

Consumers Overestimate Cost of Life Insurance By Nearly Three Times

New LIFE Foundation and LIMRA Study Finds Misconceptions Over Cost May be Preventing Many from Getting Coverage They Need

WINDSOR, Conn., and ARLINGTON, Va., Apr. 25, 2012 — Consumers believe life insurance costs nearly three times the actual price, which may be deterring them from getting the coverage they say they need, according to a new report released today by the nonprofit LIFE Foundation and LIMRA.

Survey respondents were asked to estimate the annual cost of a 20-year, \$250,000, level-term life policy for a healthy 30-year old consumer. The actual cost is roughly \$150, but Americans estimate the cost at \$400. Younger adults, who are most likely to qualify for preferred pricing, overestimate the cost by nearly seven times the actual cost.

According to the *2012 Insurance Barometer Study*, nearly a third of all consumers believe they need more life insurance, including 20 percent of current policyholders and about half of those who do not have any coverage. Yet one of the top reasons consumers cite for not obtaining more is that the product is “too expensive” (83 percent), second only to those who say they haven’t purchased more because they have “other financial priorities” (85 percent).

“If someone offered to sell you a gallon of milk for \$10.00, you would likely choose to spend your grocery budget on other necessities, knowing that the actual cost is closer to \$3.50,” said Marvin H. Feldman, CLU, ChFC, RFC, president and CEO of the LIFE Foundation. “If people think that something is too pricey, they often won’t give it a second thought. The fact is, the cost for basic term life insurance has fallen by about 50 percent over the past 10 years and has never been more affordable. Owning life insurance is fundamental to a family’s financial security, and our industry needs to do more to help educate people about the true cost of protecting their loved ones.”

Women, Younger Adults and Minorities Feel the Most Underinsured

The new study found that consumers within the most underserved markets are also the most aware of their need for more life insurance. More than one in three women believes they do not have enough life insurance coverage, compared to 29 percent of men. Among survey respondents 25 and younger, 41 percent say they need more coverage, of consumers 25 to 44 — the prime insurance-buying years — 36 percent believe they need more life insurance. Key minority groups are also more likely to feel underinsured, with 42 percent of African Americans and 37 percent of Hispanics saying they need more life insurance (compared to 32 percent of total population).

“Our message to the public is simple: If you’re one of the tens of millions of Americans who lacks adequate life insurance coverage, act now before it’s too late,” said Robert Kerzner, CLU, ChFC, president and CEO of LIMRA, LOMA, and LL Global. “We created the Barometer Study with the LIFE Foundation to provide an annual snapshot of evolving consumer attitudes about a wide range of insurance-related topics, and our hope is that the broader industry will use these insights to help address the crisis of underinsurance this country faces.”

Life Insurance Surpassed by Other Financial Priorities

This year’s Insurance Barometer Study also found that while consumers generally agree that life insurance is a necessity, it falls behind other financial priorities. Consumers are more concerned with paying their mortgage or rent (31 percent say they are extremely or very concerned) or losing money on investments (26 percent) than they are with issues that speak to the need for life insurance. Having enough money for a comfortable retirement continues to be consumers’ top financial concern (50 percent say they are extremely or very concerned).

Conducted by LIFE and LIMRA, the Insurance Barometer Study is an annual survey designed to increase understanding about consumer attitudes and behaviors regarding a host of insurance and financial planning matters. The study examined consumers’ attitudes about life insurance, disability insurance and long-term care insurance, as well as their buying preferences and perceptions about the insurance industry. New for 2012, the study also looked at perceptions about workplace benefits. To request a full copy of the report, please contact LIFE or LIMRA.

About The Insurance Barometer Study

The nationwide Insurance Barometer Study is an annual study conducted by LIFE and LIMRA to better understand the public’s opinions, attitudes and behaviors regarding life and health insurance, as well as more general financial planning matters. The online survey was fielded in January 2012 by Harris Interactive. The 2,011 respondents were between ages 18 and 75 and shared or were the sole decision maker for financial matters in the household. The margin of error in this study is +/- 2 percentage points or less.

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About LIFE

The Life and Health Insurance Foundation for Education (LIFE) was founded in 1994 in response to the public's growing need for information and education on life, health, disability and long-term care insurance. LIFE also seeks to remind people of the important role insurance professionals perform in helping families, businesses and individuals find the insurance solutions that best fit their needs. To learn more about these topics, please visit www.lifehappens.org.