Life Insurance Ownership in Focus

U.S. Household Trends — 2016

2016 LIMRA OWNERSHIP STUDY

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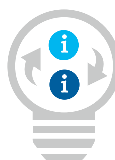

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Key Findings

Life insurance ownership volume is growing

- The number of U.S. households owning life insurance grew by 4.9 million over the last six years.
- The mean amount of coverage owned by households has decreased slightly over the past 12 years leaving many underinsured. Between them and those who are entirely uninsured, the industry has ample opportunity to continue growing.

The ownership rate is holding steady

- The overall ownership rate (market penetration) for life insurance in U.S. households is 70 percent, unchanged from 2010. This means 37.5 million households don't own coverage.

Current market opportunity is over $12 trillion and growing

- Almost half of all U.S. households have a life insurance coverage gap. The average need is $200,000 per household; a total market need of $12 trillion.
- Using the current rates of U.S. household growth[1] and inflation[2], the total market need will grow by 2.8 percent annually if today's trends continue. This means an additional $340 billion of new life insurance need entering the market each year.

Traditional life insurance markets

- The number of households with traditional life insurance needs will continue to grow (i.e., married couples and those with children). Since 1960, multi-person households have been growing by 1.3 percent annually[3]. If the trend continues, multi-person households will grow by 1.2 million households per year.
- Though ownership has increased among couples under age 45 with children, they are buying lower amounts of coverage. In fact, coverage adequacy has dropped by 1.9 years (36 percent).
- Ownership rates are decreasing among all household segments age 45 and older. The average income replacement ratio is also down and includes a drop in coverage adequacy of 1.3 years among couples over 45 with children.

Emerging markets

- In the under 35 age category, the ownership rate for individual life increased by 48 percent. This segment represents the leading edge of the millennial generation. This is an interesting trend, as it may indicate that the next generation of American households will have higher ownership rates.
- The Western region of the country is the only geographic market where ownership rates are growing for both individual and group life. Historically, the West has the lowest ownership rates, but in 2016 its group ownership rate is in line with the national average. The West continues to have the lowest ownership rate for individual life, but the difference between the four regions is shrinking.

[1] U.S. Census, ASEC HH-4. Households by Size: 1960 to Present.

[2] Bureau of Labor Statistics: CPI Inflation Calculator 2015-2016.

[3] Compound Average Growth Rate (CAGR).

Coverage adequacy and redundancy

- Households owning both individual and group have the highest level of coverage adequacy (3.6 years). However, even among this best-protected segment, coverage adequacy has declined by 1.2 years since 2010.

- The proportion of households owning both individual and group coverage has been declining since 1984. This trend is driven by all household segments age 45 and older.

Buying decisions

- Perceptions on the need for life insurance and coverage adequacy may be changing. The proportion of households that sense the need for more coverage has declined by 18 percent since 2010, while average income replacement ratio for all households has declined by 6 months.

- Married couples with children are more likely to be in immediate financial trouble if a wage earner dies, compared to 2010. Attitudinal data suggest that younger households (those under 45) are settling for "several months" of protection, instead of "several years."

- The proportion of households saying they are "likely to buy" in the next year has increased from 25 percent in 2010 to 45 percent in 2016. This huge increase suggests that many households are interested in adding to their coverage.

- The increase in "likelihood to buy" is driven by married couples under 45, those in higher incomes categories, and those who already own insurance — a very positive indicator coming from these key market segments.

Increased competition for "wallet share"

- The life industry must compete even harder for a piece of the household budget. Currently, 71 percent of households say they have financial priorities in addition to life insurance. This is an increase of seven points from 2010.

Recommendations

Individual life

- **Take advantage of the market opportunity in lower income households.** A drop in group life ownership among households earning under $35,000 per year creates a need for basic term life policies. Notably, this is the only income category where the rate of individual life ownership is increasing.

- **Pay attention to declining levels of coverage adequacy**. The mean coverage for individual life is declining across all household types, including married couples with children. Increasing coverage adequacy among households with dependent children is a growth opportunity for the industry.

- **Take advantage of changing consumer preferences.** There's been a large increase in the willingness of insureds to review coverage needs more frequently. Their attitudinal data indicate they want their agents to revisit life insurance needs in face-to-face settings. They appear more open to specific life insurance coverage recommendations, especially if presented in the context of a broader financial plan.

Group life

- **Urge plan sponsors to provide the opportunity for higher coverage levels.** Since 1976, households owning only group life have increased significantly (68 percent). These households tend to have the lowest level of income replacement (2.8 years). As more households rely solely on group products, it's important for the industry to advocate for coverage adequacy. This means higher basic coverage and optional supplemental plans.

Marketing themes

- **Build trust.** The importance of this cannot be overstated. Trust has the greatest influence on a life sale. Always has, always will.

- **Efforts will not go unnoticed.** Trends in attitudinal data suggest consumers are more open to industry influences than they were in 2010. This is a welcome sign, indicating that recession-era concerns have subsided.

- **Leverage open mindsets by making more frequent impressions.** Marketing themes should include consistent emphasis on coverage adequacy. The promotion of benchmarks that consumers can use to gauge coverage adequacy against peer groups may be useful.

Distribution channels

- **Offer more distribution options.** Most insured households buy face-to-face, but preferences are continually evolving. Consumers indicate a much higher willingness to buy via the internet, worksite marketing, and even mail. The number of households who are more likely to buy if the whole process can be done online has increased by 68 percent since 2010.

Summary

HISTORIC TRENDS

LIMRA began collecting data on U.S. life insurance ownership in 1960. The first *Life Insurance in Focus* study was a groundbreaking survey on American ownership levels, buying patterns, and attitudes. The 2016 study marks the 8th wave of this extraordinary industry resource.

Over the past 56 years the volume of life insurance ownership in American households has doubled, growing from 43.8 to 87.2 million (Figure 1). This increase in volume represents an annual growth rate of 1.3 percent[4]. At the same time, the ownership rates fell from 83 to 70 percent (Figure 2). The decrease in market penetration represents an annual decline of 0.3 percent, which indicates that the number of households owning life insurance is not growing as quickly as the total number of U.S. households.

Changes in American household demographics are contributing to the decline in the overall life insurance ownership rate. The U.S. population contains a growing share of households that lack traditional life insurance needs. For example, the number of single-person households has grown from 13 to 24 percent of the market since 1960. That's an annual growth rate of 3.1 percent[5].

RECENT TRENDS

The 2010 study wave was conducted just after the 2007 – 2009 recession. During that period, the life insurance ownership rate was at 70 percent. That was an eight-point drop from 2004, and the sharpest decline to date in market penetration. Ownership volume fell by 5.1 million households in the 2004 – 2010 period, marking the first time that the number of households owning life insurance decreased between studies.

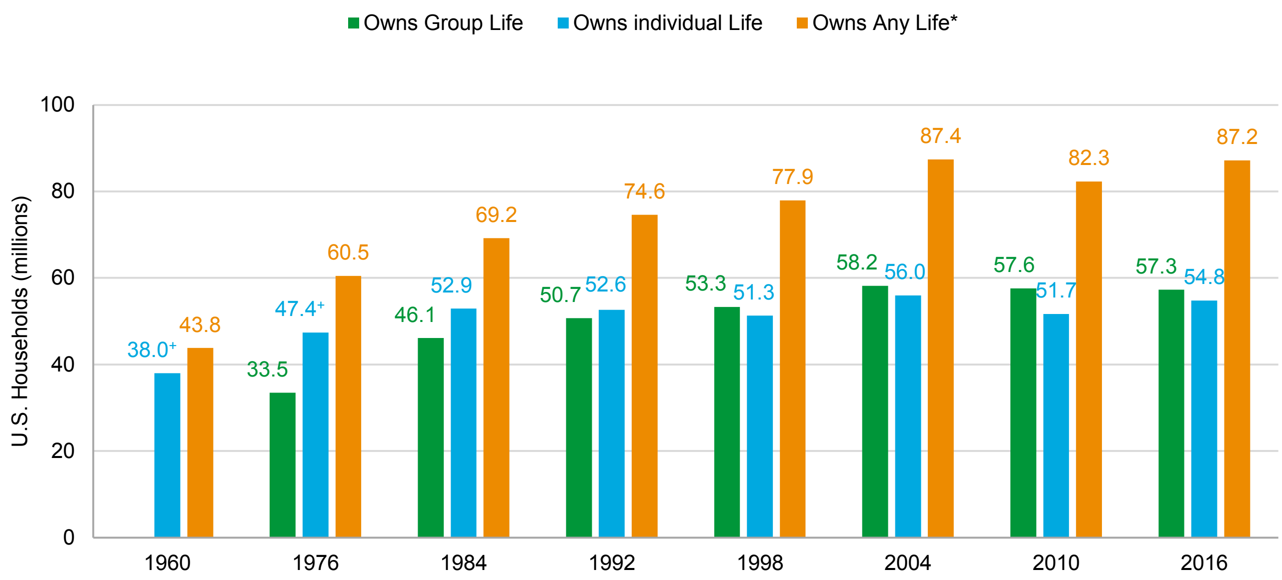
The 2016 study wave indicates ownership volume has recovered; the number of insured households has increased by 4.9 million since 2010. Total ownership volume equals 87.2 million households and the overall life ownership rate remains at 70 percent.

