

Pandemic Opening Members' Eyes to the Value of Financial Protection

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The COVID-driven furloughs, layoffs and general economic uncertainty have left members understandably anxious about their finances. Research conducted by CUNA Mutual Group both before and after the pandemic began indicates that, as stress continues to build, there is growing consumer awareness of and interest in financial protection.

Consumer Sentiment Pre-Pandemic

In late 2019, CUNA Mutual Group researched members' knowledge around financial protection products (*Understanding Preferences for Loan Related Decision Making*). This pre-pandemic study indicated that both member awareness of financial protection and their likelihood to purchase were low.

Limited Member Awareness

Of those with a recent loan, less than half (48%) of respondents were "very" or "somewhat" familiar with financial protection options and 27% said they weren't familiar at all. Of those who were looking/planning to get a loan, 37% were "very" or "somewhat" familiar, but nearly as many (30%) were unaware. *Chart 1*

Drivers of Interest in Financial Protection

Those who saw potential value in financial protection tended to:

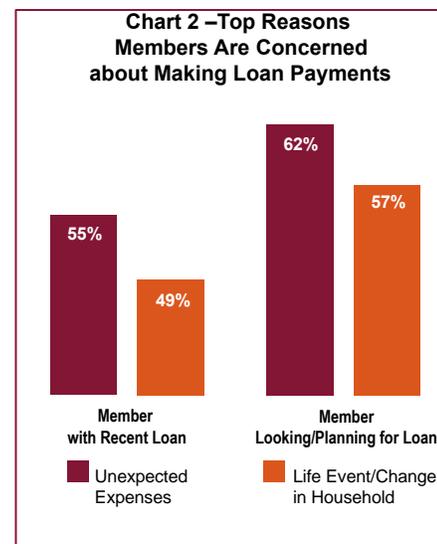
- Prioritize safety
- Have more valuable vehicles or bigger loans
- Have previous experience
- Be more likely to value insurance
- Be more likely to have had the product offered during the loan process or were required to purchase protection to get their loan.

Those who purchased or intended to purchase financial protection felt they were getting value for their money, liked the idea of protection and/or expected future uncertainty. Those who hadn't chosen protection on a recent loan or didn't intend to get it on a future one thought it was too expensive, didn't see a need or weren't offered the product.

Members with Loan Payment Worries Had Similar Concerns

Even pre-pandemic, the members who were concerned about their ability to make loan payments—whether they already had a loan or were looking for one—had the same two concerns: unexpected costs and changes in their lives. *Chart 2*

How has the COVID-19 pandemic affected consumer sentiment in terms of their financial well-being and financial protection? Let's take a look.



Pandemic Drove Increased Consumer Anxiety

As the pandemic began to sweep the country in late first quarter 2020, US consumers were understandably anxious about their jobs, livelihoods, and finances.

Low Awareness of Early Credit Union Efforts

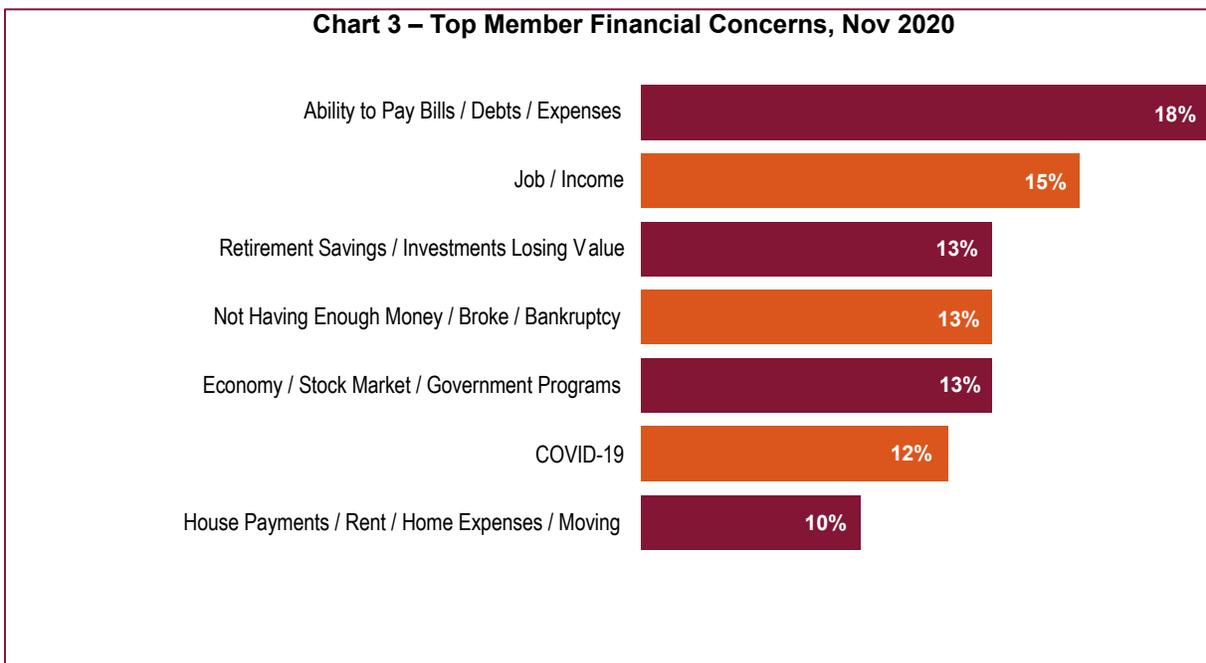
Credit unions attempted to address growing member needs and anxiety by quickly enhancing products and services. A survey conducted by CUNA and the AACUL in the spring of 2020 showed most credit unions were offering loan modifications (95%), waived/reduced fees (90%) and created new loan products to meet member needs (86%)¹

