

BUSINESS | AUGUST 29, 2010, 11:35 P.M. ET

More Go Without Life Insurance

By **LESLIE SCISM**

Nearly a third of U.S. households have no life-insurance coverage, the highest percentage in more than four decades, according to research firm Limra.

About 35 million U.S. households neither own their own life-insurance policies nor are covered under employer-sponsored plans, up from the 24 million, or 22% of households, without coverage in 2004, according to the study this year by Limra, of Windsor, Conn.

Limra is an industry-funded research organization that has conducted periodic surveys of ownership trends since 1960.

The percentage without life insurance is a sign of the financial pressures on middle-income families as the economy struggles.

The rise reflects tight household budgets, loss of employer-provided coverage as a result of layoffs, and cutbacks by some employers in their benefits packages, Limra said.

Half of the respondents in the latest survey said they needed more life insurance, but many haven't bought it because their financial priorities include paying off debt.

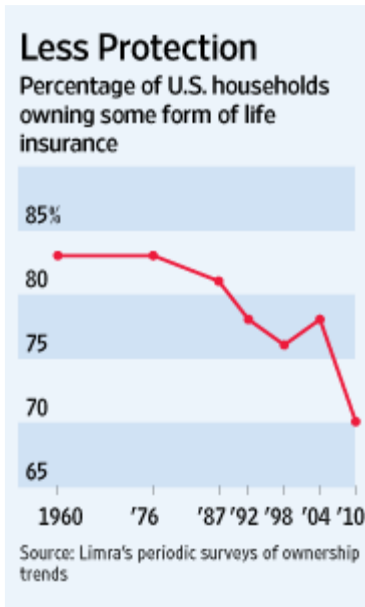
Among households with children under 18, four in 10 respondents said they would immediately have trouble meeting living expenses if a primary wage earner died, and another three in 10 would have trouble keeping up with expenses after several months.

"Clearly, more American families are living on the edge, surviving paycheck to paycheck, and, as our new study suggests, too many are without the safety net that life insurance provides," said Robert Kerzner, president of Limra.

While the poor economy is a factor in the most recent decline in coverage, the life-insurance industry itself shares blame in the falloff in sales, according to other recent studies and consumer advocates.

Prices of term life-insurance policies have dropped in recent years amid competition, but other types of insurance remain expensive to many middle-income consumers, and they often are put off by the hardball tactics of commission-paid sales agents.

The industry also is grappling with a decline in the number of agents who sell to middle-class families, often described as



those with household incomes of between about \$35,000 and \$100,000 a year.

Since the 1970s, the number of company-affiliated life-insurance agents has dropped by nearly one-third, to 174,000 in recent years, according to data from Limra.

Many agents have focused on higher-income families, who can afford the bigger policies that pay the higher commissions. Many also have favored sales of investment and retirement-income products like variable annuities, which also pay commissions.

Life-insurance coverage provided through benefits packages at work has played a significant role in protecting families in recent decades, but it may be lost if the wage earner loses his job or reduces work hours.

Employers scaling back or eliminating coverage is another factor in the declining percentage of households with insurance, Limra noted.

The number of households relying solely on life insurance provided through an employer shrank to one in four, from about one in three in 2004, when the previous survey was conducted.

And over the same period, the percentage of all households that have life-insurance protection outside of an employer-sponsored plan dropped to 44%, from 50%.

Many survey respondents said they didn't know where to get help buying life insurance. Almost eight in 10 don't have an insurance agent or broker. Sixty percent of baby-boomer households would prefer to buy life insurance face to face, while younger generations are interested in gathering information online, the survey found.

In 2009, insurers issued 9.4 million individual life policies in the U.S., about one million fewer than in 2004, according to Limra.

Analysts said the industry hasn't solved the puzzle of how best to reach middle-income households in a cost-efficient manner and in a way that enables consumers to feel comfortable making financial decisions.

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