionally, 54% of Latinos with incomes over \$50,000 are most likely to voluntarily change auto insurance companies (Exhibit 24).

Latino consumers report price is the most influential factor to consider when purchasing either auto or home/renter's insurance from one company over another.

The survey asks those who have voluntarily changed auto insurance companies about the main reason they did so last time. As reported in Exhibit 25, 43% indicate that they did so mainly because they found a cheaper policy. Nineteen percent and 18% cite bad customer service and premium increases as the primary reason, respectively.

LIFE INSURANCE

Those who have life insurance are asked what they expect the dollar amount of the death benefit to cover. Exhibit 26 reveals that Latinos with life insurance tend to expect that the death benefit will cover care for children (39%), funeral expenses (38%), education of children (27%), care of spouse (26%), and paying off mortgage (24%).

Those without life insurance are asked what they would expect the dollar amount of the death benefit to cover if they were to have life insurance. As shown in Exhibit 27, they are much more pronounced in selecting care for children (50%) and education of children (38%), yet also frequently cite paying for funeral expenses (33%).

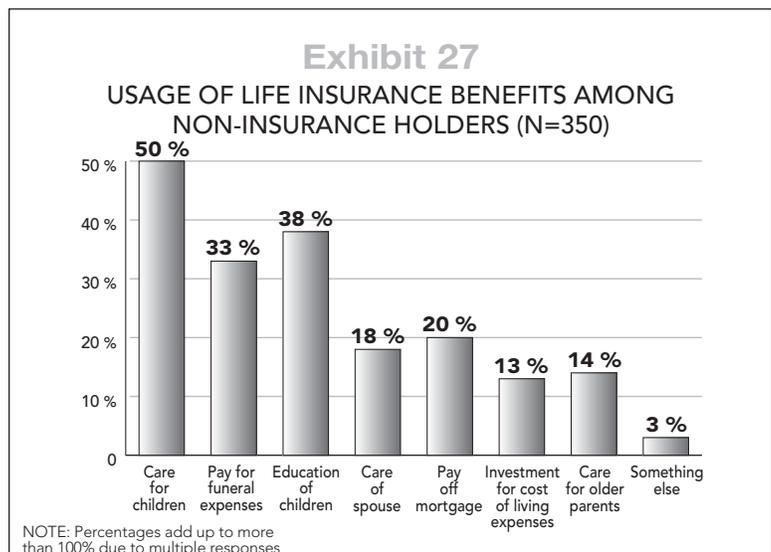
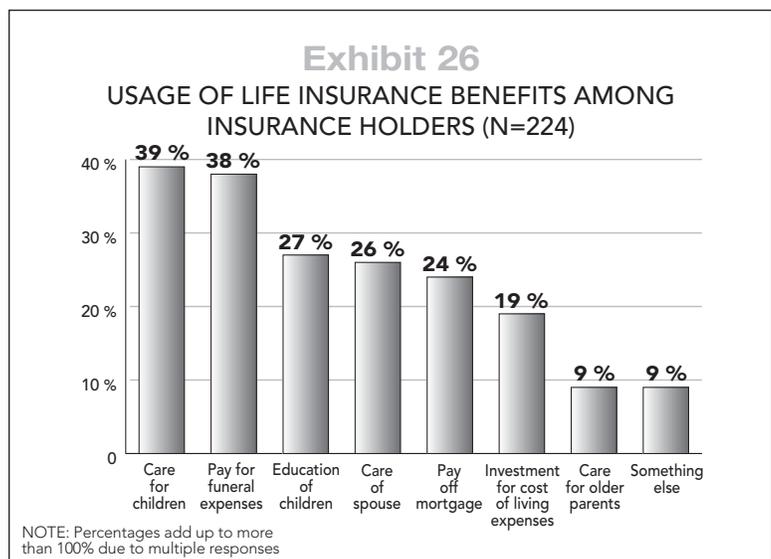
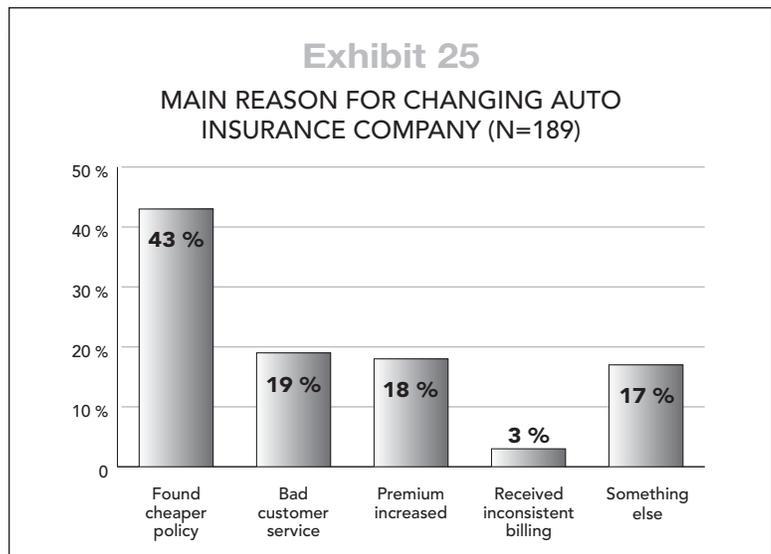


