

Millions of Families Missing Safety Net

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The percentage of U.S. households with life insurance coverage is at its lowest in 50 years, leaving millions of families without a safety net, industry experts say.

Only 44% of households have an individual life insurance policy, and 30% have no individual or employer-provided life insurance, according to a recent survey by LIMRA, an industry-sponsored group. Some 11 million households with children younger than 18 — viewed as families with the greatest need for coverage — have no life insurance.

The drop in insurance coverage comes at a time when premiums for term life insurance are significantly lower than they were a decade ago. For example, a 35-year-old healthy man can purchase a \$500,000, 20-year term policy for about \$25 a month, according to ING, a financial institution that sells life insurance. Behind the decline:

•**The economic downturn.** More than 40% of families said they haven't purchased life insurance because they have other financial priorities.

At the same time, 40% of families with children under age 18 said they would have immediate trouble paying expenses if the primary breadwinner died.

•**Procrastination.** Unlike auto and mortgage insurance — which are typically mandatory for home and car owners — life insurance is a voluntary purchase, says Butch Britton, chief executive of ING's US life insurance division. That causes people to put off buying it, he says.

Procrastination can backfire, because young, healthy people can usually get the least expensive premiums, says Amy Danise, managing editor for Insure.com. "A lot of people really overlook the whole need (for insurance) until they have a health condition, and then life insurance prices are out of reach for them," she says.

•**Fewer insurance agents.** Nearly 80% of families don't have a personal life insurance agent or broker, according to LIMRA. The decline in premiums for term life insurance has made it more difficult for agents who sell the policies to make enough money to cover their expense, Britton says.

In 2010, there were 184,873 "affiliated agents"— insurance agents who primarily or exclusively sell one insurance company's products — down from more than 246,000 two decades ago, according to LIMRA. And life insurance agents who have stayed in the business are increasingly selling permanent life insurance to affluent families. Permanent life insurance has a savings component and doesn't expire, but it is more expensive than term insurance.

Insurance companies are adopting several strategies to reach out to middle-income families who don't have a life insurance agent.

MetLife is aggressively marketing its group life insurance policies to employers, says Todd Katz, executive vice president of insurance products. Employees can typically buy the policies through payroll deduction, sometimes at a lower cost than an individual policy. MetLife is also investing heavily in programs that allow customers to buy insurance policies online or by phone, Katz says.

In addition, websites such as AccuQuote.com allow consumers to shop for insurance online.

But despite the growth of such sites, most insurance is still purchased "face to face from a live person at the kitchen table," says Byron Udell, chief executive of AccuQuote.

And with fewer agents knocking on doors, he says, "there's less of it getting bought."

