



What Do Employees Know About Life Insurance?



We quizzed employees who are offered life insurance at work on their understanding of this product.

They misjudge the need for life insurance.

▶ Fewer than **1 in 5** employees can accurately predict the likelihood of a young adult dying before retirement age. They are more than twice as likely to *underestimate* this risk rather than overestimate it.

▶ Employees also underestimate how much life insurance people need. **40%** say most people should have **3x their salary** or less in coverage, versus the industry-recommended 7-10 times salary.

They don't understand key features.

▶ Only **56%** of workers understand that the money from a life insurance claim can be used for anything, including paying college tuition, making a charitable gift, or making a large purchase.

▶ Employees don't understand the underwriting process. **More than half** believe everyone can buy life insurance outside of work, regardless of health or lifestyle risk factors, when in reality the individual coverage available to people in poor health would be extremely limited and expensive.

▶ Only **45%** of employees recognize that life insurance purchased at work is often portable if they change jobs.

▶ Only **31%** realize death benefits are generally tax-free.

But at least they know what it's for.

▶ **4 in 5** employees understand that life insurance is appropriate for anyone who wants to leave money to their spouse or dependents upon their death.

▶ However, it's still concerning that **1 in 5** don't understand this!



Employees' poor understanding of life insurance and the benefits it provides is contributing to their lack of adequate coverage for this risk.

