

# Getting Over the Gap

Insights on Life Insurance Coverage in the U.S.

Genworth 



## The 2012 LifeJacket<sup>SM</sup> Study

On the following pages we share key insights from our 2012 LifeJacket<sup>SM</sup> Study, which focuses on America's uninsured. Genworth conducted this study in conjunction with independent third-party research firms J&K Solutions and Ruf Strategic Solutions. Our teams surveyed more than 25,000 adults between July 2010 and September 2011.

## If you think life insurance isn't for you, you're right.

It's for the people you love, and especially for those dependent on your financial support. All of us play important roles in our families and communities, and life insurance is one way to guarantee we can keep helping even after we're gone.

However, Genworth's 2012 LifeJacket Study reveals that many U.S. adults may have insufficient life insurance coverage. In today's tough economic reality, this "coverage gap" grew by a million people in just a year. Yet affordable coverage is, in fact, within reach for many of today's uninsured Americans.

In the following pages we'll explore this challenge in more detail, and highlight which groups have the best opportunities to enhance their protection.

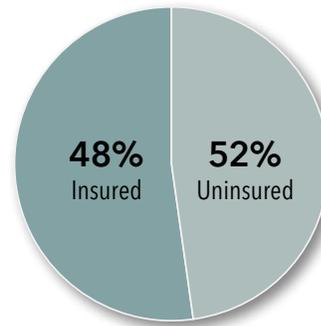
# Challenging times, reordered priorities

Today's uncertain economic environment is impacting which things are most important to consumers, as well as influencing what they are doing without. Many families have taken a wide range of non-essential items out of their budgets: new cars, eating out, the latest clothes and vacations, to name a few.

Going without many of these niceties is doable. Of greater concern, however: Recent Genworth research reveals that more Americans are not making room in their family budgets for life insurance.

Such protection should not fall into the "nice to have" category of purchases. Especially in an unpredictable economic environment, life insurance can be a cost-effective way for consumers to have more control over the lifestyle enjoyed by their loved ones in the future.

Yet more than half (52%) of all Americans over the age of 18 have no life insurance at all – that's 118 million people in total.<sup>1</sup> Compared to last year, more U.S. adults are uninsured, and those with life insurance have less coverage.



52% of all Americans over the age of 18 have no life insurance at all – that's 118 million people.

<sup>1</sup>Genworth's 2012 LifeJacket Research

Chart source: Genworth 2012 LifeJacket Study



Compared to 2011, more U.S. adults are uninsured, and those with life insurance have less coverage.

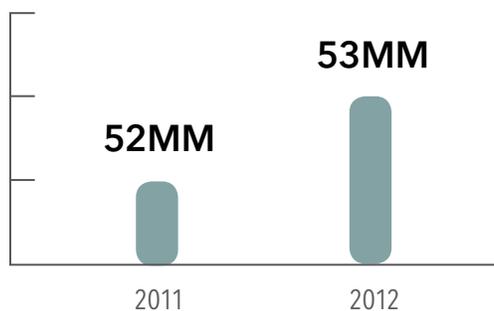
## A wider coverage gap

This coverage gap is extending further each year into groups that truly could benefit from being insured. Genworth's 2012 LifeJacket research shows:

- 44% of Americans who earn between \$50,000 and \$250,000 have no life insurance.
- That's 53 million people – and this portion grew by a million people in just one year.

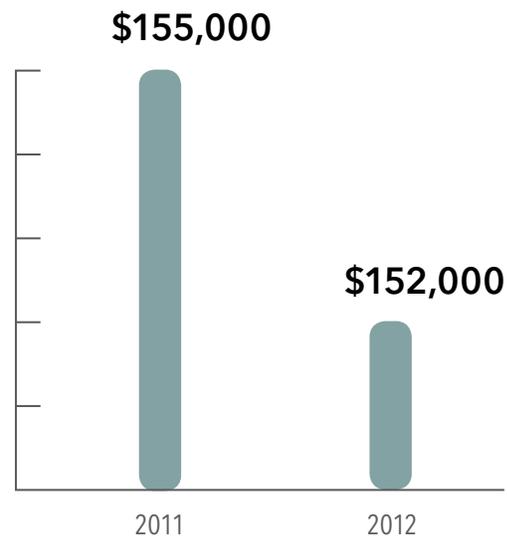
Even those who do have life insurance may be insufficiently covered. The average policy provides a death benefit of \$152,000 – a notable decrease from 2011. Even on the low end of the income scale, that's just a few years of income replacement.