Unfortunately, given the fluid nature of the pandemic, members initially appeared to have little awareness of these options. CUNA Mutual Group research in May 2020 found that many members either weren't tapping into these resources or believed financial service providers either couldn't or wouldn't deliver the assistance they needed.²

Subsequent research by CUNA Mutual Group in November 2020 revealed insights into how member awareness of, and attitudes toward, financial protection opportunities had shifted since the pandemic began earlier in the year.

Top Financial Concerns: Bills, Job/Income Security and Retirement

When asked to provide an open-ended answer to the question "What is your biggest financial worry right now?" 18% of respondents put the ability to pay their bills at the top of the list, followed by job/income security and retirement, with a variety of other finance-related topics following close behind. *Chart 3*

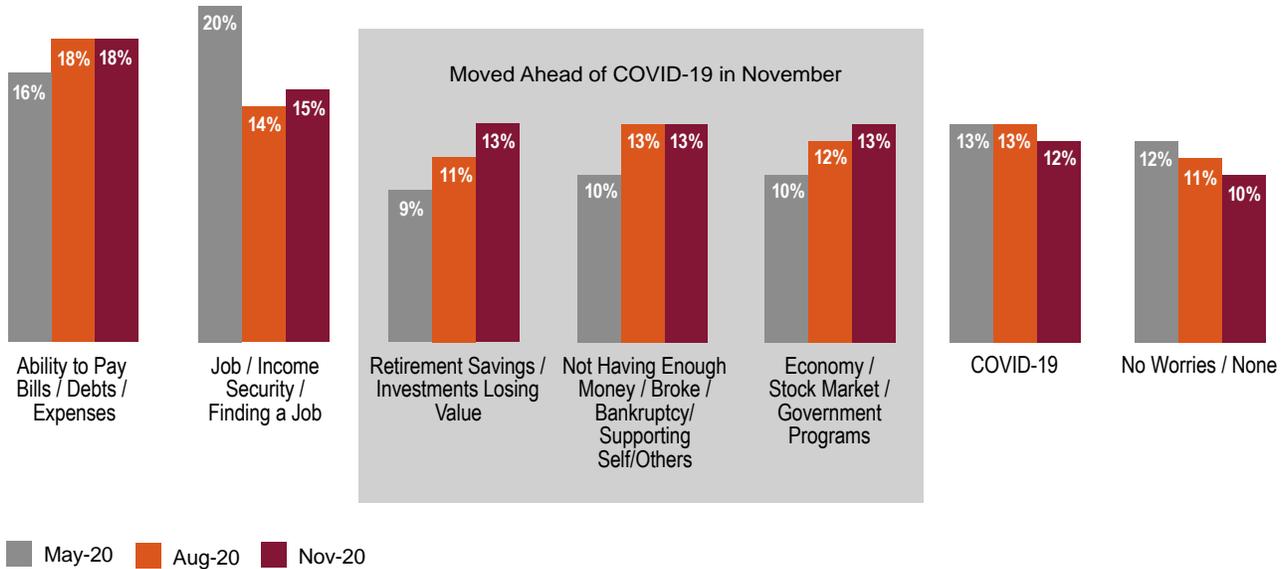


In addition, nearly half (49%) of members worried about their ability to pay their bills over the next 90 days—a level that's been roughly stable throughout the year according to earlier CUNA Mutual Research conducted in May and August of 2020.³

