



FastFacts Special Edition

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The Need and Value of Life Insurance

Facts From LIMRA International for Life Insurance Awareness Month (LIAM)

Millions of Americans have no life insurance coverage.

- Only 61 percent of adult Americans have life insurance protection, a decline from 70 percent in 1984.
- Only 41 percent of adult Americans have individual life insurance. Many rely on group insurance, leaving them vulnerable if they lose a job.

Most people who have insurance coverage don't have enough.

- The U.S. Justice Department calculated compensation to meet the needs of families of victims of the September 11, 2001 terrorist attacks.ⁱ
- The government recommended approximate payments of 12 times income for couples with no children and 20 times income for households with children.
- The average life insurance need is about \$459,000, but the average amount of life insurance owned is \$126,000. The average underinsurance is more than \$300,000.

Household income and assets are hit hard by premature death.

- A LIMRA study of households hit by premature death shows that income declines by 15 percent, or \$5,000 during the year of death, and another \$5,000 the year after death.
- Assets also decline to cover medical, burial, and other expenses.

People who die prematurely with inadequate life insurance coverage create a financial burden on the surviving family.

- Some 45 percent of widows and 37 percent of widowers say their spouse was inadequately insured. One to two years after the death, half the widows and one third of the widowers are just getting by financially.
- On average, widows (who receive life insurance proceeds) receive about three times the household income from all life insurance proceeds, while widowers receive one year of household income.
- Because households are underinsured, there is not enough coverage to materially improve the finances of the deceased's household.ⁱⁱ

Nearly half the population seems inadequately prepared if the primary breadwinner were to die tomorrow.ⁱⁱⁱ

- Some 13 percent would immediately have trouble meeting everyday living expenses.
- Another 25 percent would have difficulty keeping up with expenses after several months.



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It takes years to recover economically from the death of a spouse.

- Widows and widowers indicate an average period of four to five years before their financial circumstances return to what they were at the time of their spouses' death.^{iv}
- Two thirds of spouses who do receive life insurance benefits receive less than three times the annual income of the deceased.
- Average amounts of coverage for those having life insurance is about three times income - less than the four to five years needed for recovery.

Large numbers of Americans don't recognize their need for life insurance coverage.

- Despite evidence of being underinsured, only 29 percent of households feel they need more life insurance coverage.^v
- Even more affluent households (>\$100,000 household income) lack sufficient life insurance, yet say they have sufficient coverage.
- In the last two years, 11 percent of American households shopped for life insurance but only 8 percent bought - about 890,000 households out of 111 million.

Middle-market consumers (defined as households with income between \$25,000 and \$85,000) have difficulty making important decisions about buying life insurance.

- 30 percent find it very or somewhat difficult to determine how much life insurance to buy.
- 39 percent find it very or somewhat difficult to decide on the kind of insurance to buy.
- 38 percent find it very or somewhat difficult to choose which life insurance company to buy a policy from.
- 30 percent find it very or somewhat difficult to determine how much life insurance they can afford.

Life insurance agents and brokers are seen as the most useful source of information when buying life insurance.

- Agents and brokers are seen as more useful than the Internet, books and magazines, or TV and radio programs.
- Of households that shop for life insurance, 45 percent never have a needs analysis done to help them determine how much life insurance they need.
- Consequently 53 percent of shoppers say they have difficulty determining how much life insurance to buy.

Unless otherwise indicated, all facts are from research conducted by LIMRA International.

ⁱ [Explanation of Process for Computing Presumed Economic Loss](#) (Revised April 2, 2002). Department of Justice, September 11th Victim Compensation Fund of 2001.

ⁱⁱ *Financial Impact of Premature Death*. MetLife, 2003.

ⁱⁱⁱ *2002 Study by LIFE* (Life and Health Insurance Foundation for Education).

^{iv} *The Financial Impact of Premature Death*, LIMRA International, 2003.

^v *Monitoring Attitudes of the Public*. American Council of Life Insurers, Washington, D.C., 2002.