Exhibit 28

MOST IMPORTANT CONSIDERATION IN BUYING HOME OR RENTER'S INSURANCE AMONG INSURANCE HOLDERS (N=267)

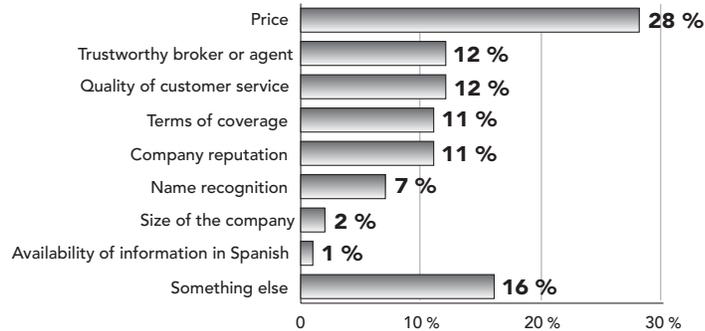
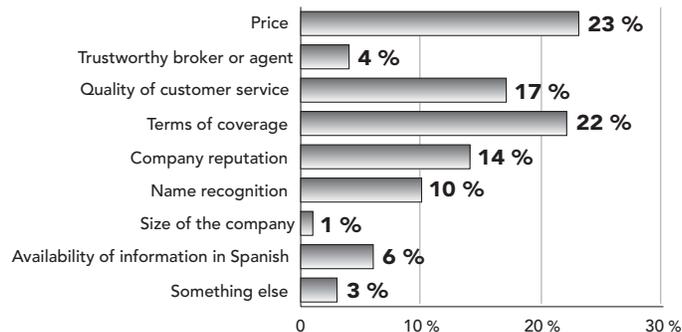


Exhibit 29

MOST IMPORTANT CONSIDERATION IN BUYING HOME OR RENTER'S INSURANCE AMONG NON-INSURANCE HOLDERS (N=310)



Latino insurance holders cite quality of customer service (13%), terms of coverage (12%), company reputation (9%), and name recognition (7%) as influential factors in purchasing auto insurance.

HOME/RENTER'S INSURANCE

The survey also asks those who have home or renter's insurance about factors that influenced their decision most in buying insurance from one company over another. As in the case for auto insurance, price is most often cited as the most influential factor. As shown in

Exhibit 28, 28% of insurance holders indicate that price is the most influential factor in their decision to buy home or renter's insurance. Others cite trustworthy agent (12%), quality of customer service (12%), terms of coverage (11%) and company reputation (11%) as their primary consideration.

Among Latinos without home or renter's insurance, as reported in Exhibit 29, price is also most frequently cited as the most influential factor in decisions to buy from one company over another. However, terms of coverage, quality of customer service and company reputation are more highly rated (22%, 17%, and 14%, respectively).

DELIVERING INSURANCE INFORMATION TO LATINOS



Latino consumers most frequently cite family members and relatives as the most reliable and trustworthy source of information about auto, life, and home or renter's insurance. For information about auto insurance, as shown in Exhibit 30, Latino consumers most often rely on and trust family (27%), friends (20%), television (14%), and insurance agents (10%).

As with auto insurance, as reported in Exhibit 31, Latinos refer to family members and relatives (24%) most often as the most reliable and trustworthy source of information about life insurance. When looking for information about life insurance, Latinos also rely most on friends (13%), insurance agents (13%), television (9%), and financial advisors (8%).

Exhibit 32 reveals that Latinos tend to choose family members and relatives (22%) as their most reliable and trusted source of information about home or renter's insurance. Insurance agents (20%) and friends and neighbors (15%) are also among the most popular choices.

