

FACTS ABOUT LIFE 2006

America's "Love-Hate" Relationship With Life Insurance

Facts From LIMRA International
Life Insurance Awareness Month, September 2006



Millions of Americans have no life insurance coverage.

- Sixty-eight percent of U.S. adults are covered by life insurance, about the same as 20 years ago. Nearly one third of Americans have no coverage at all.
- More than 1 in 4 men have no life insurance coverage, and almost two thirds of men aged 18 to 24 have no life insurance.
- Overall, women are more likely to own life insurance today than they were in 1998, but almost 1 in 3 women have no life insurance coverage at all; 54 percent of women aged 18 to 24 have no life insurance.
- Today, 1 in 3 insured adults have only group life insurance obtained at work. Adults with only group coverage carry the lowest amounts of life insurance.

Coverage is higher today but many still feel they are underinsured.

- The average amount of life insurance coverage on insured individuals has grown by \$36,000 in constant dollars since 1998 – reaching \$146,300 in 2004. Average individual life insurance coverage is \$138,300, nearly \$45,000 higher than the average for group coverage.
- Forty-four percent of all U.S. households (48 million) either don't own life insurance and believe they should or own life insurance and believe they need more. Among those that already own some life insurance, 40 percent believe they don't have enough.
- Even one third of more affluent households (\$100,000 or more in household income) say they need more life insurance.
- On average, households saying they need more insurance own enough life insurance to replace their income for 2.8 years, but thought they should have enough to cover six years of income. This large gap in coverage between what consumers actually own and what they believe they need averages \$200,000 of additional life insurance needed per household.

Life insurance is important to American families.

- Almost 75 percent of Americans agree that life insurance is the best way to protect against premature death of a primary wage earner.
- Life insurance surpassed all other sources of financial assets or income that Americans expect to use to help pay bills and to maintain their lifestyle if a primary wage earner dies.



Many U.S. households are not prepared for the death of a primary wage earner.

- Twenty-five percent of household heads feel they do not have a plan in place to provide a decent standard of living for their family if they died tomorrow.
- Twelve percent of households would immediately have trouble meeting everyday living expenses, and another 15 percent would have difficulty keeping up with expenses after several months.

Many who are underinsured say they expect to purchase life insurance soon, but most will not.

- More than 25 percent of all U.S. households said they were likely to buy life insurance in the next year; 45 percent of households that believe they are underinsured said they expect to buy.
- A LIMRA study that looked at people's opportunity to buy life insurance found that in any given year only about 1 in 10 U.S. households actually do buy.

Underinsured Americans want more insurance but offer many excuses for not buying more.

- Three fourths of Americans needing more insurance think they can't afford the premium, despite the fact that many are under age 45 and could buy term insurance for a modest sum.
- Eighty-six percent of the underinsured don't buy the life insurance they say they need because they don't want to feel pressured to buy.
- Consumers feel buying life insurance is an important and complex financial decision. Eight in 10 find it difficult to decide how much and what type to buy and worry about making the wrong decision. Two thirds don't know where to buy or who to turn to for help.
- Two thirds procrastinate — admitting they have just not gotten around to it; almost half said no one has approached them about coverage.
- Many people believe the likelihood of their own premature death is very low, and find it easy to avoid buying insurance. Forty-five percent find it too unpleasant to think about dying.
- Psychologically, the pain of financial loss in the form of insurance premiums can strongly outweigh the potential good feelings of putting insurance in place.
- The final decision to buy life insurance is partly emotional, involving fear, possible regret for not buying, and love — the desire to provide security for family and dependents.
- Life insurance agents can improve their success by addressing both the emotional and financial aspects of the decision.

Americans want professional financial help, but don't often get it.

- Twenty-nine percent of Americans would like to discuss life insurance with a financial professional, yet three fourths of American households do not have a personal life insurance agent, or a personal financial advisor or planner.
- Seventy percent of Americans agree that "it would be useful to periodically review the terms, provisions, and options of current life insurance policies."
- One third of Americans with life insurance would like to review their coverage every year or two, and almost one half want a review within five years.
- More than one fourth of Americans feel they have not received any information about life insurance that relates to their needs.

All facts are from LIMRA International's life insurance consumer studies.