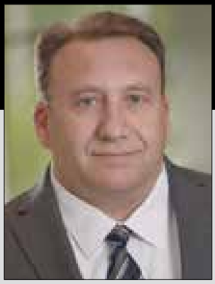

MARKETS

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The Jewel in the Crown

It's my privilege to direct LIMRA's 2016 Life Insurance Ownership study. I genuinely feel like I've been given responsibility for a rare and precious gem. Of all the benefits that LIMRA research brings to the industry, none are more emblematic of the organization's enduring value than the Ownership program.

LIMRA's Ownership research began in 1960! Its time series analysis allows the industry to track life insurance metrics through the second half of the 20th century and into the new millennium. How many other research programs can say something like that? It's an amazing resource, and it provides a fascinating view into American financial culture.

One key finding from the current study is that the industry appears to have recovered from the effects of the financial crisis and recession of 2007–2009. The importance of this finding cannot be overstated because such a recovery was not certain.

The financial crisis had a profound impact on consumer attitudes toward financial companies, financial professionals, and financial products. The number of households owning life insurance actually *declined* between the 2004 and 2010 Ownership studies. That was the first and only time that household-level ownership volume contracted in the 56-year history of the Ownership research program. At that time, there was no guarantee that ownership volume would recover.

Yet not only did the industry regain its footing, but it also is growing strongly. The Ownership study shows that the number of households owning life insurance increased almost 5 million between 2010 and 2016.

Despite an ever-expanding array of financial products and services, life insurance remains an important element in the financial portfolios of most American households. This clearly demonstrates the prominent position life insurance holds in American financial culture.

What does this historical perspective tell us? Here are some thoughts:

- **The life insurance market will continue to grow, since the main driver of growth is market demand.** The product's value proposition serves a financial need that is important to consumers. Market demand appears to be on the rise. Ownership data show a large increase in households saying they are likely to buy life insurance in the next 12 months.
- **America's population growth will contribute to market growth.** LIMRA estimates that more than $300 billion of new life insurance need enters the market each year.
- **The market is changing.** The proportion of single-person households has grown from 13 percent to 24 percent of the market since 1960. This means the industry must continue to innovate so that products will serve an increasingly diverse set of household financial needs.
- **The industry will have to compete harder for wallet share.** Ownership data indicate an increase in households saying they have other financial priorities. Household budgets are stretched thin, and tremendous emphasis is being placed on retirement savings. This reduces the number of dollars available for life insurance protection.
- **Coverage adequacy is declining, and consumers know it.** Among insured households, more say they would be in immediate financial trouble if a primary wage earner died suddenly. This is an important issue for the industry at large. It's critical that insured households have adequate coverage levels. Otherwise, the industry risks damage to its reputation for not delivering on its core value proposition.

LIMRA Ownership studies comprise an extremely rich research program. This commentary barely scratches the surface of all there is to understand from this data. Please watch for the series of 2016 *Life Insurance Ownership in Focus* reports. There is a lot to learn — and for industry professionals committed to the financial well-being of American households, there is a lot to be proud of.