More Financial Worries Top COVID-Related Fears

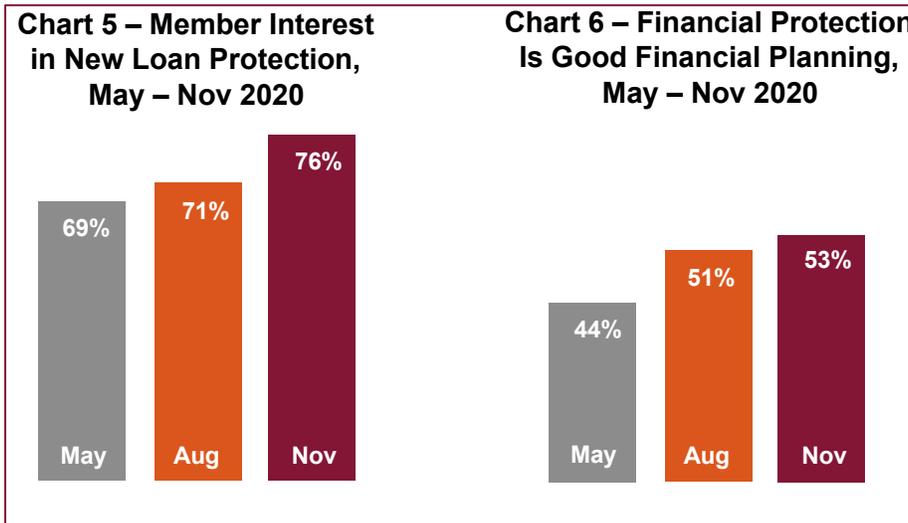
As of November 2020, several financial issues (retirement, money and the economy/stock market/government programs) were identified as greater concerns than COVID-19 for the first time in 2020. *Chart 4*

Chart 4 – Top Member Financial Concerns, May – Nov 2020



Growing Appeal of Financial Protection Insurance

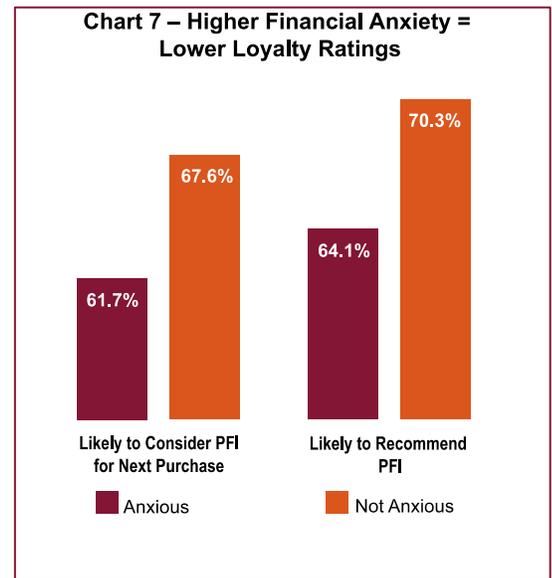
As members dealt with new financial realities created by COVID-19, they became increasingly interested in protection on a new loan. In fact, research conducted in May, August and November 2020 showed member interest growing from 69% to 76%. *Chart 5*