**53 million** people with income to replace have no life insurance



Increase in uninsured Americans, Millions (income between \$50k and \$250k)

The average death benefit has dropped **\$3,000** in just one year



Average U.S. Life Insurance Death Benefit

The good news: Today's life insurance underwriting practices may make coverage available to people with common health conditions.

In other words, many Americans now have the ability to improve the protection in place for the people who depend on them.

**Genworth's 2012 LifeJacket Study research has revealed some of the most significant opportunities.**

# Who stands to benefit the most?



Genworth's 2012 LifeJacket Study identifies four groups that could especially benefit from an insurance review.

- ✓ People with common health concerns
- ✓ Women
- ✓ Unmarried parents
- ✓ Large families (especially those with modest income)

## Perfect coverage for imperfect health

A common belief is that the best time to buy life insurance is when you are in optimal health. To be sure, young people in great health often will pay less than older people with health concerns for the same level of coverage.

However, the situation is improving for people with common conditions.

As shown in the chart on the facing page, the majority of Americans who reported that they have anxiety, asthma, and depression do not have life insurance. Yet these health issues no longer have to be barriers to being insured.

Likewise, more than a third of Americans with high cholesterol, hypertension, obesity and sleep apnea lack coverage – even though they are likely insurable.

# What's holding you back?

U.S. Adults (18-64) by Self-Reported Health Condition<sup>2</sup>

Condition	Men with Condition (millions)	Uninsured %	Women with Condition (millions)	Uninsured %
Anxiety	5.3	52%	10.0	53%
Asthma	4.4	56%	8.8	53%
Depression	5.7	53%	11.3	53%
High Cholesterol	13.3	36%	12.6	43%
Hypertension	12.7	36%	12.8	43%
Overweight	8.3	43%	16.0	45%
Sleep Apnea	6.8	37%	4.7	49%

## Ask yourself

Do you have a health condition that, while under control, makes you worry that you won't be able to buy life insurance? If so, talk to a financial professional about insurers that specialize in that condition and in products well-suited to your situation. You may be surprised!

## Who's insurable?

Which of the following actual people were approved for life insurance?

See inside back cover for the answer.

### □ Bill

Severe **sleep apnea** diagnosed in 2002. Sleep apnea well controlled with a CPAP machine, and stress test normal. Taking medication to control blood pressure. Good family history.

### □ Jason

Diagnosed with **asthma** in 1999. Prescribed simvastatin, ProAir<sup>®</sup> and Claritin<sup>®</sup>. Normal chest X-ray. Normal EKG. Father died of a heart attack before age 60.

### □ Heather

Taking Zoloft<sup>®</sup> for six years for **anxiety and mild depression** that started with menopause. Symptoms improved with medication. No counseling or psychiatric care needed. Medical checkup within past year with normal results.

<sup>2</sup>Genworth 2012 LifeJacket Study

# The gender gap

## Women have less coverage

The gap between men and women in terms of income, influence, and earning potential has been shrinking for years:

- As of 2009, nearly 40% of working wives out-earn their husbands. This is an increase of more than 50% from 20 years ago.<sup>3</sup>
- On average, women 30 and under earn more than their male counterparts in all but three of the largest U.S. cities.<sup>4</sup>
- The majority of working wives will earn more than their husbands in the next generation.<sup>5</sup>

These facts might make it surprising that women are generally not as well-insured as men – even though they are playing a more important financial role in many families.

- 43% of married mothers lack life insurance of any amount, versus 34% of married fathers.
- 49% of married women without children have no life insurance, versus 44% of married men without children.



43% of married mothers have no life insurance

Married parents **without** life insurance



Childless married couples **without** life insurance



Chart source: Genworth 2012 LifeJacket Study

<sup>3,4,5</sup> Source: Women, Money and Power, Time Magazine, March 26, 2012.

# Women have less protection than men— regardless of their incomes, or whether or not they have children

Research by LIMRA, a life insurance trade organization, shows that this shortfall extends to the highest levels of professional achievement: **Women with high personal incomes (\$100,000+) are less likely to have individual life insurance or group life insurance than men with similar personal incomes.**<sup>6</sup>

In addition, women that do have life insurance tend to have less coverage than men:

- The average life insurance coverage for married women with children is \$169,000, while married fathers are covered to \$215,000 on average.
- A similar gap exists between married women and men without children.

Given the vital role of women in many households, this could be a gap worth closing. Whether the woman in a family provides the sole source of income, earns supplemental funds, or keeps the household running smoothly, her contributions should be protected with appropriate life insurance.

## What should you do?

Make time to review your life insurance coverage. A financial professional can help you ensure you have the right amounts and types of coverage.

