

# The LifeJacket<sup>SM</sup> Study

7 Key Insights to Help Close the Coverage Gap



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# The LifeJacket<sup>SM</sup> Study

## Introduction

Over 42% of Main Street Americans do not have life insurance. That represents 52 million American adults with household incomes between \$50,000 and \$250,000 who do not have life insurance. Even for those who do own life insurance, 40% recognize that they need more. This is likely due to the fact that the average Main Street American only has enough life insurance to cover 3.6 years of income.<sup>1</sup> In fact, a majority of these consumers do not believe they have enough life insurance to meet their families' long-term needs. This is probably true, considering that the average amount of coverage is \$155,000.

At Genworth, we believe that these statistics indicate a crisis that will require new thinking in order to address the problem. It will require us as financial professionals to have a deeper understanding of our clients, to ask new, more insightful questions, and to break down the barriers that keep families from being adequately covered. Genworth is dedicated to this important cause through an effort called LifeJacket. On the following pages, we share seven key insights that we've uncovered in research conducted over the last year through a partnership with Dr. Gregory Fairchild and the University of Virginia. This study does not represent the end of our efforts; in fact, it is merely the beginning of a long-term commitment to helping financial professionals close the life insurance coverage gap, one client at a time.

<sup>1</sup> 2010 U.S. Life Insurance Study, LIMRA

To protect their privacy, all beneficiary names have been changed.

# 7 Key Insights Revealed

## 1. New Thinking on “Trigger” Events

New research shows that past assumptions about “trigger events” such as marriage or the birth of a child may have been incorrect.

## 2. Just One Hour a Year

Some surprising findings reveal what consumers want in checkups vs. what they’re actually getting, and how that impacts the client-advisor relationship.

## 3. Stuck in the Past

One-third of policyholders today purchased their insurance over 10 years ago. Their lives have changed, even if their policy hasn’t.

## 4. Old Rules of Thumb Are Dead

Consumers don’t see their insurance needs as “a multiple of X.” They want a personalized view of their life insurance needs.

## 5. The Need for Needs Analysis

Consumers are highly receptive to online tools that help them understand their specific needs. These tools can make life insurance more personal.

## 6. Life Insurance is a Journey, Not a Transaction

Life insurance is something that can be obtained in increments as needs evolve. Even small increases in coverage over time can mean the difference between financial independence and financial hardship.

## 7. Beneficiaries: The Real-Life Insurance Experts

Learn how their experience can help others and why the work you do is so important.



# New Thinking on “Trigger” Events

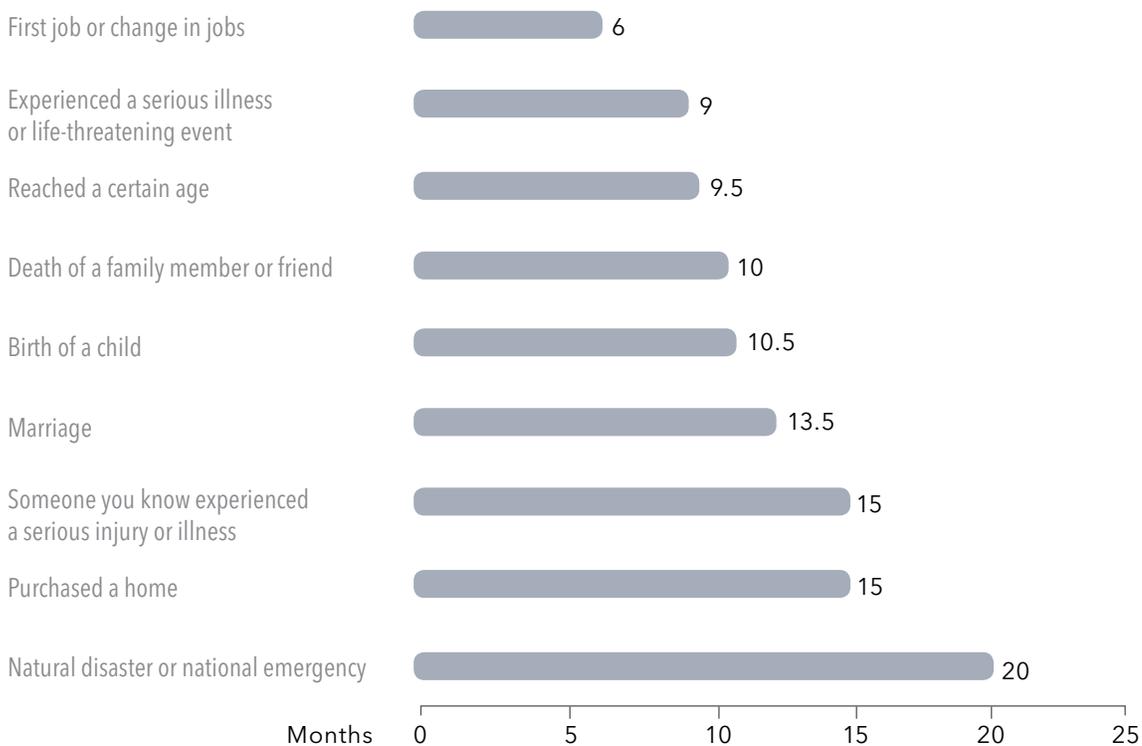
It has long been recognized in the insurance industry that, for many consumers, key life transitions are important periods for reevaluation and reflection. These often-memorable events include:

