Life Insurance to Remain a Great Buy into 2008, I.I.I. Forecast Finds

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Strong Competition, Favorable Trends Make It a Buyer's Market

INSURANCE INFORMATION INSTITUTE
Contact: Press Offices
New York: 212-346-5500; media@iii.org
Washington, D.C.: 202-833-1580

NEW YORK, September 26, 2007 - With life insurance rates going down and life expectancy going up, now is the ideal time to reevaluate your life insurance needs, according to the Insurance Information Institute (I.I.I.).

"We foresee a continued downward trend in life insurance premiums, which began a little more than 10 years ago," said I.I.I. vice president and chief economist Dr. Steven Weisbart. "The 1 percent year-to-year drop in term life premium rates the I.I.I. projects for 2008 is modest compared to some of the double-digit percentage premium reductions we'd seen in the late 1990s," he added. "Nevertheless, life insurance policy premiums are generally less than half of what they were in the mid-1990s."

The I.I.I. estimates that, for example, the annual premium for a 40-year-old male nonsmoker buying a $500,000 20-year level term life insurance policy in 2008 will be about $725 if he qualifies as a "standard" risk and $350 if he meets the more stringent requirements of a "preferred" risk. Rates for women and younger people would be lower. For example, the comparable rate for a 40-year-old female nonsmoker would be about $600 for a standard risk and $300 for a preferred risk.

Premium rates for traditional whole life, universal life, and variable universal life insurance are also expected to remain about the same in 2008 as they were throughout 2007. The premiums for these products-which are designed to pay a death benefit no matter when the insured person dies-are driven by life insurers' expected investment returns as well as by the same forces that affect term rates, Dr. Weisbart said.

"Life insurance rates are dropping because death rates for the 25-44 age group-the primary age range for purchasing life insurance-have decreased significantly," Dr. Weisbart pointed out. In 1996 the death rate per 100,000 for the 25-44 age group was 177.8; by 2004 it had dropped to 161.8 (preliminary data, National Vital Statistics Reports). That is nearly a 10 percent drop in the death rate for those in their prime life insurance-buying years. Life insurers have also profited of late from a generally favorable investment and interest rate environment, passing these savings along to consumers. Moreover, life insurers themselves are making operational efficiencies through mergers and acquisitions, another reason rates are dropping.

To take advantage of the buyer's market, parents should reassess the amount of life insurance they carry on their own lives, and many should consider purchasing more. For example, at current interest rates, a life insurance company will pay a $500,000 death benefit to a survivor as an income of about $3,300 a month for

20 years, estimates the I.I.I. Yet in 2004, LIMRA International found that the average adult with life insurance between the ages of 25 and 34 had only $145,000, and the average adult aged 35-44 had only $323,000 of insurance on his or her life. As the term "average" implies, many people had smaller amounts of insurance.

About 70 million American adults have no life insurance at all. Furthermore, even a monthly income of $3,300 is less than meets the eye since a portion of it is taxable income, and it does not include a retirement program or other employer-paid benefits that the income earner may have had during his or her life.

Those in certain nontraditional family situations also should consider purchasing additional life insurance. The 2000 U.S. Census counted 2.4 million grandparents who say they are responsible for the basic needs of grandchildren living with them. About one-third of these grandparents are raising their grandchildren with no parent present in the home. Nearly one in five of these grandparents are living in poverty; 71 percent are under age 60. Many of them are still working, or have gone back to work to support their family. For the security of the children in their care, these grandparents should learn how their grandchildren can qualify to receive Social Security survivor benefits. (For information on grandparents and Social Security, see http://www.ssa.gov/kids/parent5.htm) And, if they can afford it, they may want to consider purchasing individual life insurance as well.

Whatever your family situation, if you buy more life insurance, consider buying enough to replace any existing individual life insurance you have. Buying one larger policy-rather than keeping the smaller one and starting a second policy-will further lower your premium rate, since most life insurance companies charge lower rates for specific larger amounts of insurance. Typical amounts that qualify for lower rates are $250,000, $500,000 and $1,000,000. Be sure to note on the application that you plan to replace an existing policy, and don't drop the existing policy until the new one is in place.

The I.I.I.'s forecast for life insurance rates in 2008 coincides with an industry-wide campaign to promote September as Life Insurance Awareness Month. The campaign is being coordinated by the Life and Health Insurance Foundation for Education (LIFE); for more information on the campaign, see http://www.lifehappens.org .

The I.I.I.'s full analysis can be found at /media/industry/additional/life2008/ .

Download the related audio file at /media/radio/lifetrends2007 .

For more information about life insurance, go to the I.I.I. Web site at http://www.iii.org .

The I.I.I. is a nonprofit, communications organization supported by the insurance industry.

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