

Financial Impact of Premature Death

The Value of Adequate Life Insurance
Coverage When Tragedy Strikes

An executive summary
of quantitative
research conducted
by MetLife on the
financial impact of
death on surviving
families, with a
discussion of potential
solutions to the
underinsurance crisis.

Research Methodology

Financial Impact of Premature Death, The Value of Adequate Life Insurance Coverage When Tragedy Strikes is based on survey data compiled August 4–19, 2003. The proprietary survey was fielded by NFO WorldGroup, using 1,000 online survey respondents.

All participants had lost a spouse within a period of 6 months to 5 years prior to the survey, and the deceased spouse was between 30 and 55 years old at the time of death.

Executive Summary

In 2002, MetLife conducted a study of consumers' attitudes and behaviors regarding life insurance. Results revealed that American consumers were greatly underinsured.¹ Furthermore, there continues to be a high number of U.S. households with no life insurance of any kind.

Equally serious were low or inadequate coverage levels among those who do have life insurance: two-thirds of households that have coverage have less than three times their annual household income. For the majority of people, this coverage level is inadequate.

In 2003, MetLife conducted a follow-up study to gauge the financial impact of premature death on surviving families' financial security, and the value of life insurance.

The topics of inquiry were:

- What was the financial impact of the premature death of the spouse?
- What financial adjustments did the family have to make as a result of the death?
- What was the role of life insurance in mitigating the financial impact of the death?
- With the benefit of hindsight, do the survivors feel that their deceased spouses were adequately insured?
- How long did it take a family to recuperate financially from the death?

It was found that the premature death of a spouse caused a "major" or "devastating" financial impact according to most surviving families, and that this was attributable to a lack of adequate life insurance coverage:

- More than half of the surviving spouses who received life insurance proceeds described the amount of coverage as "inadequate."
- On average, it took surviving families four to five years to recover financially from the premature death.
- The vast majority of surviving families had to make significant adjustments to cope with the financial impact of the death.

These results reinforce the value of adequate life insurance in helping to restore surviving families' financial security, enabling them to pay off expenses and handle day-to-day living expenses. Additionally, results demonstrate a need among surviving spouses for professional financial assistance.

The combined results of these two studies indicate that there is a significant gap between perceived adequacy of life insurance coverage levels among American consumers and the true need among beneficiaries when tragedy strikes. Consumers can benefit from increased knowledge, decision-making tools, and additional opportunities to enroll in life insurance to help them purchase adequate amounts of coverage. Additionally, beneficiaries need professional financial assistance to help them make more informed decisions regarding their insurance proceeds.

Headlines

I. Number of Uninsured Continues to Be High Among the U.S. Population	4
II. Coverage Levels Remain Low Among the U.S. Population	5
III. Beneficiaries Perceive Life Insurance Proceeds as Inadequate	6
IV. Inadequate Coverage Has Significant Impact on Surviving Families' Financial Security	7
V. Financial Impact of Death on Surviving Families Is Long-Standing.....	8
VI. Surviving Spouses Must Make Significant Financial Adjustments to Cope with Financial Impact of Death.....	9
VII. Adequate Life Insurance Coverage Helps Surviving Spouses Restore Financial Security.....	10
VIII. Life Insurance Proceeds Used for a Variety of Purposes	11
IX. Many Surviving Spouses Need Professional Financial Assistance	12
X. Despite Need, Many Americans Still Do Not Have Wills.....	13
XI. Conclusions and Recommendations	14