Overall, Latinos' most trusted sources of information do not vary significantly with demographic factors. However, some variations are noteworthy. First, females appear to be more likely than males to rely on family members and relatives for information. Second, with each passing immigrant generation, Latinos are more likely to report family members and relatives as the most reliable and trustworthy source of information about insurance. This is likely due to the fact that Latinos of later immigrant generations are more likely to

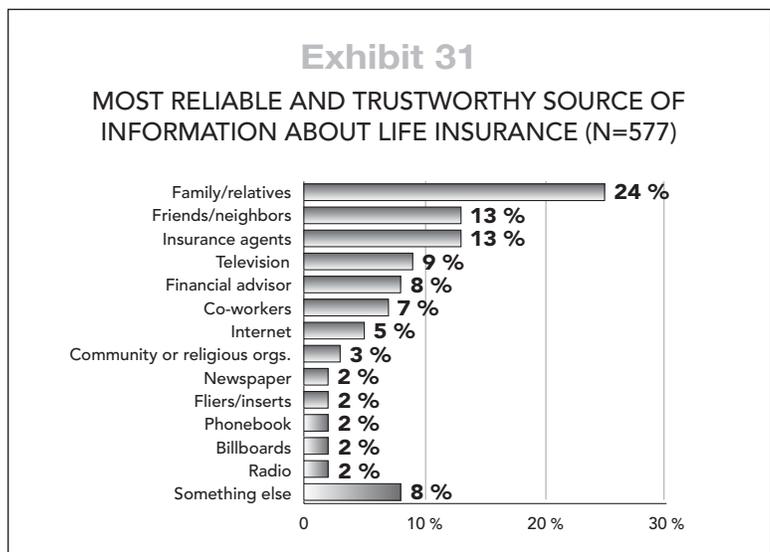
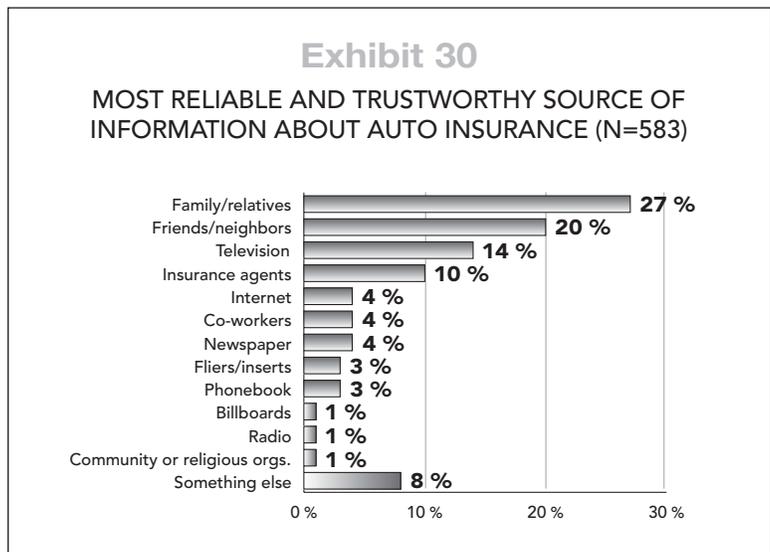


Exhibit 32

MOST RELIABLE AND TRUSTWORTHY SOURCE OF INFORMATION ABOUT HOME/RENTER'S INSURANCE (N=571)

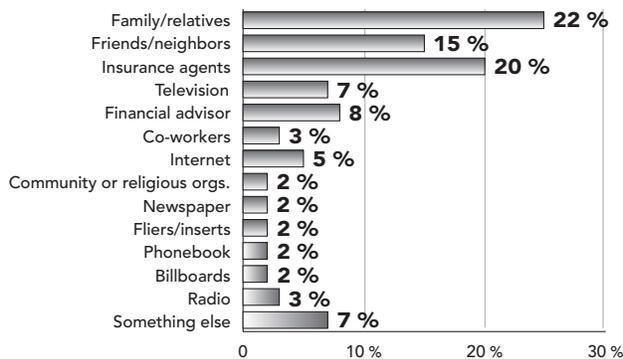


Exhibit 33

PREFERRED LANGUAGE OF INFORMATION (N=610)