- Ownership of individual life grew by 3.1 million households in the past six years, an increase of 6 percent. The individual life ownership rate is at 44 percent, unchanged from 2010.
- Ownership volume for group life fell by almost 300,000 households during this period, a decrease of 0.5 percent. The group life ownership rate equals 46 percent, down three points in six years.

[4] Compound average growth rate.

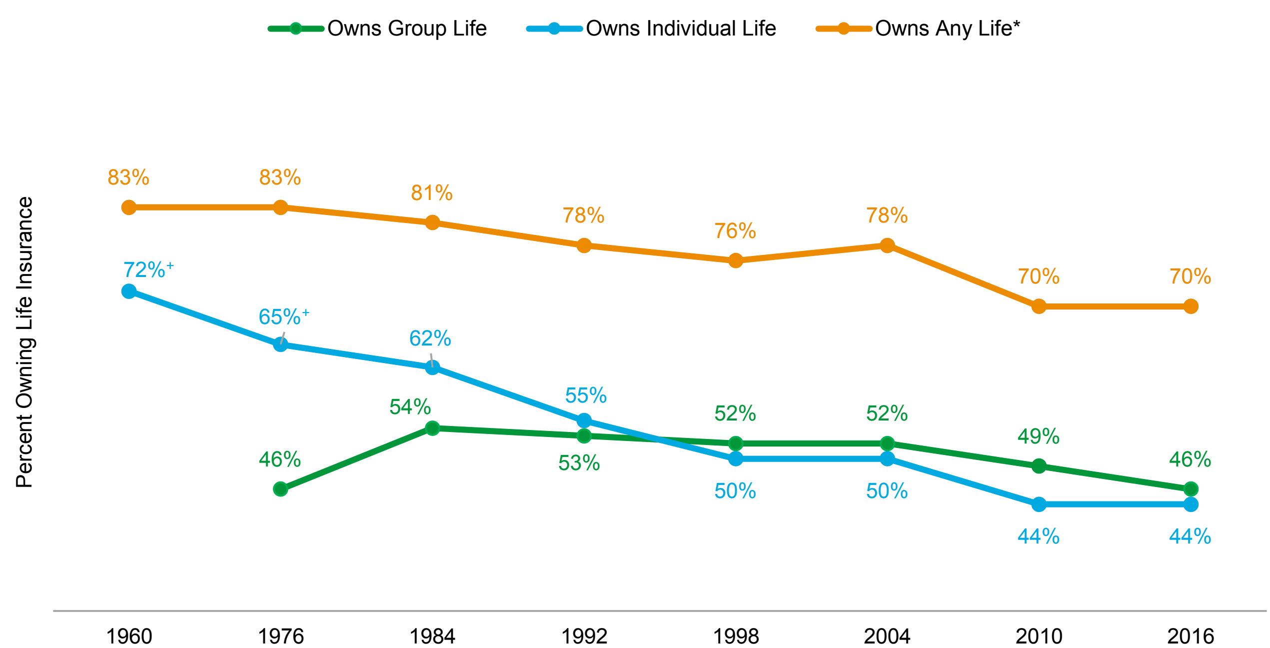
[5] Census Bureau: ACS, HH-4. Households by Size: 1960 to Present.

Figure 1 — Trends in Life Insurance Ownership Volume



* Includes Individual, Group, SGLI & VGLI
+ Individual Life Sold Face-to-Face through an Agent

Figure 2 — Trends in Life Insurance Ownership Rate



* Includes Individual, Group, SGLI & VGLI
+ Individual Life Sold Face-to-Face through an Agent

COVERAGE TRENDS

Any

When adjusted for inflation, mean total coverage decreased 1 percent over the past six years; from $297,548 in 2010, to $295,806 in 2016. When using the medians for total coverage, the data indicate a decline of 23 percent.

- The lack of total coverage growth has hurt the average income replacement ratio of life insurance owners (Table 1). The income replacement ratio is a good measure of life insurance coverage adequacy.

Individual

Mean coverage for individual life declined by 18 percent since 2010. The median individual life coverage figures indicate a decline of 46 percent. Data from LIMRA's Individual Life Sales survey also indicates that average face amount per policy for individual life declined between 2009 and 2015.

- The decline in mean individual life coverage appears to be driven by a drop in mean coverage sold face-to-face. Historically, these means have been very similar. The variance we see in the 2016 data (12 percent) may indicate that face amounts purchased through direct channels are increasing.

Group

The coverage amounts for group life insurance are more difficult to trend, as the data show conflicting results when means versus medians are used. Among households owning group life, there has been a 37 percent increase in mean coverage since 2010. However, the median group life coverage figures indicate a decline of 38 percent.

- These results may indicate that some households in this survey have significantly increased their group coverage (or are overestimating their coverage levels); while most households have seen their coverage levels decline.

- We also see an increase in those indicating they aren't sure what amount of group coverage they have, which may mean households with smaller coverage amounts simply do not commit those amounts to memory. Its apparent that many households need help understanding their group coverage and how that fits into a broader income protection plan.

Income Replacement Ratio

- Since 2010, U.S. households have seen their total life insurance coverage adequacy drop by half-a-year (-14 percent). This ratio declined just slightly between 2004 and 2010, thus the more significant drop in the current study identifies a significant opportunity for the industry.

- These results inform the industry that examining the coverage adequacy of households that already own life insurance is now more likely to identify the need for more insurance. This should provide motivation among both the individual and group life sectors to strongly encourage owners and benefit providers to increase their coverage amounts to more appropriate levels.

- LIMRA's Life Insurance Needs Model[6] suggests that most households need 5.25 years of income replacement, via life insurance coverage and/or savings. See the section on Market Opportunity for analysis on the life insurance need gap among U.S. households.

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[6] See Methodology for an overview of the LIMRA Life Insurance Needs Model.

Table 1 — Trends in Amount of Coverage*

	Mean Coverage			Median Coverage		
	2004	2010	2016	2004	2010	2016
Any life insurance	$311,315	$297,548	$295,806	$212,224	$155,444	$120,000
Individual life insurance**	$291,303	$275,999	$226,054	$224,647	$186,800	$100,000
Group life insurance	$180,981	$172,211	$235,649	$162,272	$162,435	$100,000
Years of replacement coverage+	3.6	3.5	3.0			

* Coverage in 2016 dollars. Winsorized means — see Methodology for details.

** Includes life insurance sold face-to-face and via direct channels

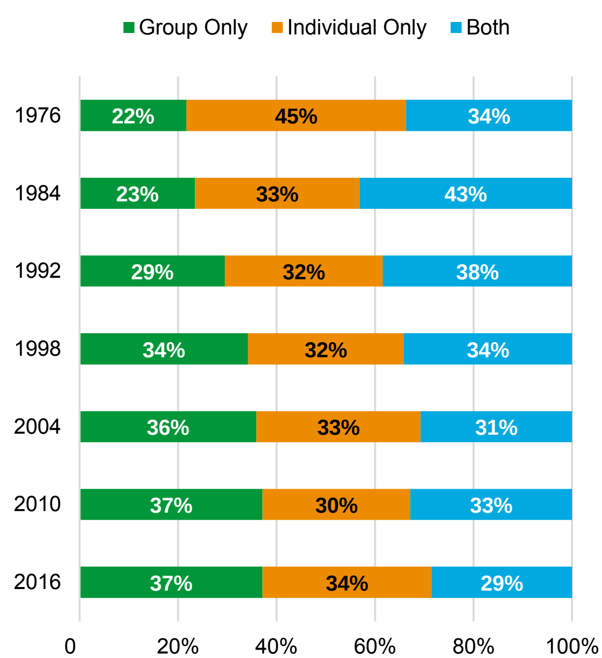
+ Ratio of total coverage to annual household income

Overlapping Coverages

Households in 2016 are less likely to own both group and individual life when compared to historical trends (Figure 3). The proportions owning only group or only individual are now roughly equal, when prior to 1992, owning only individual life was more common.