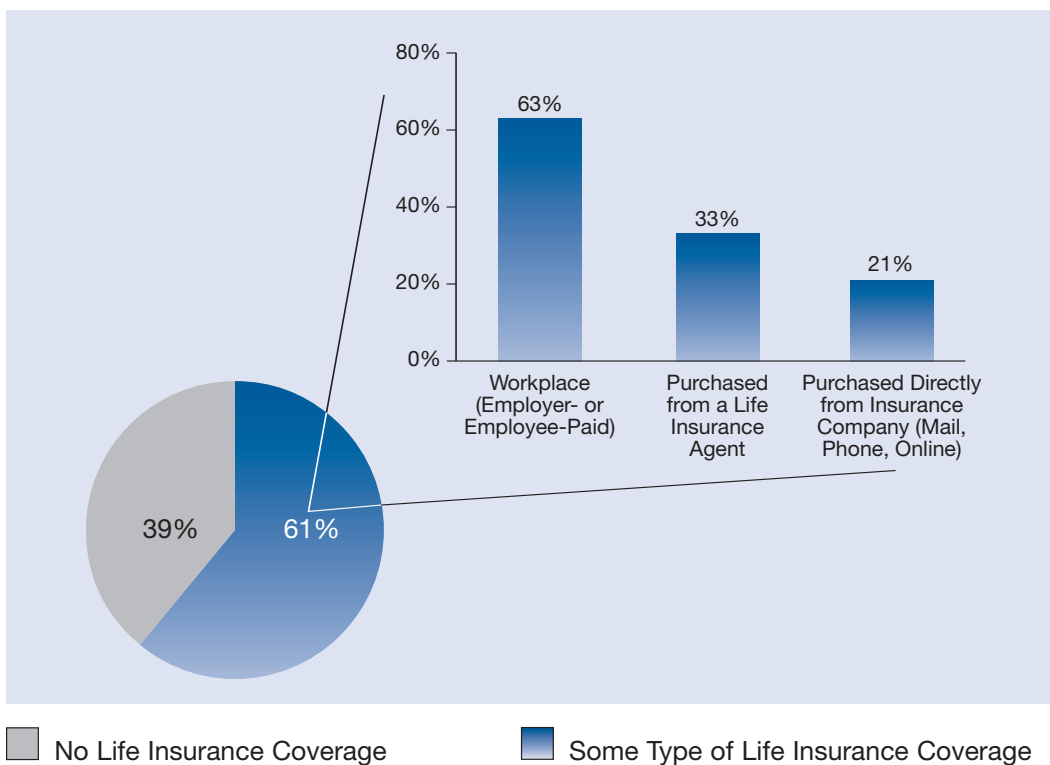
I. Number of Uninsured Continues to Be High Among the U.S. Population

The study found that 39% of prematurely deceased spouses did not have any type of life insurance coverage. This finding is especially disturbing as the deceased were all married, and 40% had children under

age 18. Among those who did have life insurance coverage, the workplace continues to be the leading source for obtaining life insurance coverage.

39% of prematurely deceased spouses did not have any type of life insurance coverage.

Life Insurance Ownership and Sources of Coverage



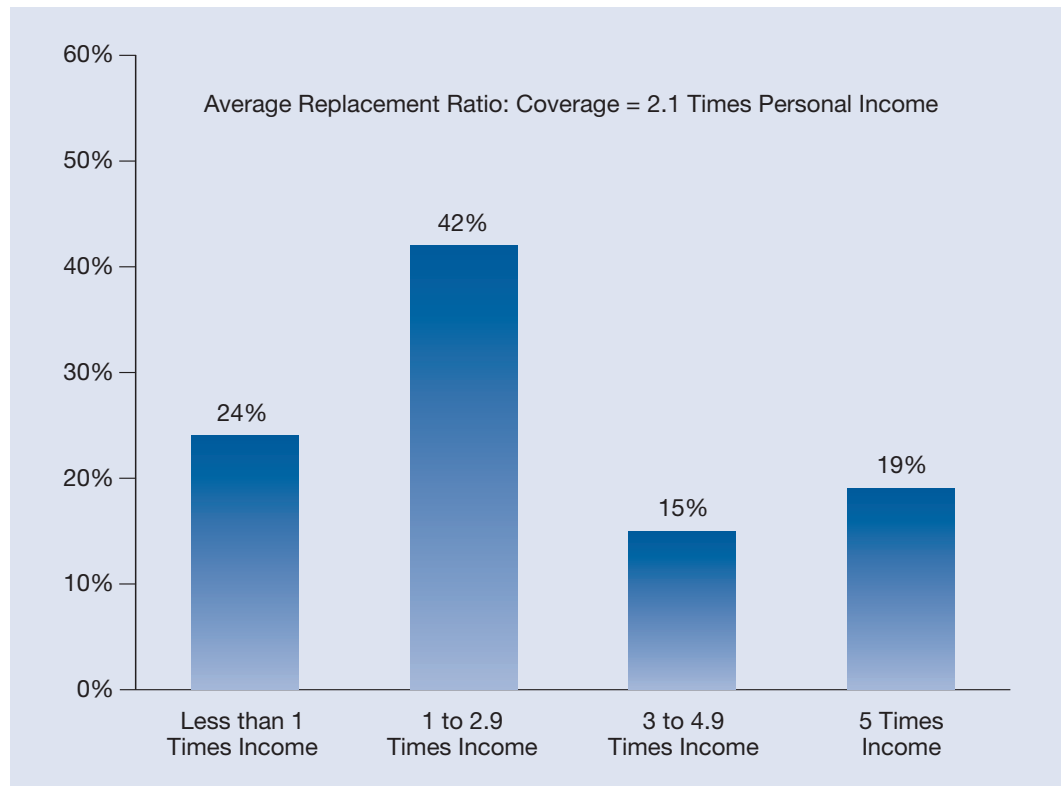
Note: Individual consumers may have obtained coverage from multiple sources. As a result, the total percentage adds up to more than 100%.

