



The Value of **Life** in Tough Economic Times

Research Report
August 2009

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Prudential

How has the need for Life Insurance changed in this weak economy?

Historically, life insurance has been considered a fundamental, basic financial product. For many individuals, it was the first product purchased when starting a family and many advisors would insist on adequate coverage before helping clients invest.

In the last 20 years, consumer opinions about life insurance have changed. Longer life expectancies may have contributed to a lower sense of immediate need. Many consumers may have felt secure with their high home values and high stock values in their retirement plans or other investments.

But in the last 12 months, the economy has taken a historical turn. Jobs have been lost and employers have cut benefits while home values weakened and equity account values declined. As a result, many consumers have cut back or reduced their exposure to a broad range of consumer goods and financial products.

- Was life insurance perceived as important enough to hold on to?
- Is life insurance considered a fundamental requirement?
- What are the implications for consumers?

About the Study

Prudential Financial's study on *Taking a Pulse of American's Changing Life Insurance Needs* polled 1,000 Americans about the effects of the market downturn and their life insurance knowledge, attitudes, ownership and actions taken. The survey was administered from June 24 to July 1, 2009. The margin of error is +/- 3% at a 95% confidence level.

Current Life Insurance Ownership

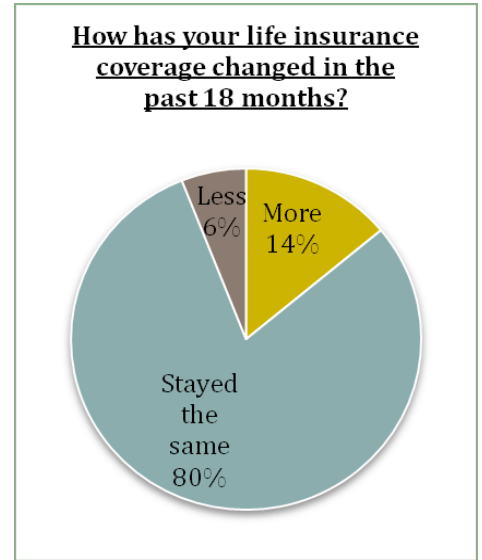
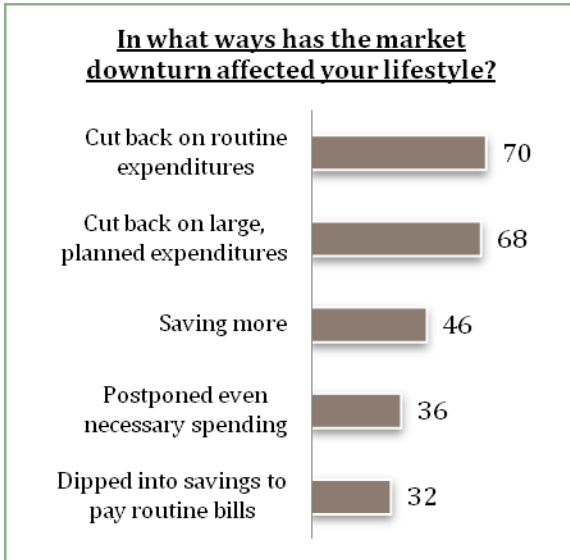
None	Group Only	Individual Only	Both Group and Individual
18%	22%	20%	40%

Respondents are online panelists invited by MRops, a Pennsylvania-based, independent, market research firm, to participate in this study. Study participants are a national sample of male and female sole/joint heads of households between the ages of 30 to 59, with a 2008 household income of \$50,000 or more and at least \$25,000 in total savings and investments. Additionally, they own at least three of the following financial products:

- Individual life insurance
- Long term care insurance
- Traditional savings accounts
- Mutual funds
- Stocks or bonds
- Annuities
- Defined contribution plans
- IRAs
- Estate plan/ will

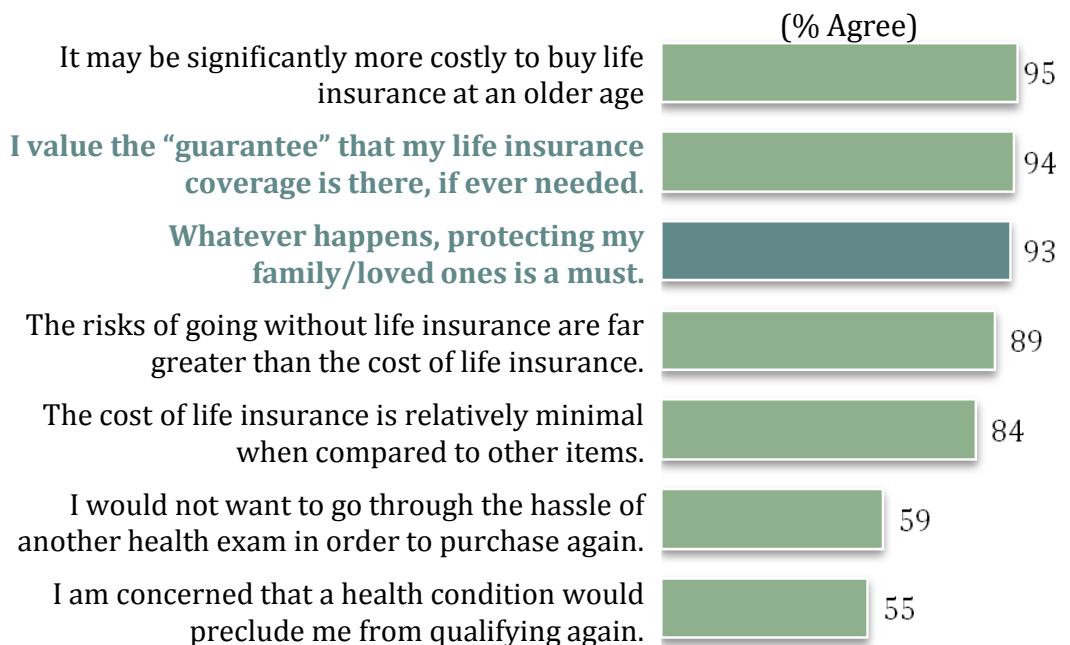
Consumers demonstrate a high degree of savvy; Life Insurance is viewed as a must.