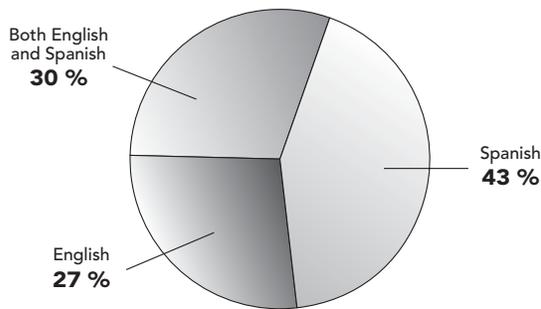
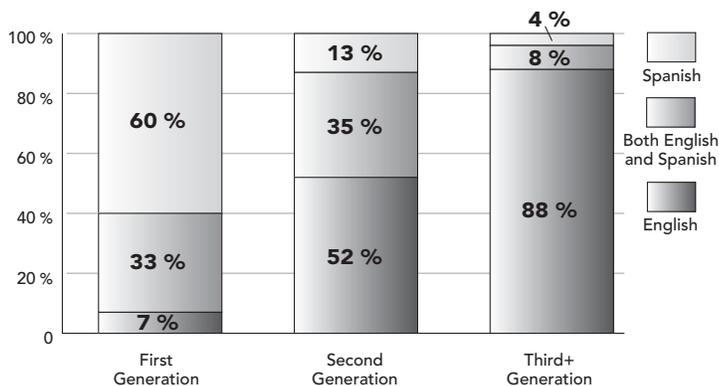


Exhibit 34

PREFERRED LANGUAGE OF INFORMATION BY IMMIGRANT GENERATION (N=606)



Latino consumers most frequently cite family members and relatives as the most reliable and trustworthy source of information about auto, life, and home or renter's insurance.

be surrounded by family members and relatives already rooted in the United States and thus, they can relatively easily rely on and tap into the resources of their family members. Whereas, foreign-born Latinos—in particular, recent immigrants—often have most of their family members and relatives in their home countries and thus need to find other sources to acquire information. This also points to the importance of family among Latinos regardless of acculturation. Finally, younger Latinos more frequently consider the Internet as the most reliable source of information.

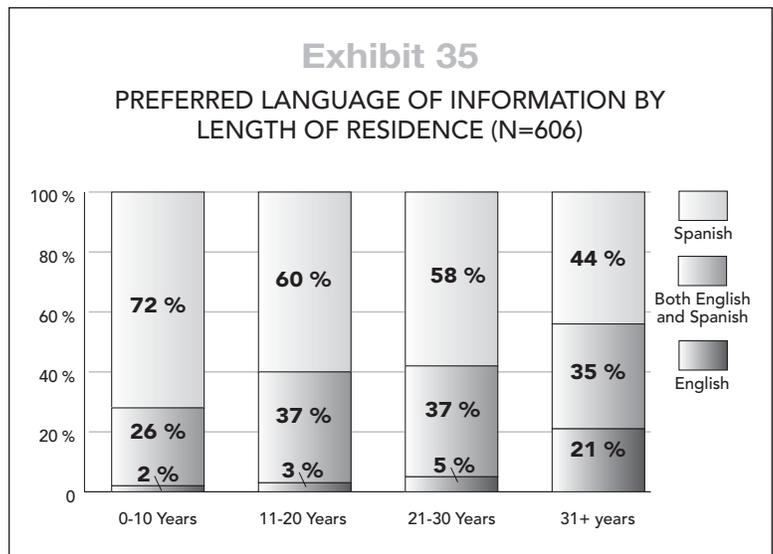
As shown in Exhibit 33, when asked in what language they prefer to receive information about insurance, 43% of respondents indicate that they prefer Spanish, while 27% prefer English. Thirty percent say they prefer to receive information in both English and Spanish. Preference to receive information about insurance in Spanish is largely because over two-thirds of respondents are foreign-born, immigrants.⁹

⁹ According to data from the March 2002 Current Population Survey (CPS), about two-thirds of Latino residents in the Los Angeles metropolitan area are foreign-born.

**Younger Latinos
more frequently
consider the Internet
as the most reliable
source of
information.**

Not surprisingly, as Exhibit 34 reveals, language preference is largely determined by immigrant generation. Sixty percent of first generation Latino consumers indicate that they prefer Spanish, while only four percent of third and later generation Latino consumers prefer the same. On the contrary, 88% of third and later generation Latino consumers prefer to receive information in English.