II. Coverage Levels Remain Low Among the U.S. Population

While the large number of individuals in the U.S. with no life insurance remains worrisome, it is just one aspect of today's underinsurance problem. Equally serious are low or inadequate coverage levels among those who have life

insurance. For two-thirds of those who *did* have a life insurance policy, the coverage replaced less than three times their personal income. For most surviving families, that is not nearly enough.

Deceased's Life Insurance Coverage Compared to Personal Income



III. Beneficiaries Perceive Life Insurance Proceeds as Inadequate

There is a large gap between perceived adequacy of coverage levels among consumers and their surviving spouses when tragedy strikes.

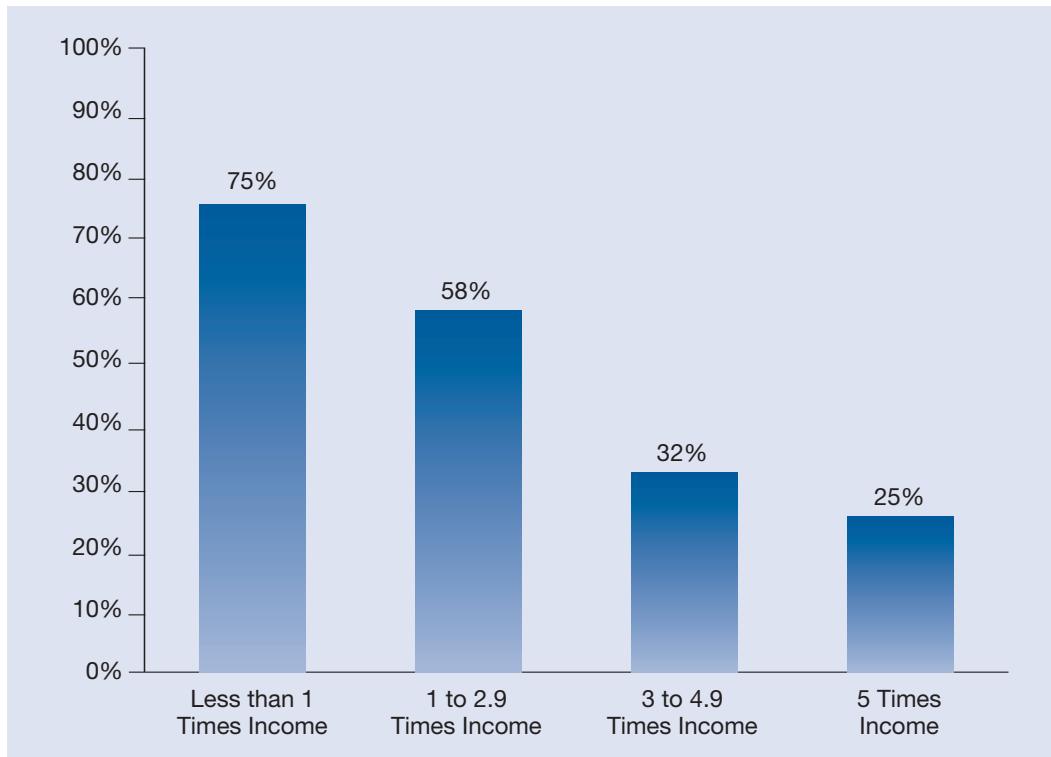
The 2002 study showed that *consumers* believed they had enough life insurance, even with coverage of less than three times their annual household income.² However, this study found that most *beneficiaries* perceive coverage of less than three times personal income to be inadequate. Not surprisingly, the greater the coverage amount of the deceased, the less likely

were beneficiaries to say the proceeds were inadequate.

Specifically:

- More than half (58%) of the beneficiaries who received life insurance proceeds that replaced 1 to 2.9 years' worth of the deceased's income said that this was an inadequate amount of coverage.
- However, only 25% of the beneficiaries who received life insurance proceeds that replaced five or more years' worth of the deceased's income said that this amount was inadequate.