Even as they have made other sacrifices, those who own life insurance value their coverage enough to hold on to it.



The decision to keep their life insurance policies intact is a carefully considered one demonstrating practical understanding.

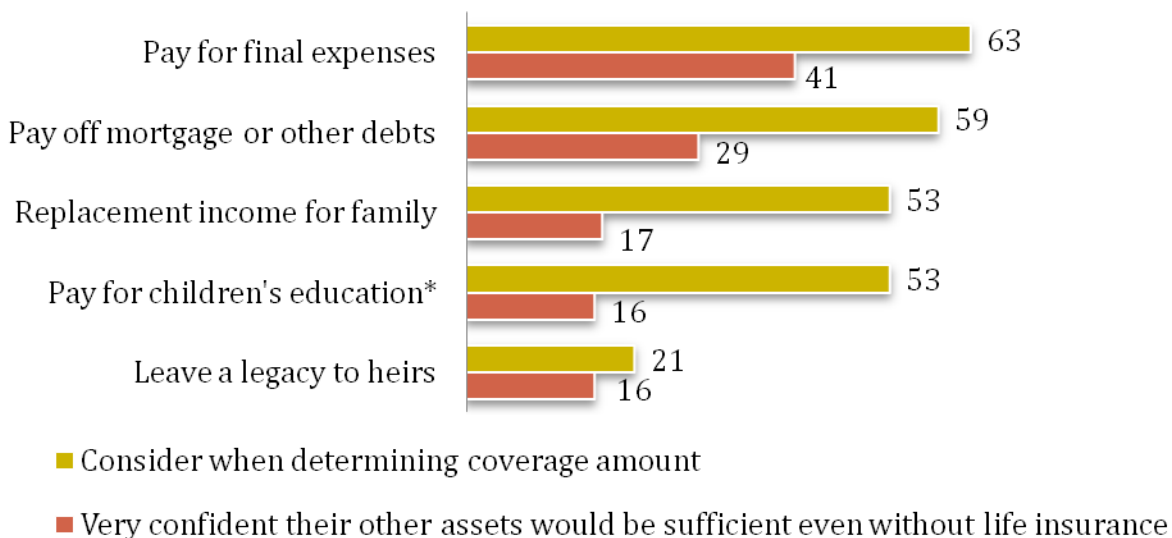
Reasons why you chose to keep your life insurance in effect even as you may have made other sacrifices



While counting on Life Insurance to provide for their loved ones, coverage gaps remain

Consumers rely on their life insurance to pay for final expenses, mortgage, and replacement income for their family. "If their life insurance went away", few are confident...

