

# Life Insurance Ownership Across the Generations

Results from LIMRA's 2010 Life Insurance Ownership Study

Shawn P. Flynn, ALMI  
Assistant Research Director, Markets Research  
(860) 298-3832  
sflynn@limra.com

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# Introduction

- In 2010, LIMRA conducted the Life Insurance Ownership Survey to see how well the industry was reaching U.S. households and meeting their life insurance needs. While other reports have described overall trends in life insurance ownership, this report identifies opportunities within each generation — Generation Y, Generation X, Baby Boomers, and the Silent Generation.
- We conducted fieldwork in 2010 among an online panel of consumers that were representative of the U.S. population.
- We established respondent quotas for 30 different age-income segments to obtain a large enough sample to analyze life insurance ownership data for each group.
- The final sample included 3,766 households representing 9,390 household members.
- All survey results were weighted to represent a target sample population based on U.S. Census Bureau figures.
  - Demographic factors used in weighting included the respondent's age, household income, gender, education, investable assets, race, and region.
  - A propensity weight was applied to correct for attitudinal and behavioral biases associated with being online versus offline.

# Definitions of Generations

<b>Generation</b>	<b>Person's Age in 2010</b>	<b>Born</b>
Generation Y*	18 – 29	1981 – 1992
Generation X	30 – 45	1965 – 1980
Baby Boomers	46 – 64	1946 – 1964
Silent Generation	65 +	1945 or earlier

\* While Generation Y is typically defined as individuals born between 1981 and 1995, this analysis focuses only on *adult* Generation Y , those born between 1981 and 1992.

## Generational Profiles – Generation Y

- These consumers, mostly in their 20s, are less likely than the other generations to own life insurance. Those who do, are more likely to have group coverage than an individual policy. The large majority of those with individual coverage have a term-only policy (47%) or a perm-only policy (43%); very few have both (10%). Approximately three quarters purchase these policies in-person. They have average individual coverage levels of about \$125,000, average group coverage of just over \$80,000, and average total coverage of about \$120,000. These coverage levels, on average, would allow Gen Y to replace household income for almost 4 years.
- Four in ten Gen Y households would have immediate trouble meeting everyday living expenses if a primary wage earner were to die; and an additional 35% would only be able to cover expenses for several months. More than one half of households recognize that they need more life insurance, and one third are likely to buy in the next year. Not surprisingly, Gen Y consumers are more likely than the other generations to want professional help with savings and accumulation products.
- While just over one half (54%) prefer to purchase life insurance face-to-face, a considerable number prefer to buy at work (22%) or through the Internet (20%). Their top reasons for purchasing face-to-face include the ability to evaluate the producer's honesty, and the ability to ask questions and get additional information. Top reasons for selecting other methods include ease and convenience, and less perceived "pressure" to buy.

# Generational Profiles – Generation X

- The most attractive segment for life insurers, this group is more likely than the other generations to have dependents that could benefit from life insurance coverage. More than 6 in 10 are married and they are much more likely than the other generations to have children under 18. While about 6 in 10 own life insurance, only one third have an individual policy.
- Of those with coverage, nearly one quarter have both a group and an individual policy (23%), while nearly half (46%) have only group coverage and 3 in 10 have only an individual policy (31%). Among those with individual coverage, the large majority have only a term policy (44%) or only a perm policy (45%); very few have both (11%). Nearly three quarters purchase these policies in-person. With average coverage levels of about \$225,000 for individual policies and nearly the same for total coverage, this group can replace income for 4.6 years, the longest of the four generations. Group coverage levels are just under \$140,000.
- Four in ten Gen X households would have immediate trouble meeting everyday living expenses if a primary wage earner were to die; and an additional one third would only be able to cover expenses for several months. More than one half of households recognize their need for more life insurance, and about one third are likely to buy in the next year. These consumers are more likely than the others to want professional help with protection products. They have median household investable assets that are under \$20,000.
- While just over one half (54%) prefer to purchase life insurance face-to-face, a considerable number prefer to buy at work (21%) or through the Internet (19%). Their top reasons for purchasing face-to-face include the preference for personal interaction, the ability to evaluate the producer's honesty, and the ability to ask questions. Top reasons for selecting other methods include ease and convenience, and less perceived "pressure" to buy.