Perceived Inadequacy of Deceased's Life Insurance Coverage

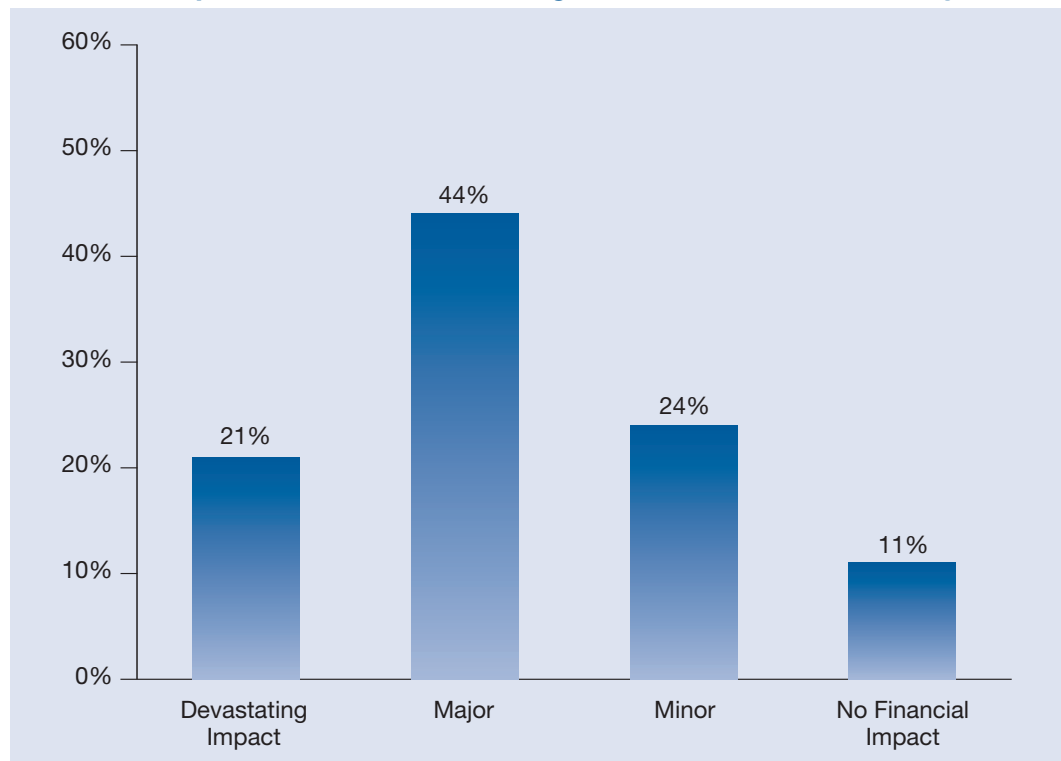


IV. Inadequate Coverage Has Significant Impact on Surviving Families' Financial Security

As a result of deceased's lack of, or inadequate levels of, life insurance coverage, two-thirds of the surviving spouses reported a "devastating" or "major" impact on their families' financial security.

In the words of a surviving spouse: "I had to sell the family home and get a much smaller apartment, as well as go back to work, in order to make ends meet."*

Perceived Impact of Death on Surviving Families' Financial Security



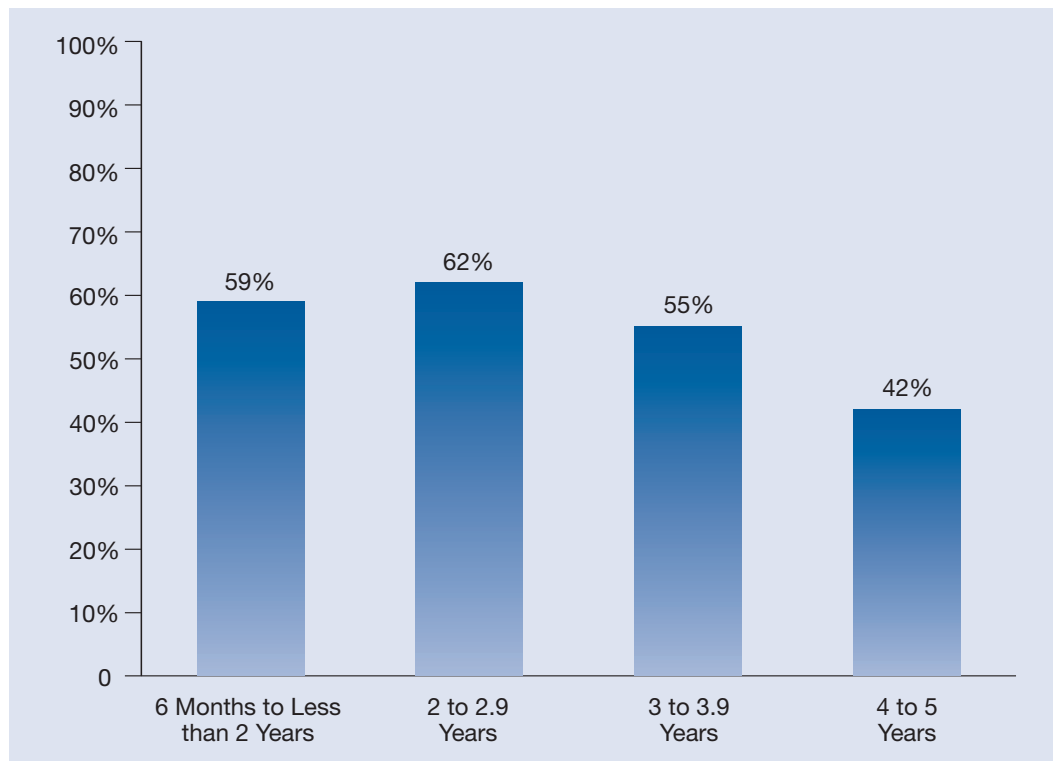
*Survey respondents' identities are kept confidential.

