



Seven in Ten Americans Believe Life Insurance Will Protect Their Ability to Live A Long, Financially Secure Life, Yet Half Don't Have Insurance or Are Unsure If They Do

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AIG life insurance study finds Americans fear chronic illness more than running out of money or dying young; a majority would feel abandoned if their partner died uninsured

AIG Life & Retirement launches educational site to help close life insurance knowledge gap

NEW YORK--(BUSINESS WIRE)-- Seven in ten Americans (70 percent) say life insurance will protect their ability to live a long, financially secure life, according to the AIG Life Insurance IQ Study. And yet roughly half of respondents (51 percent) do not have life insurance or are unsure if they do, leaving themselves and their families vulnerable to considerable financial risks.

"Just as it's important to understand how to build a budget, pay down debt and save for the future, individuals need to recognize life insurance and the protection it provides as critical components of a secure financial plan," said Adam Winslow, Chief Executive Officer of Life Insurance at AIG Life & Retirement. "Yet, an alarming knowledge gap persists when it comes to understanding how life insurance can solve for financial challenges beyond leaving a legacy and taking care of loved ones after you're gone."

Top Findings from AIG Life Insurance IQ Study

The survey uncovered important knowledge gaps and misconceptions about life insurance:

1. People do not understand how much their policy is worth: Even among those with life insurance, 28 percent don't know the value of their own workplace policy, and 25 percent don't know the value of their own individual policy. Similarly, spouses are left in the dark: 42 percent don't know the value of their spouse's workplace policy, and 25 percent don't know the value of their spouse's individual policy.

2. How term life insurance works is not widely known: More than half (54 percent) indicated they did not know whether the death benefit for term life insurance is set at a fixed amount (for example, a \$250,000 policy) and does not change. Nearly all term life insurance purchased in the United States is level term, where the size of the policy stays at a fixed level for the length of the policy.

3. Life insurance is not thought of to address illness concerns: Facing longer life spans, Americans say their top fear is getting diagnosed with a chronic illness (40 percent) versus running out of money as they age (34 percent) or unexpectedly dying young (25 percent). With so much stress about illness, living benefits available in certain life insurance policies could help alleviate the anxiety, yet:

- 88 percent of respondents don't understand the cost implications of a private nursing home room.
- Three-quarters (75 percent) do not know that permanent life insurance can be used to cover long-term care costs. This can be achieved several ways, including accessing the policy's cash value, taking out a policy loan or through a rider, such as a chronic illness rider, that allows a policy owner to access a portion of their death benefit while still living.¹
- Over eight in ten (83 percent) respondents do not know that a chronic illness rider can be used to help cover costs associated with severe cognitive or physical impairments.

4. The full benefits of permanent life insurance are not recognized: While the primary purpose of life insurance is the death benefit, most Americans (92 percent) don't realize the full range of benefits permanent life insurance can offer during their lifetime. Top misunderstandings include:

- Americans fail to recognize key features of permanent life insurance, with few spotting benefits such as withdrawing from the cash value (27 percent), saving for the future (25 percent), taking out a loan (21 percent) and building tax-deferred supplemental retirement income (17 percent).
- Nearly two-thirds (64 percent) are unaware that the cash value of some policies can grow tax-free while protecting against loss. These life insurance policies have what's called a cash value, which are designed to grow at a guaranteed rate of return.

The study also revealed interesting and changing perspectives on how people think about life insurance:

1. People have broadened their view of who needs life insurance: Some misconceptions that used to deter Americans from recognizing the need for life insurance have faded with the times. Now, people say that life insurance isn't only for breadwinners, parents of youngsters or married couples.

- 90 percent believe that stay-at-home parents can benefit from life insurance, and 80 percent believe that the primary earner shouldn't be the only household member with life insurance.
- 88 percent believe that you still may need life insurance after your kids turn 18.
- 78 percent say singles may also benefit from life insurance.

2. Couples say they'd feel abandoned if their partner died uninsured: Looking out for loved ones financially can be felt as an expression of commitment and love. Perhaps this is why more than half of Americans (52 percent) say they would feel abandoned if their partner died without life

insurance.

3. Partners share a similar approach to life insurance: How one half of a couple handles their life insurance can be a good predictor of what their partner does: 83 percent of respondents with life insurance say their partner is covered as well, while 70 percent of respondents without life insurance say their partner also doesn't have a policy.

4. Many want to leave life insurance to man's best friend: While many would use life insurance to protect their children (49 percent) or spouse (47 percent), pets (18 percent) surprisingly took third place on America's priority list, with slightly more looking to leave a legacy to their pets than to their grandchildren, parents, siblings or friends. This is particularly pronounced among younger generations with a third of Gen Z (34 percent) saying they'd want to provide for their pet.

5. That life insurance can help solve financial problems beyond leaving a legacy: Only one in five (21 percent) would be most motivated to buy life insurance to help build a supplemental retirement income stream for themselves or to cover costs related to cognitive or physical decline (23 percent), whereas 45 percent view life insurance as a tool to leave money to their loved ones.

Working with an Advisor Can Boost Life Insurance Know-How

The study also found that Americans who work with a financial advisor are more likely to have a life insurance policy (72 percent), compared to those without an advisor (46 percent). Additionally, those with an advisor demonstrated a better understanding of the details around life insurance:

- **Access to Cash Value:** 73 percent of those with a financial advisor vs. just 56 percent of those without one understand you can take cash withdrawals from some life insurance during your lifetime.
- **Leave a Legacy:** 72 percent of those with a financial advisor vs. 57 percent of their counterparts know you can leave life insurance proceeds to a charity.
- **Stay in the Green:** 56 percent of those with a financial advisor vs. 34 percent of those without one know that the cash value of some life insurance policies can grow tax free while protecting against loss.

Financial advisors still have work to do in explaining several misunderstood concepts, such as the fact that term life insurance does not allow you to build a cash value—a fact that 61 percent of those with an advisor still did not know.

"Life insurance is a valued asset that can help safeguard against difficult scenarios like dying too young, outliving your savings or getting sick along the way—the ones no one wants to think about, but we need to prepare for," added Winslow. "Working with an advisor helps boost Americans' financial confidence and readiness to take on the future."

For educational materials to close the life insurance knowledge gap, visit www.aig.com/LifeIQ.

AIG Life Insurance IQ Study Methodology

This AIG Life Insurance IQ Study was conducted by Morning Consult from December 2-5, 2019, among a national sample of 2,201 adults. The interviews were conducted online, and the data were weighted to approximate a target sample of adults based on age, race/ethnicity, gender, educational attainment and region. Results from the full survey have a margin of error of plus or minus 2 percentage points.

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¹ In order to access accelerated benefits from a chronic illness rider, the insured must first be certified as chronically ill by a licensed health care

practitioner.



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