Exhibit 35 also shows the influence of acculturation on language preference. Of the foreign-born, 72% of those who have lived in the United States up to 10 years want to receive information about insurance in Spanish, while only two percent prefer English. In contrast, 44% of those who have lived in the United States more than 30 years indicate they prefer Spanish. Twenty-one percent of those long timers prefer English.





CONCLUSION

To better understand Latino consumers in the insurance market, TRPI conducted two focus groups and a telephone survey with adult Latino residents in the Los Angeles metropolitan area. The study site encompasses a metropolitan area with the largest Latino population in the nation, so arguably it is the biggest and most important Latino consumer market with the potential to speak to national trends. To the extent that Latino attitudes, preferences, and behavior vary across national origin groups and areas of residence, however, the findings from the study may not be readily generalized into the entire U.S. Latino population. Thus, more research is called for in order to ascertain variation, if any, within Latino communities across the nation and to compare Latino consumers with consumers of other ethnic or racial groups with a goal to fully determine the distinctiveness of the Latino market.

With that said, however, we have presented a number of important and interesting findings.

- 1 The study clearly shows that Latinos under-utilize insurance. A majority of Latino consumers do not have home or renter's insurance. Nor do they have life insurance. A quarter of Latinos do not have auto insurance.
- 2 The under-utilization of insurance however does not mean that Latinos do not value insurance nor are they suspicious of the insurance industry. As reported, we find that Latinos maintain affirmative attitudes and a receptive view on insurance. Only 10% of Latino consumers think that insurance is an unnecessary expense. Further, Latino consumers consider the insurance industry trustworthy. This reveals that the insurance industry would encounter little negative reaction or suspicion from the Latino community as it attempts to tap into the community's great market potential.
- 3 The study found that Latino consumers are *price-conscious*. Of a number of factors that have influenced, or would influence, their decision in buying insurance from one company over another, price is the most influential. Price is also the most frequently mentioned reason for voluntarily changing auto insurance companies. Forty-three percent indicate that they changed their auto insurance company because they found a cheaper policy. Quality of customer service and terms of coverage are also ranked higher than other factors, such as size of the company or name recognition.

- 4 Latino consumers seem to rely most on informal sources of information. More Latino consumers consider family members and friends the most reliable and trustworthy source of information about insurance. However, insurance agents are also very highly regarded as a reliable and trustworthy source of information. All this reveals that Latinos most prefer to receive information through *personal contact*, although television is also among the most frequently mentioned sources of information about insurance.

- 5 Almost three-quarters of Latino consumers prefer to receive information about insurance in either Spanish or both English and Spanish. This signifies the importance of the Spanish language as a medium to reach out to the Latino market.

Finally, the Latino community is not homogenous. There are variations within the community. Latinos differ depending on their level of income and education. More importantly, however, Latino attitudes, preferences, and behavior vary significantly by immigrant generation and length of residence in the U.S. This clearly reveals the force of acculturation at work.

Insurance in its different forms is an integral financial component for most Americans. The Latino community, due in part to its large number of foreign-born individuals, is not participating in this sector to the extent possible. Market opportunities exist for the insurance industry as well as increased financial protection for Latinos as a whole.

APPENDIX A: METHODS

Researchers from the Tomás Rivera Policy Institute conducted two focus groups and a telephone survey of Latino adults for the study. Two focus groups with 14 participants each—one in English and the other in Spanish—were conducted on September 9, 2004. Each session lasted two hours.

A telephone survey of Latino adults ages 18 and over (regardless of their citizenship or immigration status) residing in the Los Angeles Consolidated Metropolitan Statistical Area (CMSA) was conducted over a three week period from November 15 through December 8, 2004.

Focus group participants were asked to fill out a brief questionnaire (intended to gather their demographic information) upon arriving at the focus group facility contracted for the study in Pasadena, California. Then, during the focus group session, participants answered questions on the following topics:

- *GENERAL KNOWLEDGE ABOUT INSURANCE*
- *BARRIERS TO PURCHASING INSURANCE*
- *INSURANCE PURCHASING DYNAMICS*
- *MEDIA PREFERENCES*
- *PRODUCT PREFERENCES*

Samples for the telephone survey were drawn from the (telephone) directory listed households with Spanish surnames. Both English and Spanish versions of the questionnaire were prepared. Respondents were given the option of answering the survey in either English or Spanish.