V. Financial Impact of Death on Surviving Families Is Long-Standing

Not only is the financial impact of death significant, but the effects are long-term. It took about four to five years for the majority of surviving families to recuperate from the

financial impact of a premature death. And, even after five years, 42% of surviving spouses described their financial situation as worse than it was before the death.

Surviving Spouses Who Rate Financial Situation as “Worse” Following Death



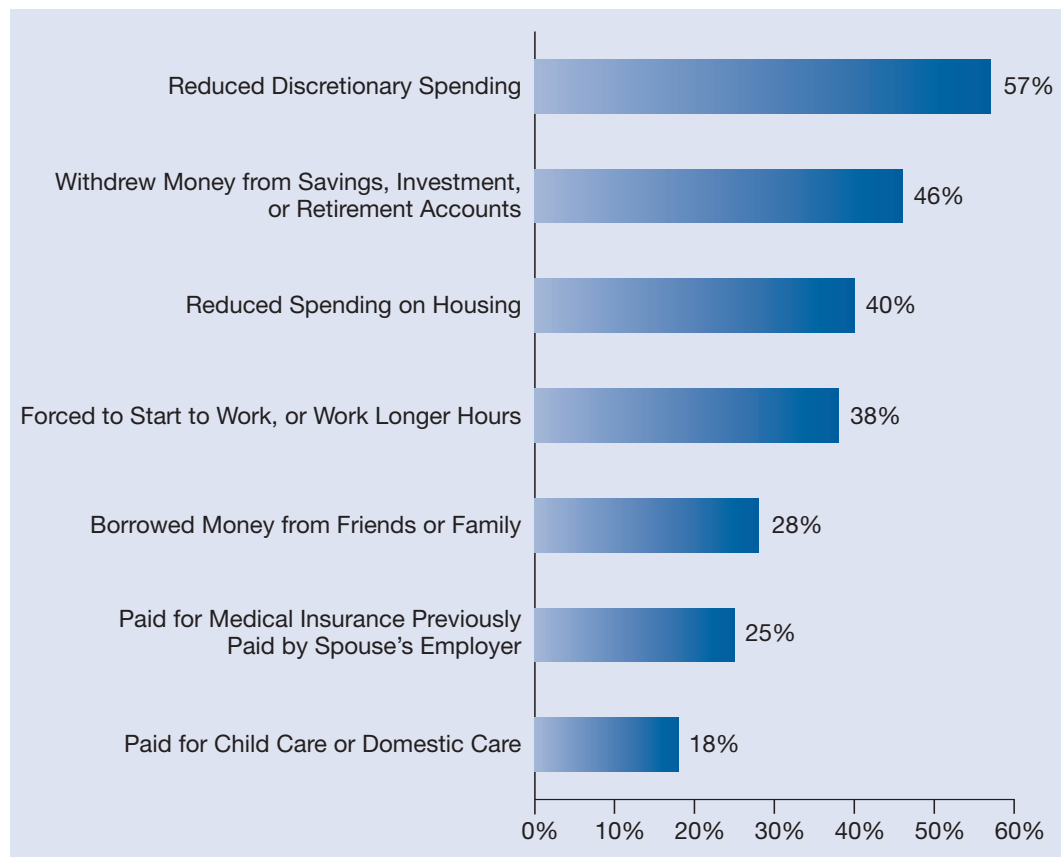
Even after five years, 42% of surviving spouses describe their financial situation as worse than before the death.

VI. Surviving Spouses Must Make Significant Financial Adjustments to Cope with Financial Impact of Death

In order to cope with the financial impact of death, surviving spouses had to make numerous and significant financial adjustments. Not only did surviving spouses reduce their discretionary spending, but many were also forced to withdraw money from savings and investment accounts as well as reduce spending on housing.

Women who were previously stay-at-home mothers were forced to work. Men had to begin to pay for child and domestic care if the deceased spouse stayed at home. Both men and women were forced to work longer hours or take on additional employment to cover their expenses.

Financial Adjustments Following Premature Death of Spouse



Note: Since multiple responses are permitted, total results may exceed 100 percent.