## Generational Profiles – Baby Boomers

- Unlike the younger generations, this group is much less likely to have children under 18 at home. Most are still married, however, with a spouse or partner to protect (66%). This group is more likely than any other to already own some type of life insurance. Of those with coverage, one quarter have both a group and an individual policy (26%), while just over one third (35%) have only group coverage and 4 in 10 have only an individual policy. Those with individual coverage are most likely to have perm-only coverage (53%), while just over one third (36%) have a term-only policy; very few have both (11%). About three quarters purchase these policies in-person. With average coverage levels of nearly \$150,000 for individual policies, just over \$100,000 for group coverage, and almost \$160,000 for total coverage, this group can replace income for 3.5 years.
- Three in ten Baby Boomer households would have immediate trouble meeting everyday living expenses if a primary wage earner were to die; and an additional 3 in 10 would only be able to cover expenses for several months. Nearly one half of households (49%) recognize their need for more life insurance, but only 21% are likely to buy in the next year. The majority (61%) are not interested in talking with a financial professional about any type of financial need – protection or accumulation products. This group has median investable assets of under \$40,000.
- While nearly 6 in 10 prefer to purchase life insurance face-to-face, a considerable number prefer to buy at work (20%). Their top reasons for purchasing face-to-face include the ability to evaluate the producer's honesty, the preference for personal interaction, and the ability to ask questions. Top reasons for selecting other methods include ease and convenience, less perceived “pressure” to buy, and the perception that it's cheaper or discounted to buy at work.

## Generational Profiles – Silent Generation

- This group has coverage rates nearly as high as Gen X and Baby Boomers, but are the least likely to have children under 18 at home, and less likely than Gen X or Boomers to have a spouse or partner. Those with coverage are more likely to have only an individual policy (53%), and less likely to have only group coverage (28%); about 2 in 10 have both. Of those with individual coverage, three quarters have perm-only while 2 in 10 have term-only; fewer than 1 in 10 (7%) have both. Nearly 9 in 10 purchase these policies in-person. With average coverage levels of just under \$90,000 for individual policies, approximately \$55,000 for group coverage, and just over \$90,000 for total coverage, this group can replace income for 1.8 years, the shortest length of time of the four generations.
- This group is the most financially stable of the generations; nearly 7 in 10 households would be able to cover living expenses well into the future if a primary wage earner were to die. While one third of households recognize their need for more life insurance, very few (5%) are likely to buy in the next year. The majority (80%) are not interested in talking with a financial professional about any type of financial need – protection or accumulation products. At \$175,000, this group's median investable assets are substantially higher than those of the other generations.
- Nearly 7 in 10 prefer to purchase life insurance face-to-face. Their top reasons for purchasing face-to-face include the ability to evaluate the producer's honesty, the preference for personal interaction, and the ability to ask questions.

# Insights

- **Gen X, Gen X, Gen X!** – Generation X holds tremendous opportunity for most life insurance companies and producers. They have already formed, or are currently forming, families; are likely to be married; and nearly twice as likely as Gen Y to have dependent children at home. They clearly have the greatest need for life insurance.
- **Gen X Households Are Poised to Purchase Individual Policies** – Gen Xers are less likely than their older counterparts to own an individual policy; nearly 7 in 10 have no individual coverage, and nearly 4 in 10 have no life insurance at all. Most recognize, however, that they need additional coverage. The large majority of these households would have financial difficulty if a primary wage earner were to die.
  - If Gen X behaves like older generations as they age, then their individual life insurance ownership should increase. More than one third of households are likely to buy in the next 12 months.
  - Among insured Gen Xers, average coverage levels are much higher than those of other generations.
  - Gen Xers are also more likely than the other groups to look for professional help with protection products such as life insurance, further reinforcing the thought that this group is poised to buy. Companies and producers need to reach out to Gen X to provide them with the education and assistance they desire. Gen Xers with knowledge of financial products most often turn to parents, advisors, or the Internet for assistance.\*

\* *Reaching Out to Gen X: A Qualitative Perspective*, LIMRA, 2010.