- a new job
- the birth of a child
- a home purchase
- a change in marital status
- the loss of a loved one

These and other life events create elevated responsibility and an increased level of anxiety. One prevailing hypothesis is that individuals undergoing such transitions seek immediate resolution and relief by investigating and purchasing financial products.

However, our research has revealed that the time from trigger event to actual purchase varies widely, depending on the event. For example, after buying a new home, the average consumer will wait 15 months before purchasing life insurance. For a new job, the duration may be as short as six months.

## Average Time from Trigger Event to Life Insurance Purchase (Months)



Women ranked the birth of a child as most likely to be their number-one influence in an insurance purchase (followed by job changes, marriage and reaching a personally significant age). The order of influence for men was strikingly different, with marriage first, followed by reaching a significant age, job change and, finally, the birth of a child.

It is also important to note that even though these transitions were key influences on the desire to initiate a life insurance purchase, opportunities for reevaluation of an individual consumer's needs should not be limited to these few infrequent occasions.

### Trigger Events Vary By Gender

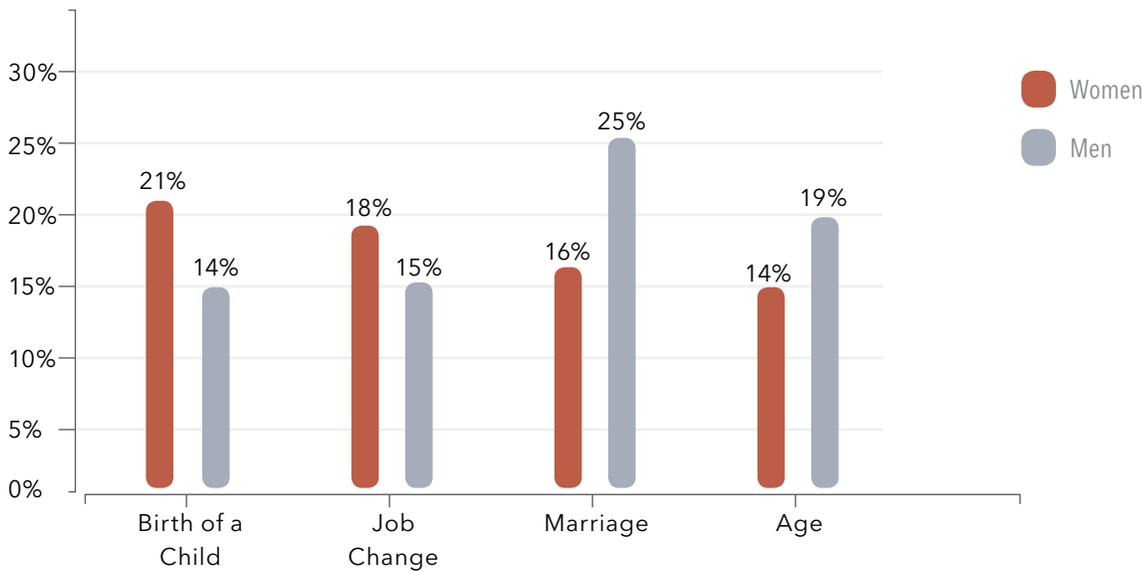
A key finding is that the perception of important trigger events varies by gender.