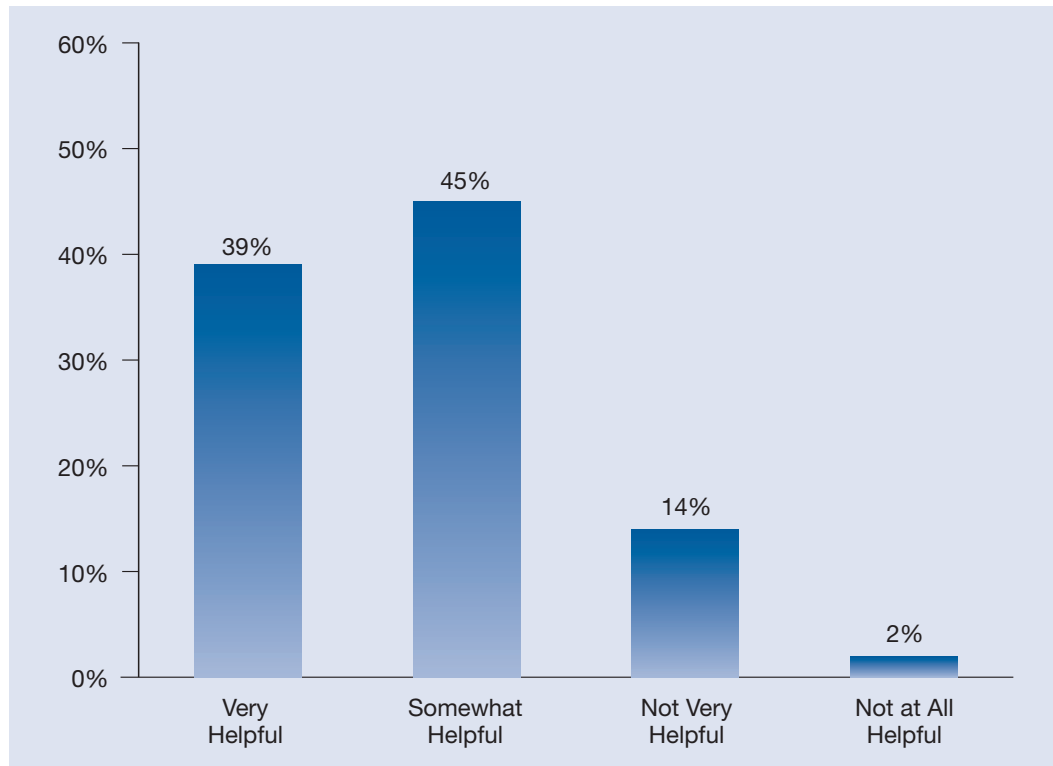
VII. Adequate Life Insurance Coverage Helps Surviving Spouses Restore Financial Security

As noted earlier, 61% of the deceased spouses had some type of life insurance coverage. Not surprisingly, this coverage helped mitigate the financial impact of death on their surviving spouses. However, while 84% of the surviving spouses who received life insurance proceeds described them as “helpful” in restoring their families’ financial security, only 39% described the proceeds as being “very helpful.” If more deceased spouses had purchased adequate amounts of coverage, it is likely

that more beneficiaries would have described the proceeds as being “very helpful.”

A surviving spouse’s comments further illustrate this point: “We live on a budget, but it’s one that I can afford because the house and the cars are now paid for [because of the life insurance proceeds]. I also have funds for the children’s college education.”*

Helpfulness of Life Insurance in Restoring Financial Security



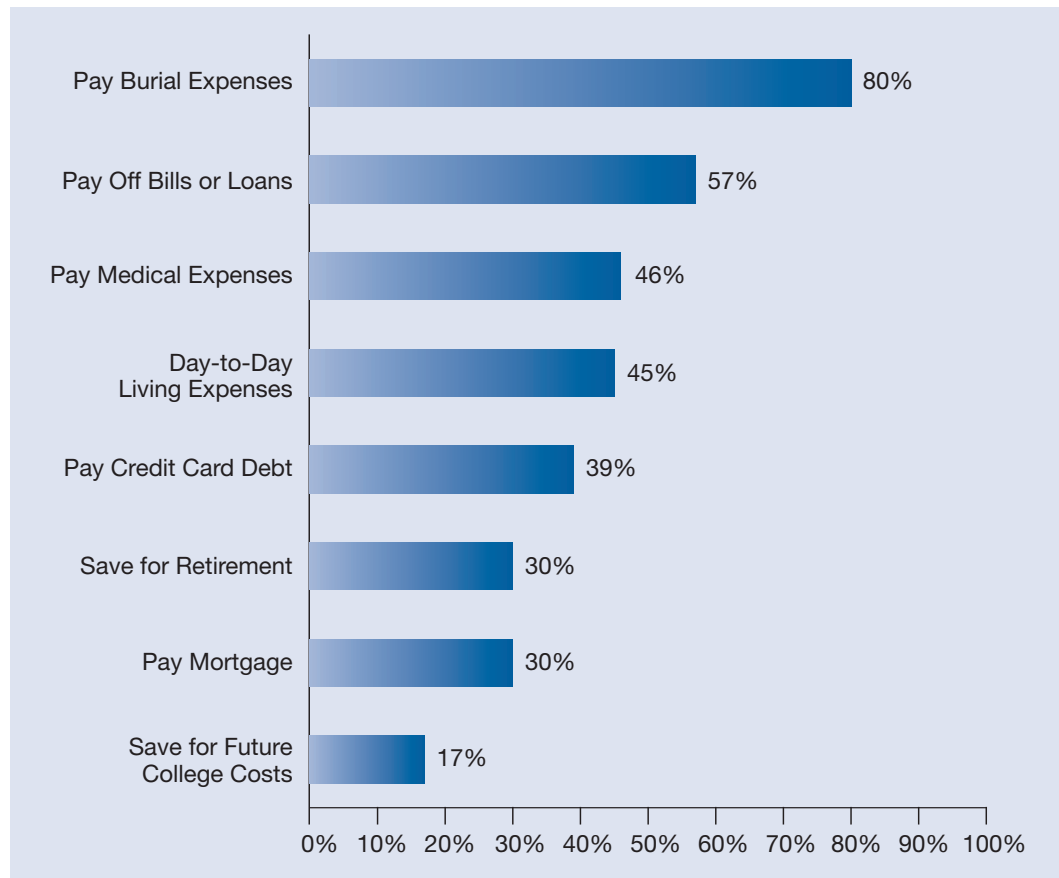
*Survey respondents’ identities are kept confidential.