- The proportion of households owning only group life increased from 22 percent in 1976 to a high of 37 percent in 2010 and 2016. This proportion did not change significantly between 1998 and 2016.
- Households owning only individual life decreased from a high of 45 percent in 1976 to a low of 30 percent in 2010. This proportion rose back to 34 percent in 2016.
- The proportion of households owning both individual and group life ownership has been gradually decreasing since reaching a high of 43 percent in 1984 and is currently at 29 percent.

Figure 3 — Life Insurance Ownership by Type — Insureds



MARKET OPPORTUNITY

When the growing number of U.S. households is combined with stable ownership rates, the result is a larger number of both insured and uninsured households. Of the 125 million U.S. households[7], approximately 37.5 million currently own no life insurance coverage.

LIMRA's Life Insurance Needs Model[8] was used to identify all study households with a need for more life insurance coverage and found that almost half of all U.S. households currently have a life insurance need gap.

Current Market Need is Over $12 Trillion

- Forty-eight percent of all U.S. households have a life insurance need gap (Table 2).
- The mean need gap is about $200,000 per household, which projects to a total market need of $12 trillion.

Table 2 — LIMRA Life Insurance Needs Model

Total U.S. Households	125 million
Percent with a life insurance need gap	48%
Households with a need gap	60 million
Mean need gap	$ 200,000
Total market need	$ 12 trillion
Expected growth rate	2.8%
Annual growth in market need	$340 billion

Market Need is Growing

- Using the current rates of U.S. household growth[9] and inflation[10], the total market need will continue to grow by 2.8 percent annually.
- This means an additional $340 billion of new life insurance need enters the market each year, which provides the industry with ample growth opportunity.

[7] U.S. Census Bureau Source: 2010-2014 American Community Survey 5-Year Estimates.

[8] *Closing the Life Insurance Gap One Household at a Time*, LIMRA. 2015. See Methodology for model overview.

[9] U.S. Census, ASEC HH-4. Households by Size: 1960 to Present.

[10] Bureau of Labor Statistics: CPI Inflation Calculator 2015-2016.

Trends by Consumer Segment

OWNERSHIP RATE BY HOUSEHOLD INCOME

Any

- Since 2010, there have been subtle changes in the life insurance ownership rate across household income categories (Table 3). A slight decrease in ownership rate occurred in the $50,000 to $124,999 income categories, which were offset by a slight increase in the under $35,000 category.

Individual

- The ownership rate for individual life has changed slightly by income category. There was a small increase in the ownership rate for households earning under $35,000 which was offset by a six-point decrease among households earning $125,000 or more.
- The decrease in ownership rate among the highest earning households continues a trend that began in 1998. The ownership rate among households in the top income category was 75 percent in 1992 and has decreased at a rate of 1.4 percent annually over the past 24 years.

Group

- Households in all but the highest income category saw a decline in their group life ownership rates. The largest change occurred among households in the $100,000 to $124,999 category, where the ownership rate declined by nine points.

Table 3 — Ownership by Household Income*

	Any			Individual			Group		
	2004	2010	2016	2004	2010	2016	2004	2010	2016
Under $35,000	53%	42%	43%	34%	31%	33%	22%	18%	16%
$35,000 – $49,999	82%	66%	66%	53%	40%	40%	53%	44%	39%
$50,000 – $99,999	89%	81%	78%	52%	46%	46%	68%	62%	55%
$100,000 – $124,999	88%	85%	82%	58%	53%	52%	70%	67%	58%
$125,000 and over	93%	86%	86%	65%	59%	53%	66%	65%	66%

* See Methodology section for income category treatment across years.

MEAN COVERAGE BY HOUSEHOLD INCOME

Any

- Mean coverage amounts for total life insurance coverage did not change dramatically for most income categories. However, households earning $125,000 or more per year showed a decline of almost $100,000 (Table 4).

Individual

- Mean individual life coverage decreased noticeably for several income categories, including a decline of almost $200,000 in the top income category.

Group

- The mean coverage amounts for group life increased by almost $50,000 (32 percent) for households in the $50,000 to $99,999 income range, and over $60,000 (22 percent) for households in the top income category.

Table 4 — Mean Coverage by Household Income*

	Any			Individual			Group		
	2004	**2010**	**2016**	**2004**	**2010**	**2016**	**2004**	**2010**	**2016**
Under $35,000	$115,308	$ 85,936	$ 72,877	$ 82,670	$ 73,215	$ 60,579	$122,903	$ 72,675	$ 51,935
$35,000 – $49,999	$187,498	$144,985	$138,780	$174,389	$128,607	$117,330	$109,299	$ 88,600	$106,998
$50,000 – $99,999	$272,022	$269,903	$255,678	$251,404	$252,197	$186,459	$160,456	$146,322	$193,520
$100,000 – $124,999	$555,655	$441,764	$383,116	$488,636	$389,676	$304,759	$317,589	$256,651	$248,029
$125,000 and over	$659,255	$630,375	$537,687	$598,349	$604,530	$414,214	$364,202	$300,392	$367,753

* Coverage is in 2016 dollars. See Methodology section for treatment of income classes across years — Winsorized means.

Income Replacement Ratio

- Average years of income replacement suffered noticeable declines across all income categories in 2016 (Table 5).

- The most significant decline occurred in the lowest income category, where the drop was 1.3 years (34 percent).

Table 5 — Average Coverage to Household Income Ratio*

	Coverage to Income Ratio		
	2004	**2010**	**2016**
Under $35,000	3.7	3.8	2.5
$35,000 – $49,999	3.4	3.4	3.0
$50,000 – $99,999	3.7	3.6	3.1
$100,000 – $124,999	3.1	3.9	3.3
$125,000 and over	3.9	3.7	3.1

* Ratio of life insurance coverage to annual household income.

OVERLAPPING COVERAGE BY HOUSEHOLD INCOME

Both Group and Individual Life

- The decrease in ownership of both group and individual life is driven by a decline across all income groups, particularly among households earning $35,000 to $49,999 annually (30 percent). Among those owning both, coverage adequacy has declined. Mean coverage is down 10 percent and the Income Replacement Ratio is down 25 percent (Table 6).

Individual Life Only

- The increase in those owning individual only is driven by increases across all but the highest income category. Those earning between $100,000 to $124,999 saw the largest increase (32 percent). These households have seen a slight decrease in total coverage (6 percent), contributing to a significant decline in their Income Replacement Ratio (22 percent).

Group Life Only

- Group only ownership has not changed significantly since 2010. Within income groups this proportion has declined among those earning under $35,000 annually (16 percent), and increased among those earnings $125,000 or more (21 percent). Since group coverage amounts are related to salaries, the mean coverage for households owning group have naturally increased (32 percent).

Table 6 — Individual and Group Ownership by Household Income — Insureds*

	Both Individual & Group			Individual Only			Group Only		
	2004	2010	2016	2004	2010	2016	2004	2010	2016
Under $35,000	19%	18%	17%	52%	57%	62%	29%	25%	21%
$35,000-$49,999	38%	30%	21%	30%	32%	40%	32%	39%	38%
$50,000-$99,999	44%	34%	32%	18%	23%	28%	38%	43%	40%
$100,000-$124,999	48%	41%	37%	19%	21%	28%	33%	37%	35%
$125,000 and over	45%	44%	40%	27%	25%	22%	28%	31%	38%
Insured households	40%	34%	31%	28%	29%	33%	32%	37%	36%
Mean coverage**	$424,704	$453,777	$407,783	$261,397	$251,416	$237,519	$209,179	$199,097	$261,950
Years of replacement coverage++	4.6	4.8	3.6	4.5	3.6	2.8	3.4	2.4	2.6

* See Methodology section for income category treatment across years.

** Coverage in 2016 dollars. Winsorized means, see Methodology for details.

++ Ratio of life insurance coverage to annual household income.

OWNERSHIP RATE BY AGE CATEGORY

Any

- Life insurance ownership rates by age group show a mix of trends (Table 7). Ownership is higher among the youngest age group, having increased 10 points (17 percent) since 2010. Ownership incidence is down nine points (12 percent) among those 55 to 64, but did not change significantly among the other age categories.

