

An enduring need:

Why Life Insurance coverage is more important than ever



54%

Just 54 percent of Americans have any life insurance coverage, a notable decline from 63 percent just a decade ago. Even among those who do, 6 in 10 say it would cover less than six months of expenses.

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* *Life Insurance in Life Stages*, LIMRA, 2020.

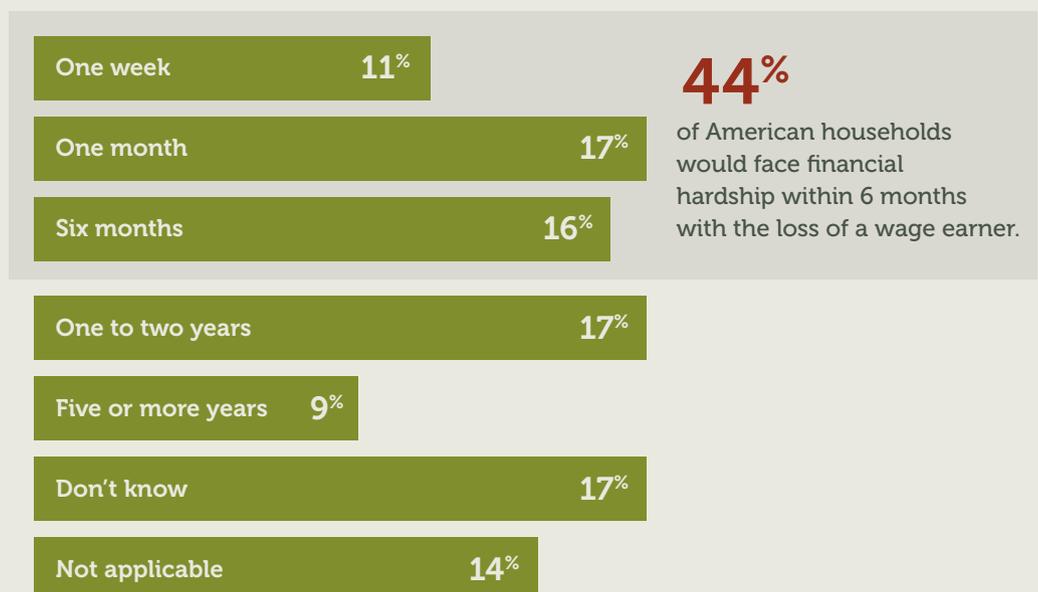
As we begin 2021, the COVID-19 pandemic continues to take an unimaginable toll across America and around the world. Fortunately, there is hope for the situation to improve, as the vaccine becomes more widely available. Yet this does not reverse the tragic effects that have already occurred, as hundreds of thousands have lost their lives to the virus in our nation alone.

The pandemic has certainly heightened people's anxieties around their physical, emotional, and financial health. Families cannot help but worry about what they would do should they be impacted by sudden loss. This presents our industry with both an opportunity and a responsibility to help more individuals, households, and businesses secure the financial protection they need.

Real consequences

When LIMRA and Life Happens asked consumers how long it would be for their family to face financial hardship if the primary wage earner were to die prematurely, the results were sobering. Nearly half of households (44 percent) said they would face financial hardship within 6 months. For 28 percent of households, it would be within just one month (Figure 1).

Figure 1: Time to financial hardship from loss of wage earner



Source: 2020 Insurance Barometer Study, LIMRA and Life Happens.

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Many families are living paycheck to paycheck as it is. Our research shows that 3 in 10 workers do not have an emergency savings fund at all. Even among those who do, 6 in 10 say it would cover less than six months of expenses.

All of this data underscores the importance of renewing our commitment to make progress in closing the life insurance coverage gap. Just 54 percent of Americans have any life insurance coverage, a notable decline from 63 percent just a decade ago. Our research shows there are an estimated 30 million underinsured American households, representing more than \$7 trillion in market opportunity. These families may not realize that the coverage they have isn't enough to protect their families.

A new priority

One positive aspect that may endure post-crisis, from the consumer perspective, is a general “reawakening” to the value and importance of life insurance. According to a LIMRA study, 29 percent of adults are more likely to buy life insurance over the next 12 months — compared to their likelihood to buy before the pandemic.

Interestingly, recent buyers (those who already bought life coverage within the last 24 months) seem to be most affected. Sixty-eight percent of them say the pandemic makes them more likely to buy additional life insurance over the next year. In comparison, 22 percent of non-buyers (who have not purchased any coverage over the same period) indicate COVID-19 has increased their likelihood to buy.

In some ways, it is logical that those who recently bought life insurance would be motivated to consider more coverage, given the new set of circumstances. The value it offers is likely fresh in their mind from the experience they have already had. However, it is helpful to remember that not every consumer or situation is the same.

Know your audience

LIMRA also focused on how Americans' views of life insurance vary by their life stage.* It reveals notable differences among groups of recent buyers. For instance, younger adults (under age 45) are more likely than older ones (aged 45 or older) to purchase

additional individual life insurance. A full 100 percent of younger singles with children say the pandemic makes them more likely to buy more or again over the next 12 months. Among younger couples, more than 7 in 10 (with or without children) who recently bought life insurance say they are likely to buy more as a result of COVID-19.

The research also reveals that many older Americans with children who recently bought life insurance are more likely to consider it due to COVID. In fact, 65 percent of older couples with children say they are likely to buy it within the next year.

Financial professionals are key

Insurance distribution continues to play a valuable role in helping more people access the product, as consumers affirm that they seek this expertise. Recent research from LIMRA and Boston Consulting Group focused on Americans' views and behaviors when buying life insurance during the pandemic.[2] It reveals that — even as digital purchase options became prevalent and, often, required — many still turned to a trusted professional for guidance. While it was appealing (for part of the process) to leverage online options, the purchase only was complete when coupled with reassurance from an agent or advisor. Life insurance is viewed as such an important and personal purchase that many people are not comfortable making a purchase without the help of an expert.

Closing the gap

As an industry, there is so much we can do to have a positive impact and reduce the number of Americans who are financially at risk because they do not have the life insurance coverage they need. LL Global (the parent organization of LIMRA and LOMA) is partnering with six other associations — the American Council of Life Insurers, Life Happens, FINSECA, NAIFA, NAILBA, and MDRT — more than 40 carriers; over 20 of the largest BGAs, IMOs, and broker-dealers; and several global consultancies in a joint effort to raise awareness of the importance of life insurance.

With your commitment, we can help fulfill the industry's noble purpose and provide Americans a level of financial peace of mind and stability at a time when they need it most.