VIII. Life Insurance Proceeds Used for a Variety of Purposes

Surviving spouses used life insurance proceeds for a variety of purposes, including paying burial expenses, paying off bills or loans, and paying medical expenses. Since about a third of the deceased died after a prolonged illness, surviving families often have significant debts and medical expenses to pay off before they can use proceeds for day-to-day living expenses.

In the words of a beneficiary, “The life insurance policies that we carried on my husband paid off the house and new vehicles. With these debts cleared up, I was able to invest the entire life insurance money from his workplace policy.”*

Surviving Spouses' Usage of Life Insurance Proceeds



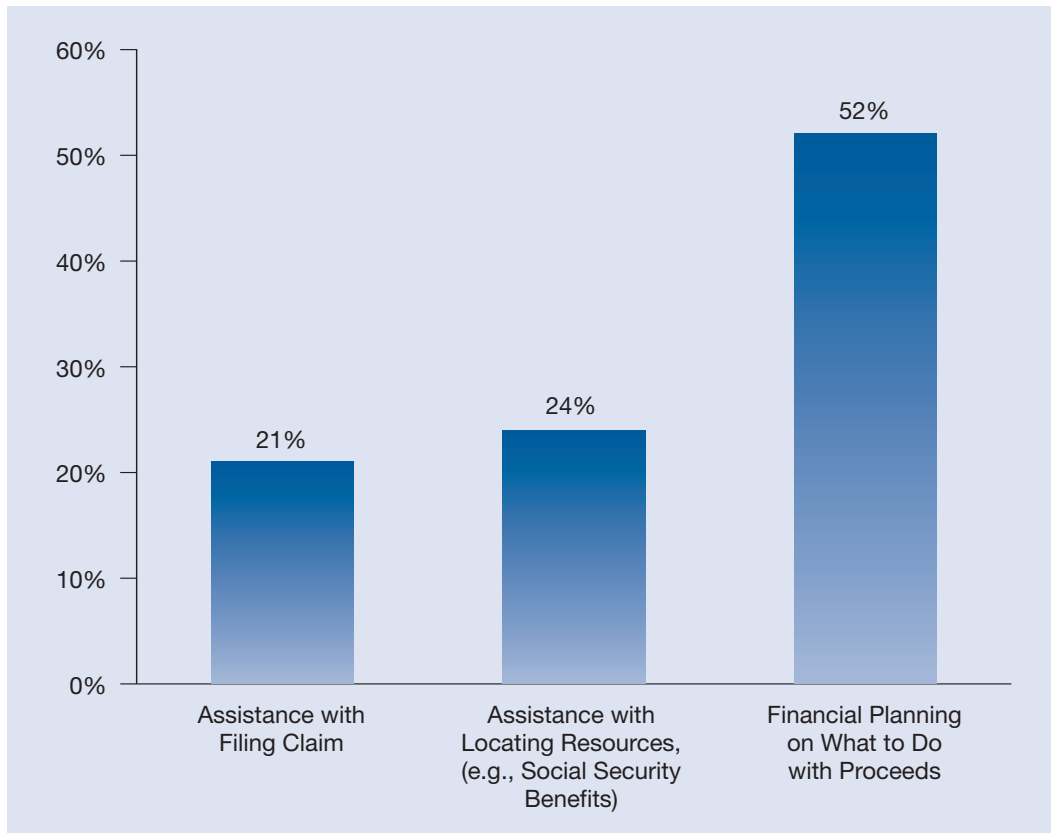
*Survey respondents' identities are kept confidential.

