

American Families at Risk

Facts from LIMRA International
Life Insurance Awareness Month, September 2007



FACTS ABOUT LIFE 2007

Sales of individual life insurance have been on a long decline.

- With few exceptions, the last 20 years have seen steady annual declines in the sale of individual life insurance policies.
- Sales of new policies increased only 3 percent in 2002 (the year after 9/11) and 1 percent in 2004. In 2006, sales were flat, neither increasing nor decreasing over the prior year.
- While the number of policies sold has declined, the face amount of individual life insurance has generally increased. The average size policy sold in 2006 was \$255,861.

Many U.S. families are not prepared for premature death.

- Twenty-two percent of families with dependent children admit they will have immediate trouble meeting everyday living expenses, and another 26 percent can cover expenses for only a few months if a primary wage earner dies.
- Twenty-eight percent of wives and 15 percent of husbands have no life insurance at all.
- Ten percent of families with children under 18 (3.6 million households) have no life insurance protection.

Many U.S. couples are underinsured.

- The average amount of life insurance coverage on insured husbands is \$235,600 and insured wives average \$147,800 of life insurance.
- Insured husbands in the U.S. carry enough life insurance to replace their income for 4.2 years, and wives for 4.9 years. The typical married couple would need to double its current coverage to meet the expert recommendation of having enough life insurance to replace income for 7 to 10 years.
- Fifty-six percent of married parents believe their current life insurance coverage is inadequate.

Changes in types of life insurance coverage contribute to Americans being underinsured.

- Today, insured adults are more likely to have *only* group life insurance obtained at work. Adults with *only* group coverage carry the smallest amounts of life insurance.
- Only 19 percent of U.S. adults with individual life insurance supplement their permanent coverage with some term insurance. Adults with *only* permanent policies average \$93,700 in coverage, while adults having *only* term insurance average \$190,400 and those with both permanent and term coverage average \$264,600.



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U.S parents want more life insurance, but are unlikely to initiate the purchase.

- Fifty-six percent of married couples with children under 18 believe they need additional life insurance and 43 percent say they are likely to buy life insurance in the next year.
- U.S. parents have no trusted advisor to turn to if they need life insurance. Seventy-six percent have no one they rely on for financial advice or information, and 68 percent do not have a personal life insurance agent.
- Parents find buying life insurance complex and confusing — half don't know how much to buy and 39 percent worry about making the wrong decision.

Prospects need proactive contact and help to motivate them to buy life insurance.

- One fourth of married parents say they haven't bought life insurance because no one has contacted them.
- Four in 10 married parents admit they just "haven't gotten around to it."
- Forty-five percent of married parents would like to speak with a professional about life insurance products.
- Eight in 10 married parents agree that "it would be useful to periodically review the terms, provisions, and options of current life insurance policies."
- Three in four married couples with children under 18 buy life insurance to replace lost income and/or to cover burial and final expenses. Forty-three percent of parents want life insurance to pay off the mortgage.

Growing ethnic markets have diverse and unmet needs for life insurance.

- Compared with the general U.S. population, Hispanic and Chinese American households have significantly lower ownership levels of individual life insurance overall. African American and Asian Indian households have somewhat higher levels of ownership.
- Even among insured households, many are underinsured or may have working members who are uninsured. The majority have no financial professionals to advise them on appropriate coverage.
- At least one third of individuals from each cultural group said they have no individual life insurance because they are covered by group insurance.

U.S. and Canada share similar challenges in the life insurance marketplace.

- At least half of parents in the U.S. and Canada say they don't have enough life insurance.
- The majority of households in each country have no financial advisor to turn to when they need life insurance advice.
- Married women in the United States average only 63 percent as much life insurance protection as married men, while Canadian wives carry 72 percent as much life insurance as husbands do.



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

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