Individual

- There has been a large increase in the ownership rate of individual life among households in the under 35 age group, jumping 14 points (48 percent). However, individual ownership dropped by seven points (15 percent) among households in the 45 to 54 age range, and eight points (16 percent) among those aged 55 to 64.

Group

- Ownership of group life also increased slightly among those under 35 (7 percent). However, the predominant trend is the decline in market penetration among older households. Those 55 to 64 saw ownership decline by 11 points (22 percent), while those in the 65 and older range also saw a decline of 11 points (28 percent).

Table 7 — Life Insurance Ownership by Age of Respondent

	Any			Individual			Group		
	2004	**2010**	**2016**	**2004**	**2010**	**2016**	**2004**	**2010**	**2016**
Under age 35	70%	60%	70%	33%	29%	43%	50%	46%	49%
35-44	82%	75%	73%	46%	45%	45%	65%	54%	54%
45-54	84%	73%	73%	59%	48%	41%	62%	52%	53%
55-64	80%	75%	66%	57%	51%	43%	53%	51%	40%
65 or older	77%	70%	68%	60%	52%	52%	29%	40%	29%

COVERAGE BY AGE CATEGORY

Any

- There are also mixed trends in mean coverage amounts for households owning any form of life insurance. Among the youngest age group, mean coverage is down about $75,000 (21 percent), while coverage amounts are up almost $90,000 (29 percent) on average for those 45 to 54 (Table 8).

Individual

- Among individual life owners, mean coverage amounts declined in most age categories. The largest decline occurred among those under 35, with a decrease of over $170,000 (46 percent) on average. Those in the 35 to 44 age range saw mean coverage decline by about $90,000 (24 percent). The 45 to 54 age range increased mean coverage by over $50,000 (20 percent).

Group

- Group life coverage amounts increased for most age categories. The largest increase occurred among households in the 35 to 44 age range, where it jumped by $120,000 (61 percent). In the 45 to 54 age group, coverage increased by over $90,000 (55 percent) on average. There were also noticeable increases among households in the 55 to 64 age range (41 percent), and the 65 and older group (62 percent).

Income Replacement Ratio

- The ratio of average total life insurance coverage to annual household income (years of income replacement) declined across most age ranges in 2016 (Table 9).
- The largest decline is driven by households in the under 35 group, where the ratio dropped by 1.4 years (33 percent). There were also noticeable drops in income replacement ratio among those 35 to 44 (10 percent) and those 55 to 64 (13 percent).

Table 8 — Mean Coverage by Age of Household Head*

	Any			Individual			Group		
	2004	2010	2016	2004	2010	2016	2004	2010	2016
Under 35	$272,218	$355,900	$280,005	$282,013	$370,124	$198,886	$181,638	$203,207	$191,873
35-44	$559,037	$376,259	$414,345	$562,217	$384,179	$292,610	$254,360	$196,650	$317,492
45-54	$314,543	$302,674	$391,317	$270,055	$267,438	$320,521	$174,086	$177,101	$273,879
55-64	$232,040	$252,929	$259,588	$181,639	$216,064	$199,544	$158,095	$158,415	$222,853
65 or older	$123,330	$147,892	$152,966	$119,801	$143,554	$134,760	$ 86,127	$ 76,891	$124,878

* Coverage in 2016 dollars. Winsorized means, see Methodology for details.

Table 9 — Average Coverage to Annual Household Income Ratio

	2004	2010	2016
Under 35	4.0	4.3	2.9
35-44	6.1	4.2	3.8
45-54	3.3	3.7	3.6
55–64	2.7	3.1	2.7
65 or older	1.6	1.9	1.9

OVERLAPPING COVERAGE BY AGE CATEGORY

Both Individual and Group

- The small decrease in ownership of both individual and group life is driven by households 45 and older, including a 13-point decrease among those 55 to 64, and an 11-point decrease among those 65 and older. At the same time there has been an increase in the ownership rate of both coverage types among households 44 and younger (Table 10).

Individual Only

- The small overall increase in individual-only ownership is driven by increases among those under 35 and those 55 and older. Households in the 35 to 54 age ranges showed very slight decreases.

Group Only

- While group-only ownership shows no real change from 2010, there are a few differences. The most notable decrease occurred among the youngest age group, falling from 51 to 37 percent. There was also a slight decrease in ownership for the 65 and older category. Households in the 45 to 64 age range showed increases in group-only ownership.

Table 10 — Individual and Group Ownership by Age of Household Head — Insureds

	Both Individual & Group			Individual Only			Group Only		
	2004	**2010**	**2016**	**2004**	**2010**	**2016**	**2004**	**2010**	**2016**
Under age 35	33%	26%	35%	20%	23%	28%	47%	51%	37%
35-44	43%	32%	38%	16%	27%	25%	41%	40%	37%
45-54	51%	37%	30%	23%	29%	27%	26%	34%	43%
55-64	39%	39%	26%	32%	30%	39%	29%	31%	35%
65 or older	28%	32%	21%	58%	43%	57%	14%	25%	22%
Insured households	40%	34%	31%	28%	29%	33%	32%	37%	36%

OWNERSHIP RATE BY HOUSEHOLD TYPE

Any

- Couples with children saw a five-point increase in ownership rate, from (77 to 83 percent) while those without children saw a decrease of nine points (11 percent). Among those not married (i.e., single heads of households), ownership of life insurance increased by four points (Table 11).

Individual

- The slight decline of two points (4 percent) in individual life ownership among couples has been driven by those without children. However, overall life insurance ownership among unmarried couples is up six points (19 percent).

Group

- The increase in overall ownership among couples with children is related to an increase in their ownership of group life, which rose four points (7 percent). Couples without children saw an 11-point drop (19 percent) in group life ownership.

Table 11 — Ownership by Household Type

	Any			Individual			Group		
	2004	**2010**	**2016**	**2004**	**2010**	**2016**	**2004**	**2010**	**2016**
Married*	89%	80%	79%	58%	51%	49%	62%	58%	55%
With children	90%	77%	83%	57%	51%	51%	69%	57%	61%
Without children	89%	82%	73%	58%	51%	46%	58%	58%	47%
Not married (with or without children**)	62%	55%	59%	38%	32%	38%	38%	36%	35%

* Includes unmarried domestic partners.

** Not broken out separately in order to maintain trends over time.

COVERAGE BY HOUSEHOLD TYPE

Any

- There has been a decrease in mean coverage among couples with children, down almost $64,000 (13 percent). Overall, couples saw a slight increase in mean coverage (4 percent), driven by an increase of over $15,000 (5 percent) among couples without children (Table 12).

Individual

- Individual life coverage amounts decreased on average across all household types. The decline is led by a drop of over $150,000 (33 percent) among married couples with children, which is troubling considering their clear need for income protection.

Group

- There were increases in mean group life coverage across all household types. There were similar increases among couples with children (over $50,000) and those without (over $66,000). Non-married households also saw an increase in mean group coverage of over $26,000.

Table 12 — Mean Life Insurance Coverage by Household Type*

	Any			Individual			Group		
	2004	**2010**	**2016**	**2004**	**2010**	**2016**	**2004**	**2010**	**2016**
Married**	$371,869	$357,153	$372,399	$349,273	$331,894	$281,098	$201,847	$194,453	$273,933
With children	$497,524	$482,888	$418,935	$471,677	$465,463	$312,650	$249,352	$242,300	$296,496
Without children	$276,646	$291,492	$306,799	$252,741	$258,408	$240,196	$163,815	$168,591	$235,214
Not married (with or without children***)	$154,174	$165,963	$170,420	$133,968	$143,152	$129,227	$116,319	$118,177	$145,047

* Coverage in 2016 dollars. Winsorized means, see Methodology for details.

** Includes unmarried domestic partners

*** Not broken out separately in order to maintain trends over time.

Income Replacement Ratio

- Although mean coverage amounts have increased in some segments, overall coverage adequacy has declined for all household types. The decrease in income replacement ratios suggests that coverage levels are not keeping pace with rising incomes (Table 13).
- Couples with children saw the biggest decline in income replacement, down 1.9 years (34 percent) since 2010.
- Having adequate levels of income protection has always been an area of focus for the industry, yet these results indicate more awareness may be required, particularly among households with children.

