

Coronavirus (COVID-19)

The Impact of Economic Recession on Life Insurance Sales

Historically, individual life sales decline for a short period during or immediately after a recession. This pattern has held true for the last 50 years at least ... with a few notable exceptions.

Take the Great Recession of 2007–2009 as a case in point. This downturn had the largest and longest-lasting negative impact on the economy since the Great Depression, measured by a calamitous combination of duration and impact. Premium sales declined precipitously as expected, especially for universal life products, driven by a steep decline in sales to affluent customers. Nevertheless, during that period, policy sales actually increased as companies sold more small-face policies to make up for the loss of larger policies purchased by older clients.

A six-month recession in 1980 and an 18-month recession in 1981 through 1982 are similarly anomalous, as individual life insurance sales also increased in those periods. This was a time when policyholders were replacing whole life insurance with universal life insurance in order to take advantage of the then high-interest rates.

So, how will the current likely recession of 2020 affect individual life insurance sales? Does the answer lie in the historical, long-term relationship between economic downturns and life insurance sales declines ... or does it lie in the significant departures from the norm?

There's a factor unique to the potential 2020 recession that's clouding the crystal ball. This rapid and severe economic downturn is caused by consumers' health and mortality fears. Experts are already seeing some evidence that these fears are driving up interest, even among the healthy, in the value of life insurance. And, more than ever before, insurers have made it easier for consumers to explore and even apply online. On the flip side, face-to-face sales are limited by social-distancing requirements; insurance companies and consumers share a concern about how to conduct underwriting medical exams.

For better or worse, it may be that we will see any effect more quickly than we have in even the near past. Historically, fully underwritten life insurance applications have taken several weeks to go through the underwriting process, causing at least a one-quarter lag in sales performance. More recently, insurance carriers have invested heavily in automated underwriting systems and online applications, shortening the time to up-or-down sales results.

In the midst of competing factors and open questions, it's not yet possible to call the outcome of the potential 2020 recession on individual life insurance sales. The industry is looking to consumers newly concerned about health threats and accustomed to accessing online financial services to turn a negative into a potential positive.

Recessions and New U.S. Annualized Individual Life Premium



Methodology

LIMRA's *U.S. Individual Life Insurance Sales Survey* and LIMRA estimates and National Bureau of Economic Research <https://www.nber.org/cycles/cyclesmain.html>

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