



The Heart of the Matter — The Value of the Life Insurance Industry

Life Insurance

- Life insurers paid out nearly \$59 billion in death benefits and more than \$65 billion in annuity benefits in 2009. (Source: LIMRA analysis of SNL Financial LLC data.)
- Seven in ten U.S. households own some type of life insurance. Nearly half of U.S. households own individual life insurance. (Source: *The Facts of Life and Annuities*, LIMRA, 2011.)
- Fifty-eight million, or half, of U.S. households say they need more life insurance. (Source: 2010 U.S. *Life Ownership Study*, LIMRA.)
- The average U.S. household with life insurance owns enough to replace 3.5 years of income. This measure is consistent across all income groups. (Source: 2010 U.S. *Life Ownership Study*, LIMRA.)
- Following the September 11 attacks, the Victim Compensation Fund valued the future earning potential of victims at nearly 16 times income. (Source: *Final Report – The Special Master for September 11th Victim Compensation Fund of 2001*, U.S. Department of Justice, and LIMRA analysis.)
- Owners of life insurance say they purchase insurance to cover burial and final expenses as well as for income replacement. (Source: 2010 U.S. *Life Ownership Study*, LIMRA.)
- Households that feel they don't have enough life insurance say most consumers should own enough life insurance to replace 6.8 years of income, yet only have enough to replace their own income for 2.6 years. (Source: 2010 U.S. *Life Ownership Study*, LIMRA.)
- Individual life insurance owners plan to use that insurance, more than any other source, to provide for their families in the event of their premature death. Almost six in ten U.S. households with dependents plan to use life insurance to provide for their families in the event of their premature death...more than any other financial resource. (Source: 2010 U.S. *Life Ownership Study*, LIMRA.)
- Households that purchase a combination of both term and permanent insurance have better coverage than those that rely only on either term or permanent policies.
- Most individual life insurance policies in force are permanent (71%) rather than term (29%) (Source: *2009 Annual Individual Life Insurance Sales and In-Force Survey*, LIMRA, 2010)
- Permanent life insurance benefits Americans of all income levels. The affluent (defined as those with household income of \$100,000 or more), who represent about 19 percent of the population, own just 27 percent of existing policies, while those earning \$25,000 to \$99,999 comprise 55 percent of the population, but own 58 percent of existing policies.
- Consumers in the middle class or lower own nearly three quarters of *newly purchased* permanent life insurance policies. (Source: *Finding New Customers: Who is Buying Life and Why*, LIMRA, 2005)
- Affluent and non-affluent households alike are most likely to purchase life insurance for income replacement and to cover burial and final expenses. (Source: 2010 U.S. *Life Ownership Study*, LIMRA.)
- Life insurance cash values serve as a source of available capital to individuals, especially when credit is difficult to obtain. There were \$120 billion in life insurance loans outstanding at the end of 2009. (Source: LIMRA analysis of SNL Financial LLC data.)

Retirement Income

- In 2009 Social Security replaced approximately 40 percent of the average earner's income at retirement and is forecast to fall to 28 percent by 2037. (Sources: *The Social Security Fix-It Book*, Center for Retirement Research at Boston College, 2009.)
- Nearly 3 in 5 new middle-class retirees can expect to outlive their financial assets if they try to maintain their pre-retirement living standard. (Source: *Retirement Vulnerability of New Retirees: The Likelihood of Outliving Their Assets*, by Ernst & Young, for Americans for Secure Retirement, July 2008.)
- More than half (56 percent) of pre-retirees and retirees do not expect to receive enough income from Social Security and employer pensions to cover their basic living expenses in retirement. Further, nearly half (44 percent) of these individuals express interest in converting a portion of their savings into guaranteed lifetime income (i.e., annuitizing), in order to fill the gap between their retirement income and expenses. (Source: *Retirement Income Preferences*, LIMRA, 2006. Based on individuals aged 55 to 70 with at least \$50,000 in household investable assets.)

Annuities

- Nearly nine in ten new deferred variable annuities are sold with some type of guaranteed living benefit (when available). (Source: Variable Annuity Guaranteed Living Benefit Election Tracking Survey — Second Quarter 2010, LIMRA.)
- Three in four (76 percent) nonqualified annuity owners intend to use their annuity for retirement income. Similar numbers of owners say they:
 - Will use their annuity savings as a financial cushion in case they or their spouse live beyond their life expectancy (83 percent).
 - Will use their annuity savings to avoid being a financial burden on their children (81 percent).
 - Purchased an annuity to cover the potential expense of unpredictable events such as a catastrophic illness or nursing home care (73 percent). (Source: 2009 Survey of Owners of Non-Qualified Annuity Contracts, conducted by The Gallup Organization and Mathew Greenwald & Associates for The Committee of Annuity Insurers, 2009.)
- Annuities are an important income source to many retirees. One in five (19 percent) retirees receive income from individually purchased annuities. Of these retirees, 37 percent receive regular monthly payments guaranteed for life. (Source: *Will Retirement Assets Last a Lifetime?* LIMRA, the Society of Actuaries, and the International Foundation for Retirement Education, 2009. Survey based on retirees age 55 to 75 with at least \$100,000 in household investable assets.)
- Over nine in ten nonqualified annuity owners (91 percent) try not to withdraw any money from their annuities before they retire because they would have to pay tax on that money. (Source: 2009 Survey of Owners of Non-Qualified Annuity Contracts, conducted by The Gallup Organization and Mathew Greenwald & Associates for The Committee of Annuity Insurers, 2009.)
- One in five retirees uses individually-purchased annuities for income. (Source: *2011 Facts of Life and Annuities*, LIMRA)
- Four in five nonqualified annuity owners are middle class or below. (Source: 2009 Survey of Owners of Non-Qualified Annuity Contracts, conducted by The Gallup Organization and Mathew Greenwald & Associates for The Committee of Annuity Insurers, 2009.)

The Industry's Value to the Economy

- Life insurers infused nearly \$59 billion into the U.S. economy in 2009 through death benefits paid to beneficiaries. (Source: LIMRA analysis of SNL Financial LLC data.)
- The life insurance industry generates approximately 2.5 million jobs in the U.S., including direct employees, those who sell life insurance products, and non-insurance jobs supported by the industry. (Source: ACLI calculations based on 2009 BLS Employment Data.)
- Life insurers provide a significant source of funding to consumers and businesses. As of the end of 2009, life insurers held \$325 billion in commercial and residential property loans. (Source: LIMRA analysis of SNL Financial LLC data.)
- Life insurers have \$4.5 trillion invested in the U.S. economy, making them one of the largest sources of capital in the nation. (Source: ACLI)
- Life insurance beneficiaries received \$60 billion in 2011 (ACLI)
- Life insurer infused nearly \$59 billion into the U.S. economy in 2009 through death benefits paid to beneficiaries (Source: LIMRA analysis of SNL financial LLC data)
- The industry pays \$14.7 billion in premium taxes.
- The insurance industry is the number one investor in corporate bonds. (ACLI)
- Social Security pays about \$1.9 billion every day. The life insurance industry pays out on average \$1.4 billion every day. (ACLI)
- The industry employs 5.7 million people. (U. S. Bureau of Labor Statistics)

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