Table 13 — Average Coverage to Household Income Ratio

	Coverage to Income Ratio		
	2004	**2010**	**2016**
Married*	4.2	4.0	3.3
With children	5.9	5.6	3.7
Without children	3.0	3.2	2.8
Not married	2.5	2.5	2.4

* Includes unmarried domestic partners.

OWNERSHIP RATE BY LIFE STAGE

Any

- Life stage trends indicate an increase in the ownership rate among younger households (under 45), driven by non-married households. However, there has been a large drop among both older and younger couples without children (Table 14).

Individual

- Among younger life stages there has been an increase in ownership, driven by non-married households, while there was a decrease among most older life stages.

Group

- The slight increase in ownership among younger life stages is driven by non-married households. Yet, there was a large drop among couples with no children. Among older life stages, the drop in group ownership was driven by non-married households and married households with no children.

Table 14 — Ownership by Life Stage

	Any			Individual			Group		
	2004	2010	2016	2004	2010	2016	2004	2010	2016
All couples* <45	89%	78%	78%	47%	42%	48%	69%	59%	57%
Couples <45 with children	87%	77%	82%	50%	49%	52%	66%	56%	60%
Couples <45 without children	93%	80%	67%	39%	31%	35%	74%	64%	49%
Not married <45	59%	51%	61%	29%	27%	38%	42%	37%	42%
All households <45	75%	66%	71%	38%	36%	44%	56%	50%	51%
All couples 45+	89%	81%	79%	65%	57%	51%	58%	57%	52%
Couples 45+ with children	96%	76%	85%	74%	55%	50%	76%	60%	62%
Couples 45+ without children	88%	82%	76%	63%	58%	51%	55%	56%	46%
Not married 45+	66%	58%	57%	48%	37%	37%	33%	34%	30%
All households 45+	81%	73%	69%	59%	50%	44%	49%	48%	42%

* Couples include unmarried domestic partners.

COVERAGE BY LIFE STAGE

Any

- There has been a decrease in coverage among younger life stages, mainly driven by couples with children (21 percent). Older life stages showed an increase of 13 percent, driven by couples without children (Table 15).

Individual

- Among younger life stages there was a decrease in mean coverage of 38 percent, driven by younger couples with children. Among older life stages the small increase in mean individual life coverage was driven by couples with children (12 percent) and balanced by a decrease among non-married households (4 percent).

Group

- All younger life stages drove a 21 percent increase in mean coverage. Older households saw a 54 percent increase in mean coverage since 2010. The trend in higher coverage amounts is consistent among those 45 and older.

Table 15 — Mean Life Coverage by Life Stage*

	Any			Individual			Group		
	2004	2010	2016	2004	2010	2016	2004	2010	2016
Under Age 45									
Married**	$477,516	$446,935	$383,538	$510,235	$468,592	$267,187	$244,969	$234,195	$279,261
With children	$541,656	$506,235	$401,407	$540,340	$514,486	$276,229	$266,627	$247,454	$291,525
Without children	$321,997	$353,603	$311,877	$404,984	$351,367	$228,532	$187,233	$215,401	$227,957
Not married	$182,036	$203,235	$221,764	$169,132	$191,985	$170,011	$133,270	$128,936	$153,423
All households under 45	$393,207	$366,195	$332,137	$425,568	$377,966	$235,544	$214,262	$199,992	$242,402
Age 45 and Over									
Married	$283,207	$292,465	$363,071	$244,417	$256,067	$292,277	$165,971	$163,493	$268,807
With children	$382,300	$414,161	$447,976	$332,996	$337,853	$377,299	$207,389	$228,241	$304,827
Without children	$257,542	$271,047	$305,374	$219,556	$241,277	$243,003	$156,286	$150,471	$237,723
Not married	$122,990	$134,462	$137,185	$104,239	$108,764	$104,394	$97,795	$106,890	$137,294
All households age 45 and over	$240,460	$245,548	$278,142	$205,931	$215,210	$219,147	$151,352	$148,590	$229,226

* Coverage in 2016 dollars. Winsorized means, see Methodology for details.

** Married includes unmarried domestic partners.

Income Replacement Ratio

- The income replacement ratio among younger life stages declined by almost one year (21 percent), driven by couples with children (36 percent) where income replacement ratio dropped by almost two years (Table 16).
- Among older life stages the income replacement ratio declined only 7 percent. The largest change in older life stages is among couples with children, whose income replacement ratio dropped by 1.3 years (25 percent).

Table 16 — Average Life Coverage to Income Ratio

	2004	2010	2016
Under Age 45			
Married*	5.9	5.0	3.6
With children	6.8	5.8	3.7
Without children	3.6	3.7	3.0
Not married	3.0	2.8	2.7
All households under 45	4.9	4.2	3.3
Age 45 and Over			
Married	3.0	3.3	3.2
With children	3.6	5.1	3.8
Without children	2.8	3.0	2.7
Not married	2.0	2.2	2.2
All households age 45 and over	2.7	3.0	2.8

* Married includes unmarried domestic partners.

OWNERSHIP RATES BY REGION

The overall ownership rate increased in the Western region, but was offset by a decline in the South. The individual ownership rate increased slightly in the Midwest and Western regions, offset by a decline in the Northeast. The rate of group ownership declined in all but the Western region (Table 17).

Northeast

- There was no change in overall ownership. Yet, there were small declines in ownership of both individual (6 percent) and group (4 percent) which lead to fewer households owning both; a slight drop from 25 percent to 20 percent.

Midwest

- Overall ownership of any life insurance is basically unchanged. There was a small increase in individual ownership (7 percent) accompanied by larger decline in group ownership (13 percent). As a result, fewer households own both; also dropping from 25 percent to 20 percent.

South

- In the Southern region there was a small decline in overall ownership, driven by an eight-point (15 percent) decline in group ownership. Individual ownership remains unchanged since 2010.

West

- There has been a large increase in market penetration in the Western region of the country. Ownership of any life insurance increased five points (8 percent), but the West still has the lowest overall ownership rate. The increase is driven primarily by a seven-point (18 percent) jump in group ownership, and accompanied by a two-point (6 percent) bump in individual ownership.

Table 17 — Ownership by Region

	Any			Individual			Group		
	2004	**2010**	**2016**	**2004**	**2010**	**2016**	**2004**	**2010**	**2016**
Northeast	76%	71%	71%	55%	48%	45%	52%	48%	46%
Midwest	81%	73%	74%	55%	43%	46%	56%	55%	48%
South	80%	73%	70%	51%	46%	46%	54%	52%	44%
West	71%	61%	66%	36%	36%	38%	45%	40%	47%

COVERAGE BY REGION

Northeast

There has been an increase in total mean coverage of more than $57,000 (22 percent), driven largely by an increase in mean group life coverage of more than $114,000 (77 percent). Mean individual coverage remains basically unchanged since 2010 (Table 18).

Midwest

There was a small increase in overall mean coverage of about $20,000 (7 percent). This was driven by a significant increase in mean group life coverage of almost $50,000 (31 percent) and was mitigated by a decline of roughly $20,000 (9 percent) in mean individual coverage.

South

There was a significant decline in total mean coverage of almost $48,000 (15 percent). This trend was driven by a large decline of over $100,000 in mean individual coverage, but tempered by an increase of over $50,000 in mean group coverage.

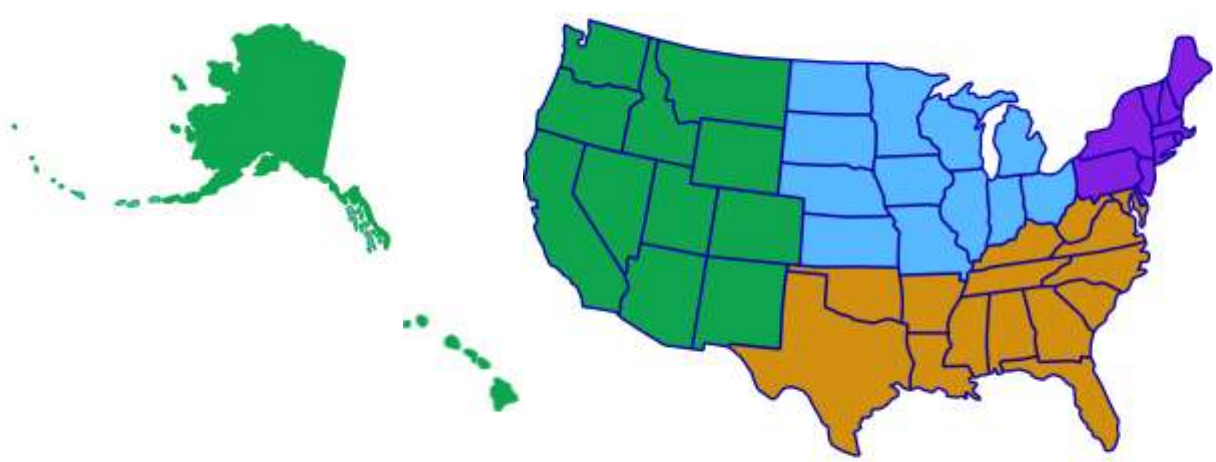
West

The small increase in overall mean coverage (7 percent) was driven by a $44,000 (20 percent) increase in mean group life coverage. Mean individual coverage declined just slightly (6 percent).

