News release

Swiss Re

Americans underinsured by USD 20 trillion, says new Swiss Re publication

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New York, 5 September — In its latest expertise publication, "The mortality protection gap in the US", Swiss Re reveals that American lives are either uninsured or underinsured by staggering dimensions. The study also shows an alarming rate of decline in protection from life insurance among US families.

Since 2001, the protection gap – the difference between the resources needed and the resources available to maintain dependents' living standards after the death of the primary breadwinner – has increased 10 %. It presently stands at USD 20 trillion (135% of GDP). Life insurance coverage per family has declined 24% on average in the same period.

The demographic most impacted is the cohort of families whose primary breadwinner is between 35 and 44 years old. Inadequate mortality protection causes genuine financial hardship and many people are driven into poverty after the loss of a breadwinner.

"The US protection gap has reached staggering dimensions," says Neil Sprackling, Swiss Re Head of Life and Health for North America. "Life insurers have a unique value proposition in helping society close the gap and have a key role to play in helping to educate people on the benefits and affordability of life insurance."

The past decade witnessed two economic downturns that eroded the finances of American families and heightened their need for protection in the event of the death of their primary breadwinner.

Families headed by a primary earner under 55 had an estimated protection gap of USD 377 900 on average in 2010. The degree of under-protection is striking: for every USD 100 of protection needed, these families had only USD 32 of net assets and life insurance in place, down from USD 46 in 2001.

Milka Kirova, Swiss Re senior economist and co-author of the study, says: "Mortality protection is lacking in many American families and the growing protection gap is a worrisome trend for individuals and society alike."

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Life insurance can be a relatively low cost solution for many American families, yet, mystifyingly, demand is declining.

Since 2007, the volume of new individual life sales has declined at an average annual rate of 5% (inflation-adjusted), and an increasing number of people have allowed their existing policies to lapse.

At the same time, consumer awareness of underinsurance has improved, with half of families now recognizing that they are underinsured, although consumers across all demographic groups overestimate the actual cost of protection. Yet the resources a family would need to buy mortality protection through life insurance are within reach as the cost of insurance is only about 0.4% of household income on average.

Many Americans are not aware of the full benefits of protection products, and the challenge for life insurers is to communicate their value and affordability effectively.

Life insurers can also take actions to simplify underwriting processes, align distribution methods to changing consumer preferences, and abandon the industry jargon in their message to future clients among the younger generation. Covering the gap presents not only a huge protection relief for American families, but also a significant business opportunity for life companies. Insuring all households which lack adequate protection would increase, by more than 100%, the USD 18 trillion in sums assured from individual and group life insurance policies in force in 2010.

How to order this expertise publication:
Copies of "The mortality protection gap in the US", are available electronically on Swiss Re's website: www.swissre.com/sigma.

Printed editions of "The mortality protection gap in the US" are also available now. Please send your orders, complete with your full postal address, to:

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