## Insights (cont'd)

- **Don't Forget About Gen Y** – While this group is less likely than Gen X to be married or have children, and less likely to own any insurance, as they age their needs will become more like Gen X's current needs. While they may be busy building their future and focusing on savings and accumulation products, they are currently entering the family formation stage and are “on deck” to focus more on protection products. They are also more likely to need individual life insurance since they are often “job hoppers” and may not have access to group life benefits.
- **Be Creative in Reaching Gen Y** – While Gen Y presents tremendous delayed opportunity, companies and producers need to be proactive in reaching out to this group, as life insurance isn't top-of-mind for them. Establishing a relationship with Gen Y through branding will help to position companies for when this group is ready to purchase.
  - They are more likely than the other generations to use social media, mobile technology, and other forms of non-traditional electronic communications, and this is one way the industry could reach them. They also place great emphasis on word-of-mouth referrals and this needs to be considered when marketing to this group.\*
  - Gen Y needs to be educated about the costs and benefits of life insurance, however, as many older consumers wish they had known how inexpensive life insurance was when they were in their 20s. Life insurance education should be part of Gen Y's total financial planning, in addition to retirement savings and accumulation strategies. Gen Y wants professional help in these areas.

\* See *Marketing to Generation Y: Messages That Get Their Attention*, LIMRA, 2009.

## Insights (cont'd)

- **Many Baby Boomers Still Need Insurance, Even if They Don't Realize It!** – While a smaller percentage of Baby Boomers are likely to buy life insurance in the next year (compared with younger generations), nearly 6 in 10 households would experience financial hardship if a primary wage earner were to die. Since many in this group are approaching retirement age, an opportunity exists for the industry to reach them through annuity and life insurance combination products such as life insurance combined with long-term care insurance. While Baby Boomers prefer to purchase face-to-face, a sizable number (20%) would like to buy life insurance products through work.
- **The Silent Generation -- Great Candidates for Financial Services Products!** – This group has median household investable assets of \$175,000, which is nearly five times more than Baby Boomers. While there may be less opportunity for life insurance, there is certainly an opportunity for the industry to help this group invest and make their assets last during retirement. It's important to point out, however, that this group is not sitting around waiting for financial professionals to contact them; 8 in 10 households are not interested in talking with a financial professional about any type of financial need, as they may already have a retirement income strategy in place. Therefore, it may be challenging for the industry to reach this segment. One method would be to communicate with current policyholders through customer service touch points such as printed messages on monthly bills or statements. Life insurance may benefit this group with estate planning issues as well.

# DETAILED RESULTS BY GENERATION

# Demographic Characteristics of Generations

- Gen Xers are nearly as likely as Baby Boomers to be living with a spouse or partner, but are much more likely to have children under 18, making them prime candidates for life insurance and other protection products.
- The up and coming Gen Yers are also an attractive segment, with more than one third of households having children under 18. As this group ages their profile will probably look more like Gen X, suggesting that insurance companies should reach out to them now.

<b>Generation</b>	<b>Married</b>	<b>Households With Children Under 18</b>
Gen Y	21%	37%
Gen X	61	62
Baby Boomers	66	21
Silent Generation	55	1

Source: [www.census.gov](http://www.census.gov)