Table 18 — Mean Coverage by Region*

	Any			Individual			Group		
	2004	2010	201	2004	2010	2016	2004	2010	2016
Northeast	$297,451	$266,859	$324,739	$250,831	$235,674	$235,522	$225,149	$147,854	$262,131
Midwest	$311,529	$257,898	$276,188	$275,610	$241,579	$220,348	$195,885	$155,430	$203,387
South	$284,720	$326,398	$278,505	$266,508	$322,147	$203,910	$144,269	$172,957	$223,976
West	$272,228	$330,569	$352,144	$287,449	$284,180	$266,825	$178,938	$222,020	$266,018

* Coverage in 2016 dollars. Winsorized means, see Methodology for details.



Consumer Attitudes

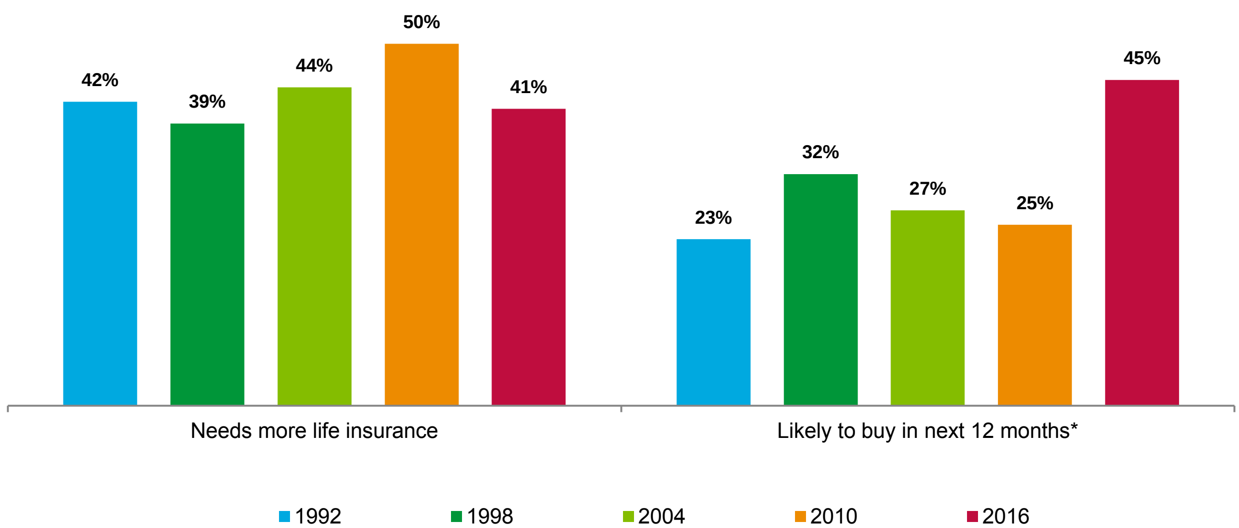
LIFE INSURANCE COVERAGE ADEQUACY

The proportion of households that feel they need more life insurance has declined by nine points (18 percent) since 2010 (Figure 4). This change in attitude may be directly related to the decrease in income replacement ratios.

The industry may benefit from greater emphasis on messages that call attention to decreasing protection levels and relate adequate life insurance coverage with broader financial planning goals (e.g., retirement savings).

Simultaneously, there has been a 20-point increase (80 percent) in the proportion of households who indicate they are very likely or fairly likely to buy life insurance in next 12 months. While it may seem unlikely that half of all U.S. households will buy life insurance in the next year, in fact, the 46 percent of households that currently own group life insurance actually did “buy” life insurance in the past year.

Figure 4 — Trends in Need for Life Insurance and Future Purchase Intentions



* “Very likely” or “Fairly likely” to buy in the next 12 months.

Who feels like they need more life insurance?

- The overall decline in "need more life insurance" is driven by the under 45 age categories. Those age 45 to 54 now have the highest level (Table 19).
- The lowest income category had a small decline but retains the highest level of those who feel like they "need more."
- Those married with children no longer have the highest proportion of households that feel like they "need more." That honor now belongs to the not married group (43 percent), presumably driven by single parents.
- The proportion who feel they "need more life insurance" declined among both those who own and those who don't.

What types of consumers are most likely to buy?

- Younger households have higher levels of likeliness to buy, which decreases gradually as age categories increase.
- Likelihood to buy does not vary significantly by income group, although higher income households have somewhat higher levels on this item.
- Married couples with children have the highest likelihood to buy almost twice as high as couples with no children.

Table 19 — Need for Life Insurance and Future Purchase Intentions by Demographics

	Need More			Likely to Buy*		
	2004	2010	2016	2004	2010	2016
Age of Household Head						
Under age 35	59%	56%	*37%*	44%	36%	*65%*
35-44	49%	56%	*45%*	34%	34%	*58%*
45-54	49%	56%	*51%*	25%	26%	*43%*
55-64	34%	43%	*40%*	14%	16%	*27%*
65 or older	18%	32%	*36%*	2%	5%	*14%*
Household Income						
Under $35,000	57%	65%	*59%*	26%	26%	*42%*
$35,000-$49,999	46%	57%	*48%*	27%	25%	*40%*
$50,000-$99,999	42%	47%	*37%*	28%	26%	*48%*
$100,000-$124,999	46%	39%	*33%*	28%	27%	*49%*
$125,000 and over	32%	27%	*26%*	28%	19%	*46%*
Marital Status						
Married** with children	56%	58%	*38%*	43%	34%	*60%*
Married no children	38%	42%	*42%*	18%	19%	*34%*
Not married	43%	53%	*43%*	25%	26%	*41%*
Types of Life Insurance Coverage						
Individual only	NA	42%	*36%*	NA	23%	*42%*
Group only	NA	50%	*38%*	NA	26%	*44%*
Both	NA	35%	*24%*	NA	23%	*57%*
Neither	60%	66%	*59%*	26%	27%	*40%*
Households Saying They Need More	100%	100%	*100%*	45%	37%	*51%*
Insured households	40%	43%	*33%*	27%	24%	*48%*
All households	44%	50%	*41%*	27%	25%	*45%*

* Includes "Very" and "Fairly" likely to buy.

** Married includes unmarried domestic partners.

NA = not available.

ABILITY TO COVER LIVING EXPENSES

There has been a seven-point decline (19 percent) in the proportion of households who say they can cover living expenses "well into the future" should a primary wage earner die unexpectedly (Table 20). There has been a corresponding five-point (17 percent) increase among households who say they can cover expenses for "several months."

Segments with a dwindling proportion of households able to cover expenses "well into the future" include:

- Households under 45 (23 percent)
- Higher income groups, with large declines among the $35,000 – $99,999 income ranges (34 percent)
- Those who are married with no children (18 percent)

Table 20 — Family's Financial Situation If Primary Wage Earner Dies

	How Long Household Can Cover Everyday Living Expenses					
	Immediate Trouble		Several Months		Well Into the Future	
Age of Household Head	**2010**	**2016**	**2010**	**2016**	**2010**	**2016**
Under age 35	42%	*42%*	34%	*40%*	24%	*18%*
35-44	40%	*44%*	31%	*33%*	29%	*23%*
45-54	36%	*32%*	31%	*33%*	33%	*35%*
55-64	23%	*25%*	27%	*32%*	50%	*43%*
65 or older	16%	*15%*	16%	*24%*	68%	*61%*
Household Income						
Under $35,000	67%	*61%*	21%	*24%*	12%	*14%*
$35,000–$49,999	44%	*47%*	29%	*36%*	27%	*17%*
$50,000–$99,999	27%	*34%*	33%	*38%*	40%	*28%*
$100,000–$124,999	14%	*27%*	33%	*35%*	53%	*38%*
$125,000 and over	10%	*18%*	27%	*35%*	63%	*47%*
Marital Status						
Married* with children	35%	*38%*	36%	*35%*	29%	*28%*
Married no children	23%	*24%*	26%	*34%*	51%	*42%*
Not married	51%	*45%*	27%	*35%*	22%	*20%*
Types of Life Insurance Coverage						
Individual only	28%	*29%*	35%	*37%*	37%	*34%*
Group only	29%	*30%*	37%	*40%*	34%	*30%*
Both	18%	*32%*	28%	*32%*	54%	*36%*
Neither	59%	*50%*	18%	*28%*	23%	*22%*
Households Saying They Need More	49%	*46%*	35%	*37%*	16%	*16%*
Insured households	25%	*30%*	33%	*37%*	42%	*33%*
All households	34%	*35%*	29%	*34%*	37%	*30%*

* Married includes unmarried domestic partners.