APPENDIX B: Demographic Profiles of the Focus Group Participants

FOCUS GROUP 1 (in English)

Thirteen participants who reside in Los Angeles County were recruited through a focus group facility in Pasadena, California. Of those, 10 participants trace their ancestry to Mexico, eight are U.S.-born, and only one is third generation with U.S.-born parents. Five indicated that they prefer to speak English at home, three prefer Spanish, and five speak both languages equally. Almost all (12) prefer to watch television in English. Nine participants own auto insurance, four home insurance and five life insurance. Nine completed some college education, most (12) were over age 20 and six had family incomes between \$35,000 and \$50,000.

FOCUS GROUP 2 (in Spanish)

Thirteen participants who reside in Los Angeles County were also recruited through the same focus group facility in Pasadena, California. Of those, nine participants trace their ancestry to Mexico, two were born in the U.S. and none had a U.S.-born parent.

Eleven indicate that they prefer to speak Spanish at home and watch television in Spanish. Seven own auto insurance, four had home or renter's insurance and five had life insurance. One had only a grade school education, six had some high school education, three were high school graduates and three had some college education. Nine had four or more people living in their household, 12 were age 30 or older and 10 had incomes that were \$35,000 or above.

APPENDIX C: Demographic Profiles of the Sample for the Telephone Survey

EXHIBIT 36
IMMIGRANT GENERATION
(N=612)

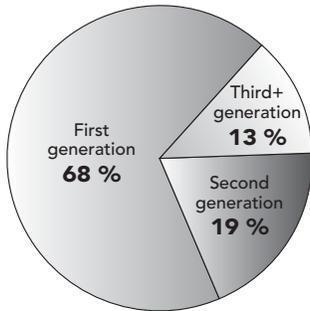


EXHIBIT 37
LENGTH OF RESIDENCE IN THE U.S. AMONG
FOREIGN-BORN LATINOS (N=388)

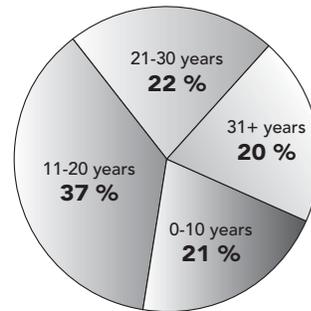


EXHIBIT 38
PRIMARY LANGUAGE SPOKEN AT HOME
(N=611)

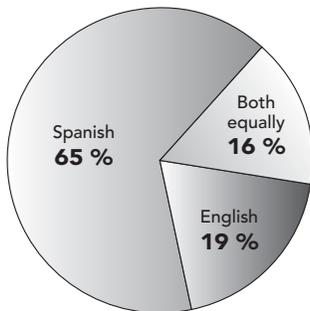


EXHIBIT 39
EDUCATION
(N=600)

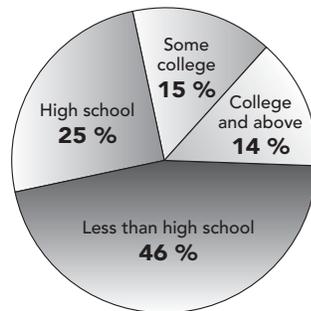


EXHIBIT 40

AGE
(N=585)

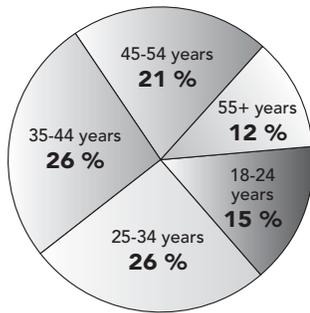


EXHIBIT 41

FAMILY INCOME
(N=453)

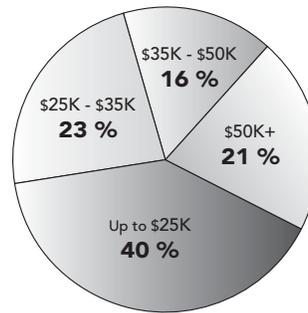
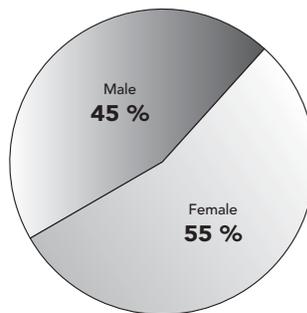
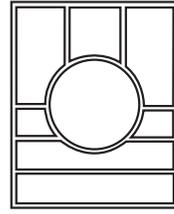


EXHIBIT 42

GENDER
(N=616)





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