



## Reaching the Uninsured

**H**ow can the life insurance industry reach uninsured or under-insured households? That is the million dollar question, and one that does not have an easy answer.

LIMRA's recent report, *The Purchase Funnel*, outlines results from a survey of individuals who have primary or shared decision-making responsibility about finances, including insurance.<sup>1</sup> One quarter of these households recognize their need for life insurance. If we apply that to the overall U.S. population, that equates to more than 31 million possible buyers of life insurance. The market potential is staggering.

However, more than two thirds of these needs go unmet. Only 7 percent (9 million households) actually go on to purchase a life insurance policy. This purchase statistic is consistent with sales research — LIMRA estimates that the industry sold just under 9.8 million individual life insurance policies in 2017.

We have seen this scenario before. Consumers recognize the need for life insurance — most often prompted by life events such as marriage, births, and deaths — but they don't make it through to a purchase. Their reasons include:

- Competing financial priorities,
- Misperceptions about cost, and
- The inability to make a decision.<sup>2</sup>

These factors result in lower market penetration. In fact, only 44 percent of households own an individual life insurance policy.<sup>3</sup> What do recent sales tell us about people turning their need into a purchase?

Individual life insurance sales growth has been modest at best in the last 5 years, averaging 1.6 percent for premium. LIMRA forecasts more of the same, with annual growth rates averaging just over 2 percent over the next 4 years.

While overall sales have been lackluster, there have been some pockets of success. Indexed universal life (IUL) premium grew by 8 percent in first quarter 2018, despite a decline of 2 percent in total annualized premium. IUL has seen increases in most quarters over the last several years

(with a brief downturn following the implementation of new illustration requirements). IUL offers a combination of cash value increases based on stock market growth, and protections against stock market declines. This combination has proven popular over the last several years and many more carriers have entered the market.

Whole life has also done well since the Great Recession, likely because of the guarantees inherent in the product. However, sales of whole life have faltered somewhat in the last few quarters. On the other hand, sales of lifetime guaranteed UL have declined over the last few years, a result of regulatory changes that led to higher prices and market exits. Both term insurance and variable UL sales have remained flat.

These fluctuations in product sales result in very modest growth overall. However, there are still 22 million households who recognize their need for life insurance and have not bought (and millions more who don't recognize their need). Reaching the uninsured and underinsured is critical. If the industry fails to reach these consumers, then it fails not only in terms of individual company success, but also in its underlying purpose of serving consumers with products that transform lives.

Perhaps new direct-to-consumer approaches will help chip away at this uninsured need. New approaches will likely use data-driven, customer-centric, automated methods to simplify the purchase process and make it more efficient. Maybe the workplace is part of the answer. Employees appreciate the vetting process that employers conduct to offer voluntary life insurance and other products as part of their benefits package. One thing is clear: A single method will not solve the problem. LIMRA has robust research programs on all of these topics to help our members reach households in need of the life insurance industry's products. 🌐

<sup>1</sup> *The Purchase Funnel: Tracking Consumers Through the Life Insurance Purchase Process*, LIMRA, 2017.

<sup>2</sup> *Ibid.*

<sup>3</sup> *Life Insurance Ownership in Focus*, LIMRA, 2016.