Women have less insurance than men

Average coverage for married parents



Average coverage for childless married couples



# Have kids, need coverage

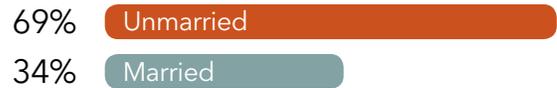
## Unmarried parents told us they have less insurance...

Genworth's 2012 LifeJacket Study also reveals that unmarried parents are significantly less likely to have life insurance than their married counterparts, even though they have a clear need for coverage:

- **Unmarried fathers** are the **least likely to have life insurance** of any group in our study.
- **59% of unmarried mothers** lack life insurance, compared to **43% of married mothers**.

Unmarried Parents have less coverage  
(all income levels)

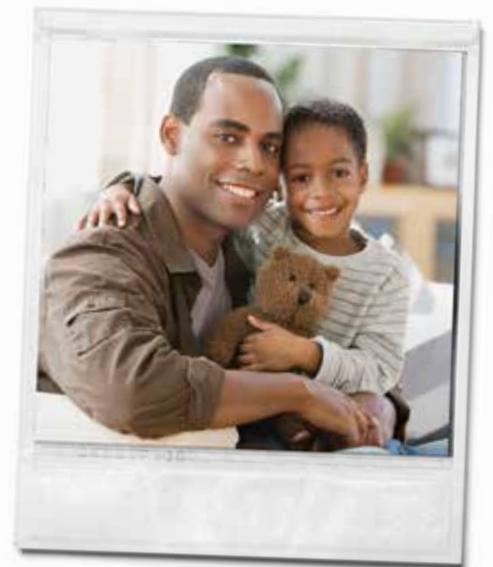
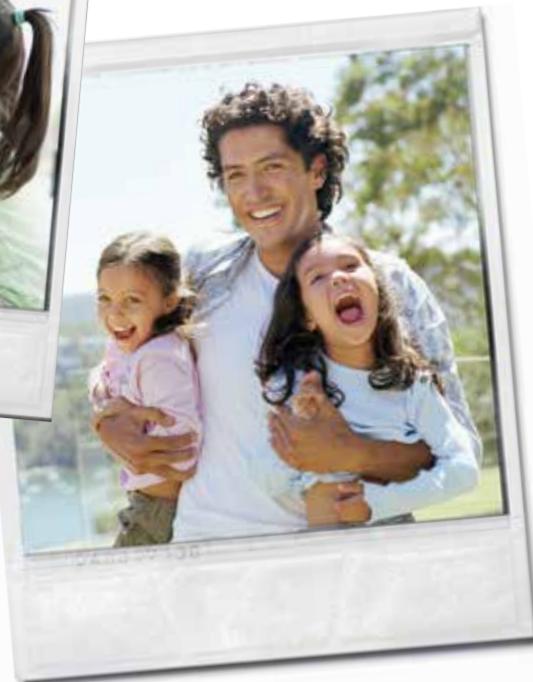
Fathers without insurance



Mothers without insurance



**59%** of unmarried mothers  
have no life insurance



Balancing affordability with protection is your goal – and a qualified financial professional can help.

...regardless of how much their household income is

Even unmarried parents with steady annual household incomes exhibit this gap. **Sixty percent of unmarried fathers** with household incomes between \$50,000 and \$250,000 told us they **have no life insurance**. In comparison, just 27% of married fathers in that income range do not have life insurance. Unmarried mothers lag married moms too.

Overall, unmarried parents have a major opportunity to enhance the protection they are providing for their children and other dependents.

Unmarried Parents have less coverage (income between \$50k and \$250k)

Fathers without insurance



Mothers without insurance



# Bigger families, less insurance

Genworth's 2012 LifeJacket Study also shows a major gap in coverage among adults who have children in their households, yet have only modest income:

- 75% of adults with one or two children in their households and with income below \$50,000 have no life insurance.
- Even as incomes increase, the uninsured number of households with 1-2 kids still remains high, at 44%.

## 64% of adults in homes with 5 or more kids and <\$50K income have no life insurance

Not surprisingly, the pattern of either or both parents lacking life insurance is exacerbated by lower income paired with larger families.

- 64% of adults in households earning less than \$50,000, yet with more than five children, have no life insurance of any kind.
- This compares to 49% of adults earning between \$50,000 and \$250,000.