WHY AREN'T HOUSEHOLDS BUYING MORE LIFE INSURANCE?

While consumers' future purchase intentions have risen significantly (Table 21), that does not mean that they necessarily will follow through on them. Understanding why consumers don't buy life insurance enables the industry to prepare tactics for addressing and overcoming the obstacles that prevent consumers from obtaining the income protection they want their households to have.

Table 21 catalogues trends in the reasons consumers are often unwilling to buy (more) life insurance. The most notable include:

- A seven-point (11 percent) increase in the most common answer (prefer to put money in other financial priorities). These potential buyers need to be convinced that life insurance is important enough to be a top financial priority; one that is critical to financial security.
- Double-digit increases across all items related to decision-making. This shows that the industry's ability to provide product options needs to be better balanced against the desire for a simplified purchase process. The industry would also be well served to better educate and communicate with consumers on the purchase process.
- An increase on all five items related to procrastination, the most common of which is "haven't gotten around to it." The increase in "no one has approached me about it" increased by 18 points (51 percent), which implies greater distribution efforts may be required to increase the number of buyers.
- The largest increase across all of these items is "do not need (more) life insurance," which grew 35 points (159 percent) among insured households. If we pair this with data suggesting that income replacement ratios have declined, it indicates a broad need to increase awareness of benchmarks for coverage adequacy.

Table 21 — Reasons Households Have Not Bought More Life Insurance

	Households That							
	Need More		Likely to Buy*		Insured Households		All Households	
	2010	**2016**	**2010**	**2016**	**2010**	**2016**	**2010**	**2016**
Money Issues								
Other financial priorities	79%	81%	77%	*79%*	61%	*70%*	64%	*71%*
Can't afford	79%	78%	68%	*70%*	48%	*56%*	55%	*60%*
Prefer to put my money in other financial products	37%	52%	42%	*63%*	41%	*61%*	42%	*59%*
Decision-Making Challenges								
Difficult to know what type to buy	47%	58%	56%	*71%*	35%	*52%*	36%	*52%*
Difficult to decide how much to buy	44%	58%	56%	*71%*	35%	*54%*	35%	*52%*
Worry about making the wrong decision	39%	51%	50%	*67%*	28%	*48%*	29%	*47%*
Procrastination								
To avoid high-pressure sales tactics	44%	48%	53%	*62%*	38%	*48%*	38%	*47%*
Just haven't gotten around to it	40%	52%	54%	*68%*	25%	*48%*	28%	*46%*
Have not received info that relates to my needs	28%	38%	39%	*57%*	19%	*41%*	22%	*40%*
No one has approached me	25%	35%	35%	*53%*	17%	*36%*	20%	*36%*
Unpleasant to think about dying	23%	38%	34%	*57%*	16%	*40%*	18%	*38%*
Needs Based								
Have enough insurance to meet my needs	NA	NA	NA	NA	54%	*62%*	44%	*51%*
Do not need (more) life insurance	NA	NA	NA	NA	22%	*57%*	27%	*51%*

* Includes "Very" and "Fairly" likely to buy.

NA = Not applicable.

INFLUENCES ON THE BUYING DECISION

Just as there are barriers hindering a consumer's purchase decision, there are also influences facilitating the purchase (Table 22). These results indicate that consumers are more open to influencers than in 2010 (perhaps due to the financial crisis of 2007-2009), and suggest that the reputation of the industry has improved considerably since then.

- Building trust remains the strongest influence on the buying decision. The importance of trust has increased over the past six years, growing by six points (12 percent). This trend is also true for the recommendation of agents by people the consumer trusts, which increased by 9 points (23 percent).
- The item with the largest increase in influence is the agent's recommendation to buy at the first meeting. While there are many who still consider this to be something that makes them less likely to buy, the proportion saying it makes them more likely increased by 14 points (467 percent).

Table 22 — Life Insurance Buying Decision Influencers

	More likely to buy		No influence		Less likely to buy	
	2010	**2016**	**2010**	**2016**	**2010**	**2016**
Trust sales representative	50%	56%	44%	39%	6%	5%
Sales rep recommended to me	40%	49%	54%	46%	6%	5%
Sales rep reviews/analyzes needs	35%	44%	57%	49%	8%	7%
Meet face-to-face	33%	43%	57%	50%	10%	7%
Presented as part of financial plan	32%	42%	59%	50%	9%	8%
Can buy at place of work	30%	38%	58%	53%	12%	9%
Whole process done on Internet	19%	32%	60%	53%	21%	16%
Mail offer	17%	26%	63%	58%	20%	16%
Rep wants me to buy at first meeting	3%	17%	39%	43%	58%	40%

CONSUMER COVERAGE REVIEW PREFERENCES

Table 23 displays the trends in consumer preferences regarding the frequency with which they want to review their life insurance coverage. The top trends include:

- A 26-point (163 percent) increase in the proportion of insured households wanting to review their coverage needs once per year. This is a significant change and the trend is consistent across all age groups, all income groups, and all household types.
- The trends have all moved in the direction of more frequent coverage reviews, accompanied by a significant decrease in the proportion of households that want coverage reviews only "at my request."

Table 23 — How Often Insureds Prefer to Review Life Insurance Coverage

	Once a Year		1 to 2 Years		3 to 5 Years		6 Years or More		At My Request	
	2010	2016	2010	2016	2010	2016	2010	2016	2010	2016
Age of Household Head										
Under age 35	16%	49%	19%	29%	19%	15%	6%	4%	40%	4%
35-44	19%	47%	16%	29%	17%	15%	4%	5%	44%	5%
45-54	17%	40%	13%	24%	12%	19%	3%	6%	55%	11%
55-64	16%	34%	11%	22%	8%	24%	4%	5%	61%	15%
65 or older	11%	28%	11%	21%	9%	18%	3%	7%	66%	26%
Household Income										
Under $35,000	16%	40%	11%	24%	9%	18%	4%	6%	60%	13%
$35,000–$49,999	18%	42%	15%	22%	16%	20%	3%	4%	48%	12%
$50,000–$99,999	17%	43%	16%	27%	13%	16%	5%	5%	49%	10%
$100,000–$124,999	13%	39%	16%	25%	18%	21%	3%	7%	50%	8%
$125,000 and over	11%	42%	14%	27%	12%	19%	4%	5%	59%	7%
Marital Status										
Married* with children	18%	49%	15%	26%	20%	16%	3%	4%	44%	4%
Married no children	15%	35%	13%	25%	12%	19%	4%	5%	56%	15%
Not married	16%	39%	16%	25%	11%	19%	4%	6%	53%	11%
Households Saying They Need More	18%	41%	15%	25%	14%	20%	4%	5%	49%	9%
Insured households	16%	42%	15%	25%	13%	18%	4%	5%	52%	10%

* Married includes unmarried domestic partners.

FINANCIAL PLANNING ACTIVITIES

Table 24 outlines the proportion of consumers that say these financial activities are applicable to their households. The results indicate that most financial planning activities are relevant to at least 70 percent of households with no single item dominating the list. The top items pertinent to the life industry include planning activities to address: savings, retirement, premature death, and long-term care.

- Insurance professionals are the clear preference for all planning activities involving protection products (i.e., life, long-term care, disability, critical illness, auto, and homeowners).
- Financial advisors are preferred for asset accumulation and management activities (i.e., savings, retirement, investing, estate planning, debt reduction, and education funding).