IX. Many Surviving Spouses Need Professional Financial Assistance

In hindsight, more than a third of surviving spouses who had not received assistance from a financial professional would have

wanted such assistance, especially for financial planning.

Types of Assistance Desired by Surviving Spouses Who Would Have Wanted Assistance from a Financial Professional



Note: The remaining 3% indicated that they would have wanted some “other” type of assistance.

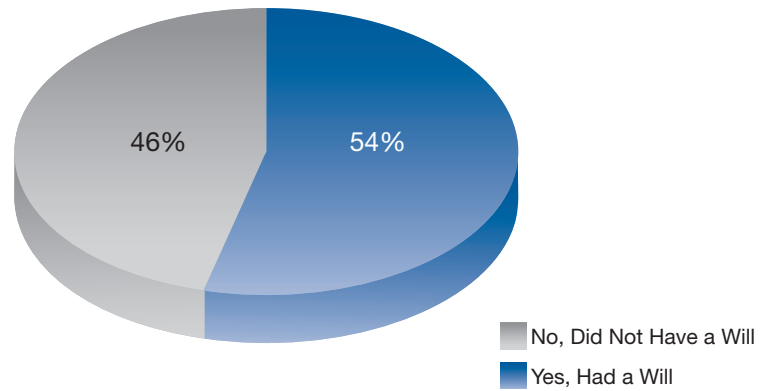
52% would have wanted assistance for financial planning on what to do with life insurance proceeds.

X. Despite Need, Many Americans Still Do Not Have Wills

The 2002 study found an increase in insurance-related awareness and action among the general population, which was attributed to the events of 9/11/01.³ However, a year later, this study found that

the number of consumers who do not have wills remains high. In fact, even after the recent loss of a spouse, nearly half of the surviving spouses still don't have a will.

Percent of Deceased Spouses with Wills



XI. Conclusions and Recommendations

As the leading provider of Group Life Insurance in the United States,⁴ MetLife can provide useful insights to companies looking for recommendations and indicated actions that can help ensure their employees get the most out of their life insurance coverage.

Since the workplace continues to be the primary channel for life insurance purchases,⁵ there is a tremendous opportunity for companies to help close the gap between perceived and actual life insurance coverage needs, simply by focusing on increasing employee participation in companies' life insurance programs.

For example, consider these suggestions:

- Provide employees access to decision-making tools to help determine what amount of coverage is right for them. Research shows that employees do not know how to determine the right amount of life insurance coverage, and have clearly expressed a need for such interactive decision-making tools.⁶ Encourage employees to purchase supplemental life insurance coverage if their personal assessments indicate that they need more than they currently have.
- Educate employees about the reasons they should purchase life insurance and evaluate their coverage options. Many employees do not understand the need for life insurance, or the impact of life events on their insurance needs.
- Encourage employees to do regular personal assessments as their life insurance needs change and as they go through the normal stages of life — e.g., get married, have children, or purchase a home.
- Consider proactively prompting employees to complete new life insurance assessments and update beneficiary information when notified of a change in family status.
- Conduct life insurance enrollments outside the traditional general benefit enrollment period. Many employers offer employees additional enrollment opportunities so employees may act while this benefit is on top of their mind.
- Provide employees access to professional financial assistance and Will Preparation services,* which may be offered with your Group Life Insurance benefit. Many beneficiaries have expressed a need for assistance with financial planning, and as many as 65% of full-time employees in the U.S. do not have a will.⁷

1. MetLife, Life Insurance, Consumer Attitudes and Ownership Study, 2002. "Underinsured" is defined as having insurance coverage equal to or less than three years of household income.

2. *Ibid.*

3. *Ibid.*

4. Based on inforce premiums. Group Life Share results, AM Best, Vol. 2005 #7

5. MetLife, Life Insurance, Consumer Attitudes and Ownership Study, 2002.

6. MetLife, Group Life Insurance Enrollment and Communications, 2002.

7. *USA Today* Snapshots, September 10, 2001.

* Will Preparation is offered by Hyatt Legal Plans, Inc., Cleveland, Ohio. In certain states legal services benefits are provided through Insurance coverage underwritten by Metropolitan Property and Casualty Insurance Company and Affiliates, Warwick, Rhode Island. Availability is subject to regulatory approval. Not available in all states. Will Preparation is currently not available to Texas residents.

have you met life today?®

MetLife®

Metropolitan Life Insurance Company
200 Park Avenue
New York, NY 10166
www.metlife.com

1900029377(0106) 0512-9761
© 2006 METLIFE, INC. L0512KNW9(exp0107)MLIC-LD