
America's Life Insurance Industry: Security Families Count On

In the wake of the economic crisis, American families continue to face significant hurdles when planning for their financial and retirement security. However, life insurers make it affordable for families to manage financial risks—such as the death of a wage-earner or family caregiver, longer retirements, a disabling event, and long-term care—by transferring risk from an individual to an insurer.

Life insurers pay out \$1.6 billion every day through payments from life insurance, annuities, long-term care insurance, disability income insurance, and other types of insurance products.

75 million American families count on the life insurance industry to protect their financial future. These families turn to life insurance, annuities, disability income and long-term care insurance for peace of mind, long-term savings, and guaranteed lifetime income in retirement.

Life Insurance

Life insurance is a key component of Americans' ability to take individual responsibility for the financial futures of their families. It protects families from financial hardships associated with the death of a loved one and provides a source of reliable liquid assets to pay for death-related expenses, including medical bills and funeral costs. It also can help families cover daily living expenses, mortgage and tuition payments, and child care.

Permanent life insurance has an additional advantage—it is guaranteed to remain in force for one's whole life, regardless of age. By design, the level premiums are used to both pay for the term cost of a policy's face amount (death benefit) and to create a savings aspect (cash value), which helps cover the rising cost of insurance as one gets older. In addition, the policy's cash value can be borrowed to pay important family expenses, such as tuition or long-term care. Some policies allow an insured to collect all or part of the death benefit if he or she becomes terminally or chronically ill.

Life insurers paid \$68 billion to life insurance beneficiaries in 2014.

Annuities

Annuities are insurance contracts that can help American workers meet the challenges of a changing retirement landscape, offering solutions to both sides of the retirement equation: They can help you save and then turn savings into a steady paycheck in retirement that cannot be outlived.

A deferred annuity can address both pre-retirement savings and post-retirement income needs. For example, for those who are years away from retirement—or are retired and don't need to produce income right away—a deferred annuity allows savings to accumulate, tax deferred, until you choose to receive income payments.

For those who need income right away, an immediate annuity converts a lump sum of money (such as money from the sale of a home or business, or a portion of accumulated savings in a workplace plan) into a series of monthly, quarterly, or annual payments. Certain annuities offer the option of continuing income payments to a spouse (or other beneficiary) after the annuity owner dies. Some also provide death benefits if death occurs before income payments begin. Other options also may be available, such as guaranteed living benefits, which provide additional savings and income protection.

The recent economic crisis has highlighted and enhanced the long-term value and guarantees that annuities provide. In fact, despite the market turmoil, 87 percent of annuity owners say that annuities were a safe and secure way to save for retirement and that annuities make them feel secure in times of financial uncertainty. (Source: *2013 Survey of Owners of Individual Annuity Contracts*, The Gallup Organization and Mathew Greenwald & Associates).

Life insurers paid \$74 billion in total annuity benefit payments in 2014.

Long-Term Care Insurance

Long-term care insurance protects savings from being depleted by the steadily growing costs of long-term care and covers a wide range of services in a variety of settings (both inside and outside the home). Because Medicare does not pay for long-term care expenses, private long-term care insurance has become a critical component of retirement planning.

The cost of long-term care services is expensive. The median cost of one year in a nursing home is \$91,250 for a private room. (Source: *Genworth 2015 Cost of Care Survey*). Most Americans have not saved enough to cover these high costs on their own, and many people currently “spend-down” their assets to qualify for Medicaid long-term care, which has become a tremendous financial burden on states.

Long-term care can be combined with life insurance or an annuity—providing individuals with increased flexibility as their needs change as they age.

In 2014, life insurers paid \$9.5 billion in long-term care insurance benefits.

Disability Income Insurance

A serious illness or injury can harm more than one’s health—it can impact an individual’s ability to work and pay living expenses. A disability can also jeopardize retirement savings. In the event of a serious illness or injury, the benefit from employer and government programs—such as sick leave, short-term disability, and Social Security—may not be enough to meet all of one’s financial needs.

Disability income insurance provides critical income protection to working-age people who find themselves unable to work due to illness or injury for a prolonged period of time. It pays individuals a portion of earnings—typically 50 to 70 percent—until they are able to return to work. There are no restrictions how the money can be spent. Some policies also cover expenses related to rehabilitation, retraining, and workspace modifications to help individuals return to work.

Life insurers paid \$18 billion in total disability income insurance benefits in 2014.

Retirement Savings

Life insurers are an important provider of 401(k) plans and other types of employer-based retirement savings plans as well as IRAs which are essential to the well-being of current and future retirees. These plans provide Americans with incentives to save for the long-term, minimizing the risk of inadequate savings at retirement. Life insurers also are working to incorporate annuity options in retirement savings products and plans so that workers can be assured of lifetime income when they retire.

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