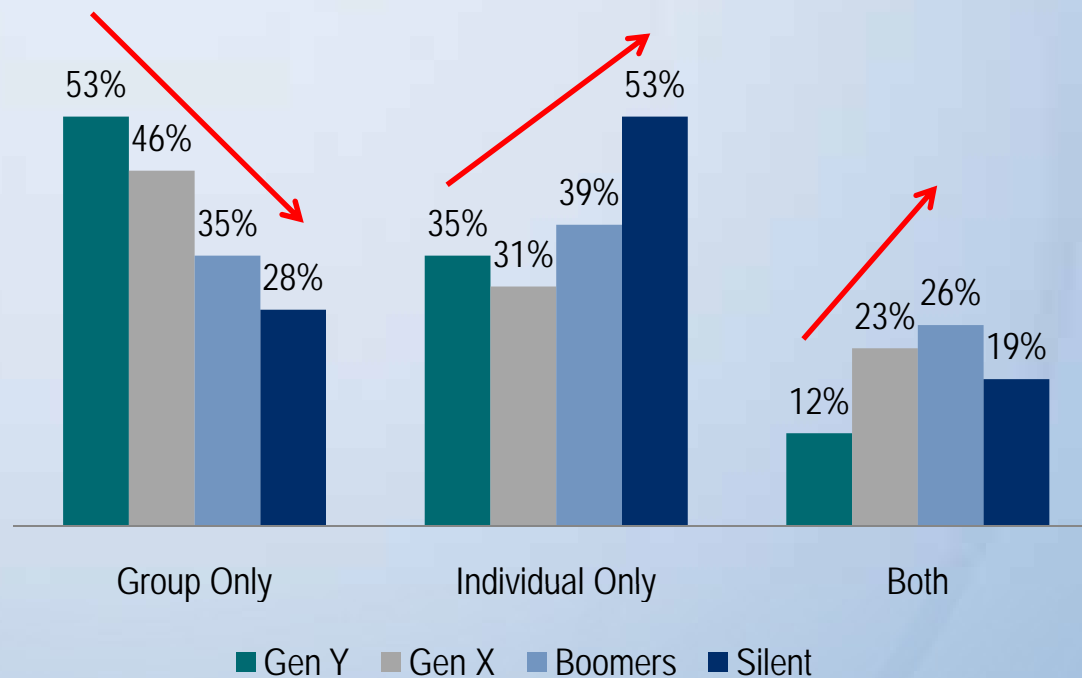
# Life Insurance Ownership by Generation

- Gen Yers are much less likely than the other generations to have life insurance, with only 4 in 10 having any coverage and fewer than 2 in 10 covered by an individual policy. About 6 in 10 or more of those from the other generations have life insurance; one third or more have individual coverage.

Generation	Person Owns Individual	Person Owns Group	Person Owns Any
Gen Y	18%	26%	40%
Gen X	33	43	62
Baby Boomers	43	41	67
Silent Generation	41	27	58

# Individual vs. Group Coverage by Generation

- Among those with life insurance coverage, 6 in 10 or more Gen Y, Gen X, and Baby Boomers have group coverage, while just under one half of Silent Generation individuals have a group policy, since many are no longer working.
- Younger consumers are more likely to have only group coverage and less likely to have individual policies. This changes as people age, however. While fewer than one half of Gen Y have an individual policy, nearly three quarters of the Silent Generation have individual coverage.