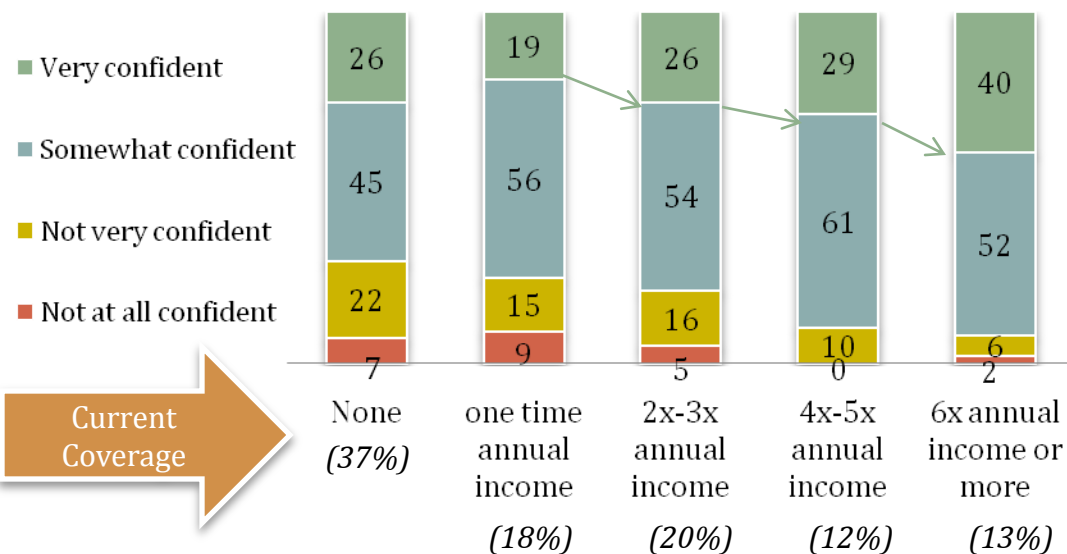
Consumer Reliance on Life Insurance



**Among respondents with children under 18 years of age*

Yet, the majority are under-insured and lack clear confidence that their loved ones could maintain the same standard of living if they were no longer there.

Confidence in Maintaining Standard of Living for Loved Ones By Current Individual Life Insurance Coverage



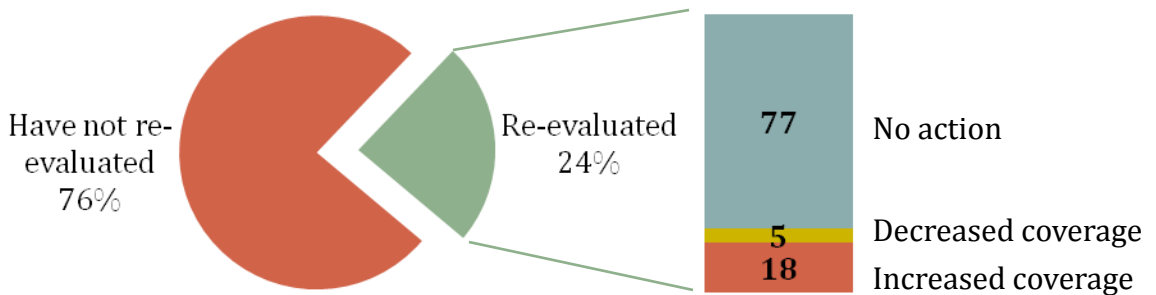
Current economic conditions call for consumers to reexamine their Life Insurance needs.

Market downturn has reinforced the need for adequate coverage, but few have taken action.

The market downturn has reinforced the need to make sure I have adequate life insurance coverage 66% Agree

The recent wave of layoffs has made me realize how important it is to have life insurance coverage that is not tied to my employer 66% Agree

Have you re-examined your life insurance coverage following the market downturn? What actions have you taken?

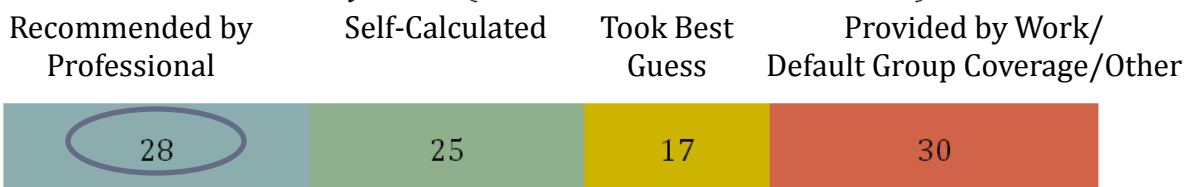


Consumers may not intuitively understand the need to close the gap created by the decline in home or investment account values. A financial professional can help, though surprisingly few have taken advantage of professional advice.

“I need even more life insurance protection than before the market downturn to replace the value of the assets I have lost.”



How did you determine the level of life insurance coverage you currently have? {Current life insurance owners}



Summation

When tough economic times come, many people find ways to reduce their household expenses. Job losses and salary reductions are often reasons why households cut expenses, but these are the same reasons why individuals may have a greater need for life insurance.

It is essential to remember the main purpose of life insurance is to offer peace of mind by replacing lost income of the insured in the event of premature death. This purpose is even more critical in difficult economic times when jobs are harder to find and dependents need financial assistance even more.

The good news is, survey results indicate that Americans already covered by a life insurance policy understand the importance of keeping their coverage, even as they cut other expenses. Fourteen percent even plan to increase their coverage in the next 18 months.

However, the study also revealed 18% of Americans are uninsured while 22% have only obtained coverage through their employer. This is quite alarming, especially as many employers have reduced or terminated certain employee benefits since the economic downturn, and this trend is likely to continue.

Even among those insured by an individual policy, the majority have only less than 3 times their annual income or less in coverage. Very few have the minimum recommended 6-7 times annual income coverage. As a result, only 27% of consumers are very confident that their current life insurance coverage is sufficient to maintain the same standard of living for their loved ones in the event of their premature death.

Americans understand that life insurance is not a luxury, but an essential part of securing their family's financial security and well being. Tough economic times call for consumers to re-examine the amount and type of life insurance coverage they have.

Recent economic changes have negatively impacted many Americans' asset portfolio as well as their ability to save. A financial professional can offer information and advice to help consumers close the gap and determine the amount of life insurance coverage that fit individual needs.