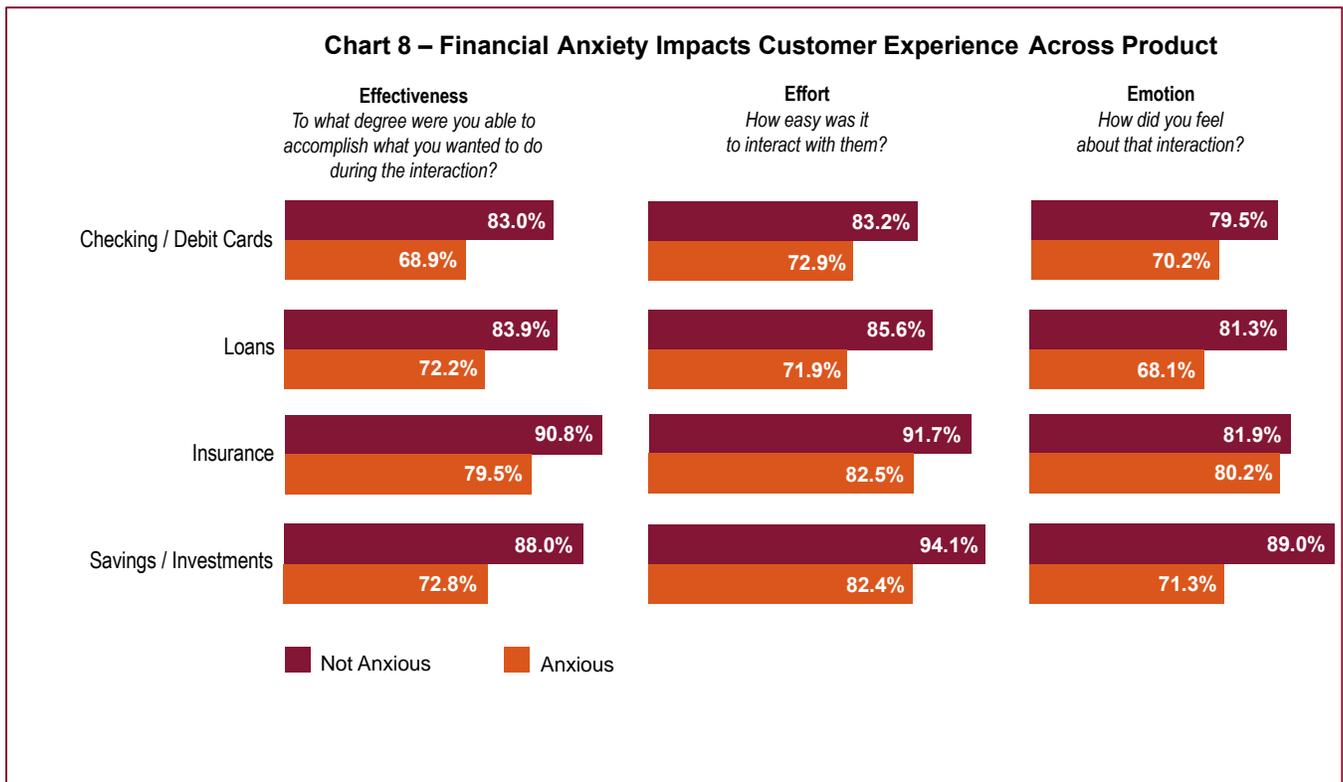
It's also important to note that, along with their growing interest, members' perception of financial protection had turned positive. More than half (53%) of members saw financial protection insurance as "good financial planning," a sentiment that had increased steadily over the year. *Chart 6*

Member Stress and Member Loyalty

Research over the past few years provided insights into the impact of anxiety on banking relationships. CUNA Mutual Group research from 2020 showed the importance of addressing member financial anxiety: When asked to rank their customer service (CX) experience, non-anxious members were more likely to give their primary financial institution (PFI) higher ratings than anxious ones.⁴ *Chart 7*



Deeper research showed that the high anxiety/low customer experience relationship existed across product types. *Chart 8*



Opportunity for Credit Unions: Ease Anxiety, Deepen Relationships, Grow Business

As the effects of the pandemic are likely to be felt for the foreseeable future, the stress of financial uncertainty will continue to impact members. However, these challenges present an opportunity for credit unions to step up their game. Here are strategies to consider:

- ***Make protection products available to members***

The best options offer critical peace of mind to vulnerable members and can help improve member/credit union relationships. As a side benefit, protection products can generate non-interest income.

- ***Use a multi-channel approach to inform members of their protection options—before a loan event***

Most protection products are tied to a loan; the average member probably doesn't know they exist. Members tend to need limited exposure to understand the benefits of the product and actively promoting protection offerings—outside a loan event—could boost the credit union loan portfolio. Members who hadn't previously applied for a loan because they feared encountering one of the problems the products protect against, might reconsider.

- ***Ensure staff understand how protection products benefit members***

Credit union staff are exceptional member advocates and understandably leery of products that don't offer clear member benefits. Ensure staff at all levels are well versed in protection product benefits and trained to have consultative conversations with members, especially during the lending process.

The pandemic-induced economic uncertainty has raised stress levels for members. But these trying times are also opening their eyes to the availability and value of financial protection. If you're not already doing so, now is the perfect time to educate your members on the many ways your credit union can help them protect their financial well-being. They'll feel more secure and you'll build deeper relationships, and ultimately grow your lending business.

¹ America's Credit Unions, "Credit unions make a difference when they are needed most," April 2020.

² CUNA Mutual Group proprietary consumer qualitative research, April 2020

³ CUNA Mutual Group proprietary consumer research, May 2020 and August 2020

⁴ CUNA Mutual Group proprietary consumer research, March 2019

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