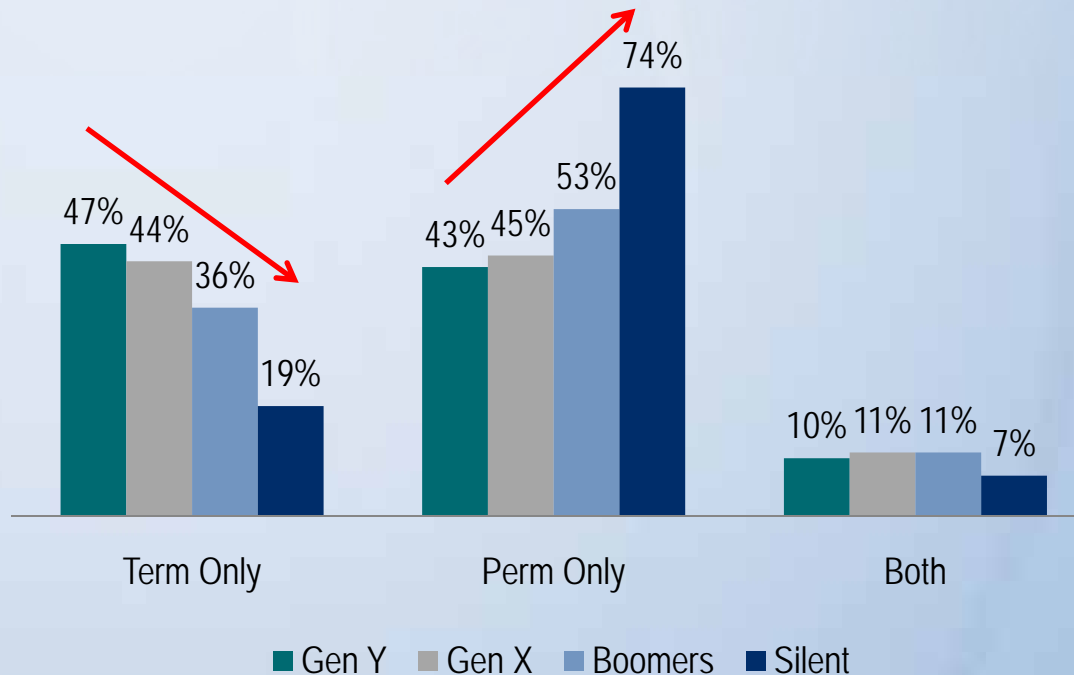
Base: Insured adults

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# Type of Individual Policies Owned by Generation

- Generations X and Y are more likely than the older groups to have term life insurance coverage. In contrast, Boomers and most notably the Silent Generation are more likely to have permanent policies.
- Regardless of generation, only about 1 in 10 who have individual coverage have both permanent and term policies.



Base: Adults with individual life insurance

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# Coverage Levels and Cost by Generation

- Not surprisingly, Gen Xers have considerably more life insurance coverage than the other generations, reflecting higher rates of marriage or living with a partner and/or having children in the home. Life insurance for these individuals can replace income on average for 4.6 years.
- Following on their heels, insured Gen Yers have average individual coverage levels over \$125,000 and average total coverage of nearly \$120,000, allowing them to replace income for almost 4 years.

Generation	Mean Amount of Person's Coverage – Individual	Mean Amount of Person's Coverage – Group	Mean Amount of Person's Coverage – Total	Total Life Times Income (Years)	Mean Individual Premium
Gen Y	\$126,200	\$80,900	\$119,500	3.9	\$429
Gen X	225,600	138,300	223,100	4.6	592
Baby Boomers	147,100	104,800	159,900	3.5	761
Silent Generation	87,300	55,800	92,300	1.8	840

Base: Insured adults

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# Many Are Not Financially Prepared for Death

- Not surprisingly, Gen X and Y households are more likely than their older counterparts to immediately have trouble meeting everyday living expenses if a primary wage earner were to die. Only about one quarter would be able to cover living expenses well into the future. On the other hand, two thirds of Silent Generation households would not experience financial difficulty.

## Family's Financial Situation if Primary Wage Earner Died

	All Households	Gen Y	Gen X	Baby Boomers	Silent Gen
Would immediately have trouble meeting everyday living expenses	34%	42%	40%	30%	16%
Would be able to cover living expenses for several months, but then would have difficulty keeping up with expenses	29	35	32	29	16
Would be able to cover living expenses well into the future	37	23	28	41	68

# Need for and Likelihood of Buying Life Insurance by Generation

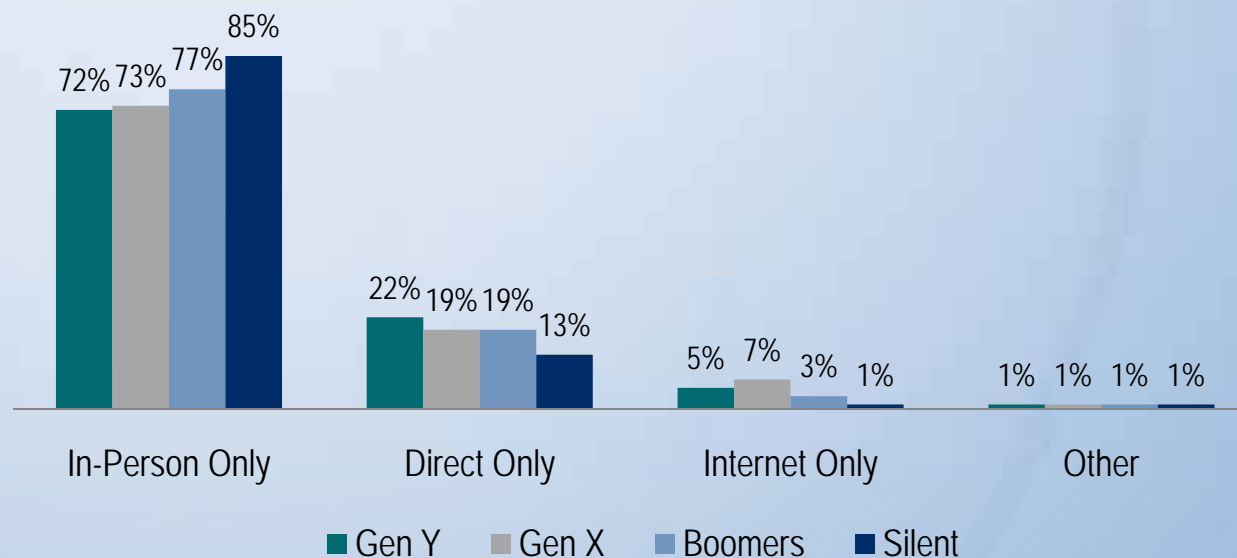
- More than one half of both Generation X and Y households recognize their need for more life insurance, and one third are likely to buy in the next 12 months, which presents an opportunity to insurance companies and producers.
- Despite the fact that fewer people actually buy a product or service than *say* they will, the number likely to buy still represents considerable opportunity.
- As with each generation, there is a large gap between households that need more life insurance and those likely to buy. Is this due to cost and affordability issues? Or to lack of knowledge about the benefits of life insurance ownership? Or could this simply be consumer procrastination?