When household budgets are tight, parents are busy, and income seems uncertain, life insurance might appear to be an expensive luxury. In fact, more than a third of people believe the cost of coverage will be too high.<sup>7</sup> **Yet consumers often believe life insurance costs nearly three times its actual price.**<sup>8</sup>

Uninsured adults in homes with 1 or 2 kids

Income below \$50,000



Income \$50,000 to \$250,000



Uninsured adults in homes with 5+ kids

Income below \$50,000



Income \$50,000 to \$250,000



Income above \$250,000



Chart source: Genworth 2012 LifeJacket Study

<sup>7,8</sup> LIMRA: 2011 Buyer-Nonbuyer Study





## Growing obligations

In today's world, it is not uncommon for children to move back in unexpectedly. And, of course, families continue to grow in the traditional way too. Life insurance coverage should keep up with these changes.

Can you guess which of the following adults is least likely to have life insurance?

*See back page for answer.*



A

In a household with no children.



B

In a household with one or two children.



C

In a household with three or more children.

### The key action to take:

Talk to a financial professional about life insurance options that fit your budget, family needs, and overall financial goals. Coverage may be within reach after all.



# Life is a moving target

Even if you don't fall into one of the categories we just discussed, it's a good idea to review your life insurance coverage on an annual basis with a financial professional. Life may change, particularly in terms of income, employment, marital status, family size, and health. The insurance policy you bought five or 10 years ago may no longer reflect the realities of your life. Whether you need more insurance or less, or a more permanent or temporary type of coverage, your financial professional can provide valuable guidance.



# Start talking

The most important thing is to start the conversation, both with your loved ones and with your financial professional. Identify the policies you already have in place—if any—and whether or not they truly reflect your needs.

Remember that life insurance isn't for you. It's for the people who rely on you. By thinking now about what their lives might look like in the future, you can address a portion of the uncertainty all of us face in today's economic environment.

Ultimately, life insurance is about life, not death. The benefits you guarantee for your loved ones will allow them to live fuller lives in your absence, and can help reduce stress and anxiety in what will already be a difficult time.

That's why life insurance is anything but a luxury—it's an essential form of protection that should be a key component of many families' financial strategies.



# It all adds up

## What do you need life insurance to cover?

Use this list to help identify the obligations that would need to be covered if you passed away. Then consider your current contributions to savings that would also be impacted. **Once you complete your list as best as you can, take it to a financial professional to discuss your needs.**

NAME	DATE

### 1 FAMILY

- Childcare
- Household Help
- School Supplies and Fees
- Health Insurance
- Entertainment
- Lessons
- Sports and Other Activities
- Clubs
- Family Members Who May Need Lifelong Support
- Obligations to a Former Spouse and/or Children

### 2 HOUSING

- Mortgage Payment or Rent
- Utilities
- Home Maintenance
- Yard Maintenance
- Insurance
- Homeowners Association Fees
- Property Taxes
- Relocation Expenses

### 3 TRANSPORTATION

- Auto Maintenance
- Periodic Replacement of Vehicle
- Car(s) for Others
- Auto Insurance

### 4 LIFE

- Groceries
- Clothing
- Vacations and Travel
- Second Home
- Birthday and Holiday Expenses
- Entertainment and Dining Out
- Periodic Technological Upgrades and Must-Haves

### 5 EDUCATION

- College for Children
- Continuing Education for Surviving Spouse
- Help with Grandchildren's College

### 6 DEBT AND ONGOING OBLIGATIONS

- Credit Card Debt
- School Loans
- Funeral Expenses
- Medical Bills
- Estate, Property and Other Taxes

### 7 PETS

- Veterinary Bills or Procedures
- Pet Food
- Grooming
- Boarding
- Arrangements for Pets Who May Outlive You

### 8 MEDICAL EXPENSES

- Current and (to the degree you can predict) Future Medical or Long Term Care Costs

### 9 OTHER CONSIDERATIONS:

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For more information visit  
[genworth.com/lets-talklife](http://genworth.com/lets-talklife)



Answer to **Who's insurable?**

All of these people qualified for life insurance at preferred rates.

Answer to **Growing Obligations:**

The answer is C.

In fact, the more children there are, the less likely it is adults in that household have life insurance.

WHITE PAPER

## Getting Over the Gap

Insights on Life Insurance Coverage in the U.S.

Genworth helps millions of people achieve their dreams of financial independence, a comfortable retirement and protection for their loved ones.

For more information visit our Web site:  
[genworth.com/lets-talk](http://genworth.com/lets-talk)



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<b>Are not guaranteed by a bank or its affiliates.</b>	<b>May decrease in value.</b>
<b>Are not insured by the FDIC or any other federal government agency.</b>	

The names used in some scenarios are fictitious.

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