Table 24 — Financial Activities for Which Households Want Help

Financial Planning Activities	Households Indicating Activity is Applicable	Who Should Provide Help with Applicable Financial Activities			
		Insurance Professional	Financial Advisor	Bank Professional	Other Financial Professional
Savings strategy	82%	11%	53%	37%	13%
Auto or homeowners insurance	82%	55%	21%	12%	10%
Review retirement needs	80%	17%	63%	21%	16%
Plan to provide financial help if spouse or I die	80%	60%	27%	10%	10%
Long-term nursing care plan for me or my spouse	79%	57%	28%	11%	12%
Plan to provide lifetime income after I retire	78%	15%	60%	22%	17%
Investing strategy	78%	13%	64%	23%	15%
Estate planning	77%	19%	55%	19%	25%
Plan if spouse or I become disabled	74%	56%	29%	11%	11%
Critical illness insurance	74%	57%	28%	10%	11%
Debt reduction	70%	12%	54%	27%	17%
Plan to save money for children's education*	42%	17%	54%	27%	17%

* Of married couples with children.

Methodology

Sample — This year's study is based on a sample of 4167 households. Respondents have primary or shared decision making responsibility about finances, investments, and insurance in their household. The sample contains quotas for 30 age-income segments, and contains oversamples for single mothers and African-Americans.

Fieldwork — The survey was conducted in the first quarter of 2016. Participants were selected from a Survey Sampling online panel. Respondents received standard panel incentives for their participation.

Weighting — The study sample was weighted to the U.S. household population by age, income, race and region. Table A1 shows the unweighted sample distribution.

Table A1 — Respondent Profile

	2016 Sample Unweighted	2010 Sample Unweighted
Total	4,197	3,766
Respondent Age		
Under 35	1,267	1,122
35-44	720	758
45-54	713	747
55-64	1,024	757
65+	473	382
Gender		
Male	1,973	1,842
Female	2,224	1,924
Region		
Northeast	755	899
Midwest	881	1,086
South	1,553	1,076
West	965	705
Household Income		
Under $35,000	985	816
$35,000-$49,999	639	765
$50,000-$99,999	1,293	1,490
$100,000-$124,999	506	358
$125,000 or more	774	336
Investable Assets		
Under $25,000	1,427	1,477
$25,000-$99,999	797	850
$100,000-$499,999	1,049	643
$500,000 or more	336	310

Inflation Factors — All dollar figures are in 2016 dollars. An inflation factor of 1.272 is applied to the 2004 data, the inflation factor for the 2010 data is 1.102.

Income Categories — Income segmentation tables use five income categories: under $35,000, $35,000-$49,999, $50,000-$99,999, $100,000-$124,999, and $125,000 or more. These are not the same categories used in the 2004 and 2010 surveys. It's not possible to align income categories perfectly across time due to inflation.

Table A2 — Household Income Distributions in 2004 and 2010

2004			2010		
Original Income Categories	**Inflated to 2016 dollars**	**Dist.**	**Original Income Categories**	**Inflated to 2016 dollars**	**Dist.**
under $35,000	Under $44,520	30%	under $35,000	Under $38,570	25%
$35,000-$49,999	$44,520-$63,599	14%	$35,000-$49,999	$38,570-$55,099	17%
$50,000-$74,999	$63,600-$95,399	34%	$50,000-$99,999	$55,100-$110,199	35%
$75,000-99,999	$95,400-$127,199	10%	$100,000-$124,999	$110,200-$137,749	12%
$100,000 or more	$127,200 or more	12%	$125,000 or more	$137,750 or more	11%
		100%			100%

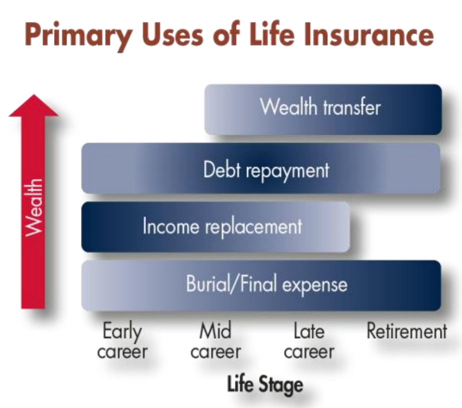
Winsorized Mean — A new method for calculating average coverage amounts was used in the 2016 study. This method generates a measure of the middle that is less influenced by outlying values compared to an arithmetic mean. The Winsorization process used in this study replaces values below the 5th percentile and above the 95th percentile with the value of the observation at those cut-off points. After replacing the values, the arithmetic mean is calculated, producing a Winsorized mean. The average coverage values for the 2004 and 2010 data were recalculated and Winsorized so that they are comparable to the 2016 data.

Over the course of this study changes have been made to the methodology. Different sampling and surveying methods have been used over the past 56 years as technology has changed. Trimmed means were introduced in the 2010 study and the Winsorized means in 2016. This method is similar to a trimmed mean, but instead of eliminating extreme observations, the extreme values are adjusted, allowing them to remain in the sample and retain a degree of influence.

LIFE INSURANCE NEED MODEL OVERVIEW

A key piece of our analysis examines the adequacy of life insurance coverage. This analysis employs LIMRA's Life Insurance Needs Model, which quantifies the adequacy of life insurance coverage for three of the four primary purposes depicted in Figure A1: income replacement, debt repayment, and final expenses. The use of life insurance for wealth transfer and other applications are not included in the analysis of coverage adequacy.

Figure A1 — LIMRA Life Insurance Need Model



Source: *Closing the Life Insurance Gap One Household at a Time,* LIMRA 2015.

The model starts with two assumptions:

1. Retirees and singles with no children do not need income replacement.
2. Total funeral and final expense costs equal $15,000.

It calculates household life insurance need using three components:

3. Total Need = 75 percent of household income for seven years (or until age 65) + outstanding debt + funeral costs and final expenses (i.e., $15,000).
4. Total Life Insurance Need = total need — existing resources (i.e., financial assets, social security, etc.).
5. Life Insurance Gap = total life insurance need — existing life insurance (i.e., individual life, group life, veteran's life, etc.)

The Life Insurance Needs Model does not quantify the life insurance market for several other applications, such as: wealth transfer, estate planning, charitable giving, business continuation, buy/sell agreements, or key-person coverage. See the Related Research section at the end of this report for references on the Life Insurance Needs Model.

The factors that are — and are not — considered in the life insurance needs analysis are very important. It's important to keep in mind that the business opportunities measured in this analysis are limited to just three of the four primary applications outlined in Figure A1. Thus the full measure of business opportunities for life insurance in the mass affluent market are actually much larger.

GLOSSARY

- **Any coverage —** includes individual life insurance, group life insurance, and/or veterans or servicemen's life (SGLI and/or VGLI).
- **Children —** are any dependent individuals under age 18.
- **Face-to-face distribution —** is limited to individual policies purchased through face-to-face meetings with insurance agents, brokers, and other financial professionals. This category was referred to as "agent-sold life" in prior studies, since non-agent sales represented a very small percentage of this category. The name has been changed to reflect the growing presence of other professionals.
- **Group life —** includes life insurance obtained through employers and labor unions.
- **Income replacement ratio —** is the ratio of total life insurance coverage, divided by annual household income. The result expresses the number of years that household income can be replaced by life coverage.
- **Individual life —** includes policies purchased through agents and companies, fraternal organizations, direct response, banks, and associations. It also includes savings bank life insurance (SBLI) sold in Connecticut, Massachusetts, and New York.
- **Mean coverage —** is the average dollar face value of life insurance owned. Winsorized means are used in the 2016 study, see Methodology.
- **Ownership rate —** the percentage of total households that own life insurance. This is a measure of market penetration.
- **Ownership volume —** the number of households that own life insurance. This is a measure of market size.

Related Research

Closing the Life Insurance Gap One Household at a Time, LIMRA, 2015

http://www.limra.com/Research/Abstracts/2015/Closing_the_Life_Insurance_Gap_One_Household_at_a_Time_(2015).aspx?LangType=1033

Person Level Trends in U.S. Life Insurance Ownership, LIMRA, 2011

http://www.limra.com/Research/Abstracts/2011/Interact_with_data_from_Person-Level_Trends_in_U_S__Life_Insurance_Ownership_(2011).aspx?LangType=1033

Household Trends in U.S. Life Insurance Ownership, LIMRA, 2010

http://www.limra.com/Research/Abstracts/2010/Household_Trends_in_U_S__Life_Insurance_Ownership_(2010).aspx?LangType=1033

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