Generation	Household Needs More Life Ins.	Household Likely to Buy*
Gen Y	55%	33%
Gen X	56	36
Baby Boomers	49	21
Silent Generation	32	5

\* Includes "very" and "fairly" likely to buy

# How Adults Purchase Their Individual Policies by Generation

- Regardless of generation, consumers overwhelmingly purchase individual life insurance policies in-person, with more than 7 in 10 using this method.
- Approximately 2 in 10 Generations X & Y and Boomers purchase direct, while fewer Silent Generation individuals use this method.
- Generations X & Y are more likely to use the Internet to purchase life insurance policies than are the older generations.



# Preferred Purchase Method by Generation

- Consumers across the generations are most likely to prefer to purchase life insurance face-to-face with a financial professional, with Silent Generation households even more likely to select this method.
- Many also prefer the workplace, with 2 in 10 Gen X & Y and Baby Boomer households selecting this method.
- The Internet is a favorite among 2 in 10 Gen X and Y households, while fewer than 1 in 10 households overall prefer direct-by-mail or telephone.

	All Households	Gen Y	Gen X	Baby Boomers	Silent Gen
Face-to-face with a financial professional	58%	54%	54%	58%	68%
At my or my spouse/partner's place of work	19	22	21	20	7
Through the Internet	16	20	19	14	13
Direct-by-mail or telephone	7	4	6	8	12

# Top Reasons People Prefer to Buy Face-to-Face

- The top reasons for purchasing life insurance face-to-face include the ability to evaluate the producer's honesty, preference for personal interaction, and the ability to ask questions and get additional information.

	HHs Choosing Face-to-Face	Gen Y	Gen X	Baby Boomers	Silent Gen
Can gauge/establish trust and honesty, observe salesperson's non-verbal behavior	27%	24%	28%	29%	26%
Can speak to someone, meet face-to-face, prefer personal interaction	25	22	29	24	20
Can ask questions	19	18	23	18	15
Can get additional information, explanations, advice and recommendations	18	24	14	19	22
Can get immediate feedback to questions and have interaction	14	16	12	14	19
Comfort level/confidence with this method and don't trust/like other methods	6	10	6	6	5

Note: Data based on open-ended comments

Base: Households that prefer to buy face-to-face

# Top Reasons People Prefer to Buy at Work

- Overall, people are more likely to say that it's easy and convenient to buy life insurance at work, with Gen Yers much more likely to feel this way.
- Many prefer to buy at work because they believe that it's cheaper.

	HHs Choosing At Work	Gen Y	Gen X	Baby Boomers	Silent Gen*
Easy, convenient, can do at own pace and time	33%	45%	30%	32%	--
Cheaper, discounted, better value/deal	26	25	25	29	--
Trust (established relationship with insurer/producer, trust employer)	20	20	20	17	--
Convenience of payroll deduction	13	12	17	12	--
Avoid perceived pressure to buy	10	5	8	13	--

Note: Data based on open-ended comments.

Base: Households that prefer to buy at work

\*Small sample size

# Top Reasons People Prefer to Buy Through the Internet

- About half of households that prefer to use the Internet to buy life insurance do so because they are able to avoid the perceived “pressure” to buy.
- Many also say that this method is easy and convenient and that they can do it at their own pace.

	HHs Choosing Internet	Gen Y	Gen X	Baby Boomers	Silent Gen*
Avoid perceived pressure to buy	49%	46%	56%	53%	--
Easy, convenient, can do at own pace and time	46	48	49	37	--
Ability to research, compare, shop around	21	32	16	24	--
Faster	7	8	9	5	--

Note: Data based on open-ended comments

Base: Households that prefer to buy through the Internet

\* Small sample size

# Top Reasons People Prefer to Buy Direct (by Mail/Phone)

- Consumers most often cite the ability to avoid any perceived “pressure” to buy as their reason for preferring to buy direct-by-mail or over the telephone.
- Many who prefer this method find it easy and convenient as well.

	HHs Choosing Direct	Gen Y*	Gen X	Baby Boomers	Silent Gen*
Avoid perceived pressure to buy	47%	--	44%	56%	--
Easy, convenient, can do at own pace and time	33	--	41	29	--
Comfort level/confidence with this method and don't like/trust other methods	14	--	15	8	--

Note: Data based on open-ended comments

Base: Households that prefer to buy direct

\* Small sample size

# Consumers Who Want Professional Help by Generation

- Overall, Gen Yers are more likely to want help with savings and accumulation products, while Gen Xers are more likely to want assistance with protection products.
- Six in ten Boomer households and 8 in 10 Silent Generation households are not interested in getting help from a financial professional. This is not surprising, since these groups tend to be more experienced financially.

Savings/Accumulation	All HHs	Gen Y	Gen X	Boomers	Silent Gen
Retirement savings plan	19%	31%	25%	15%	5%
Plan for lifetime income	18	26	23	16	5
Savings strategy	16	32	21	10	3
Investing strategy	14	26	18	11	6
Child or grandchild education savings plan	10	17	16	5	2
Protection					
Plan to replace income if become disabled	18%	20%	25%	15%	5%
Plan if die prematurely	16	19	23	13	4
Plan to pay for long-term nursing care	15	11	19	15	6
Critical illness insurance	12	13	15	11	3
Auto or homeowners insurance	9	12	11	7	3
Other Planning					
Debt reduction plan	12%	17%	18%	10%	2%
Estate planning	11	10	14	10	8
Not Interested in Help from Fin'l Professional	56%	40%	47%	61%	80%

## Related Links

### **LIMRA**

*Trillion Dollar Baby Growing Up: The Sales Potential of the U.S. Underinsured Life Insurance Market* (2011)

This report updates the size of the underinsured life insurance market, highlights which markets have the most potential, and explores how the industry can reach out to the underinsured.

<http://www.limra.com/members/abstracts/reports/10873.pdf>

*Person-Level Trends in U.S. Life Insurance Ownership* (2011)

This report shows the latest trends in life insurance ownership, and average coverage for American individuals. This is the second report from the U.S. Ownership Study.

<http://www.limra.com/members/abstracts/reports/10749.pdf>

*Household Trends in U.S. Life Insurance Ownership* (2010)

This report shows the latest trends in life insurance ownership, and average coverage for American households. This is the first report from the U.S. Ownership Study.

<http://www.limra.com/members/abstracts/reports/10627.pdf>

*The Financial Protection of Generations X and Y* (2010)

This report looks at the financial goals of Gen X and Gen Y, along with their attitudes toward life insurance, life insurance companies, and financial professionals.

<http://www.limra.com/members/abstracts/reports/10568.pdf>

*Protecting the Future: Life Insurance and Generations X and Y* (2008)

This report will help companies and producers better understand Generations X and Y. It can also help companies evaluate and develop their future distribution, marketing, and branding strategies aimed at the younger generations.

<http://www.limra.com/members/abstracts/reports/8084.pdf>

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