- 1. Birth of a child
- 2. Job changes
- 3. Marriage
- 4. Reached certain age



- 1. Marriage
- 2. Reached certain age
- 3. Job changes
- 4. Birth of a child



**Key Takeaway:** Timing is everything in life, and in life insurance. The review process can uncover what has changed in your clients' lives and can be a starting point to discuss how their life insurance needs may have changed, as well.





"I would tell them that it's vital to have (life insurance), no matter what age. Do your research, keep an open mind and talk to a professional."

—Steve M.

"We thought we could sell our HVAC business when my husband died, but I couldn't. All I had was the money from the claim to take care of myself and my grandson."

—Linda T.

"I needed to take care of my future, and then I could move on. Now I feel safe and secure financially, which is important when you don't feel secure emotionally."

—Kari B.

"I didn't know where to begin.  
No one ever tells you where to begin."

—Rebecca S.

# Just One Hour a Year

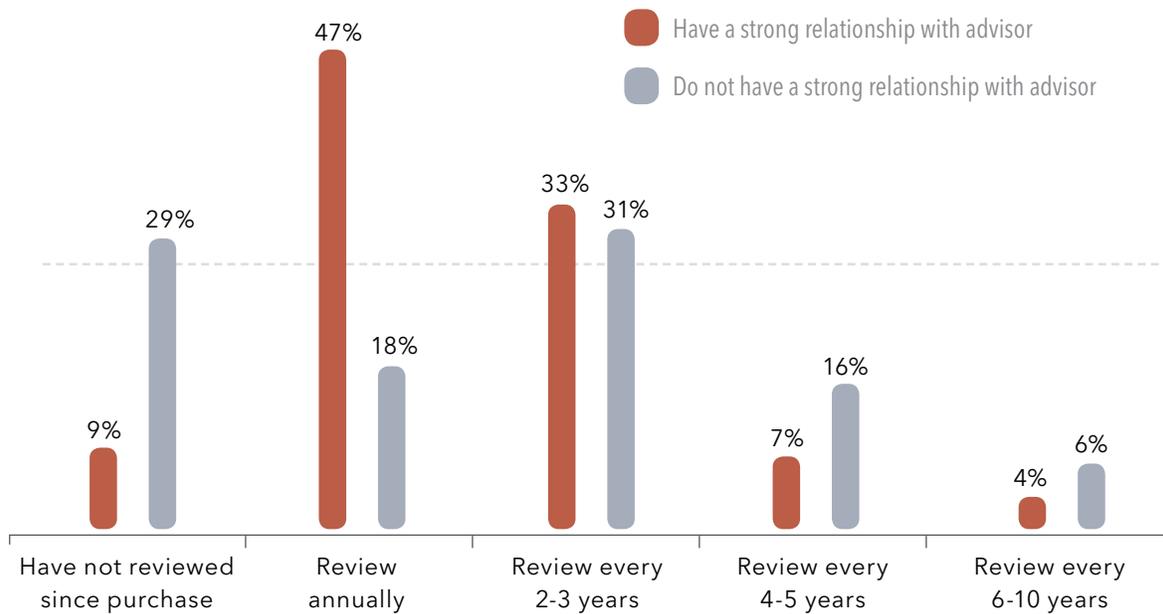
60% of respondents who own life insurance said they wanted to meet with their advisor at least once a year.

77% of respondents indicated that they would like to spend an hour or less in their annual review.

Over 60% of those who currently own life insurance said they wanted to meet with their advisor at least once a year. However, of those who desire that frequency of contact with their advisor, only 38% are actually receiving it. This disconnect can be damaging to the client-advisor relationship. The chart below illustrates how those who are receiving at least an annual life insurance review are significantly more likely to feel they have a strong relationship with their advisor. Those who engage in an annual check-in also have the highest level of trust in their advisor.

People want an annual check-in, but they want that check-in to be fast and efficient. Seventy-seven percent of respondents indicated that they want to spend an hour or less performing an annual life insurance review. For advisors, this is a chance to discuss life events that may have occurred over the past year and to perform a simple needs analysis calculation. Later in the research we will outline how annual check-ins are key to helping consumers see life insurance not as a transaction, but as a journey (see Life Insurance is a Journey, Not a Transaction).

## Relationship with Advisor by Frequency of Life Insurance Review



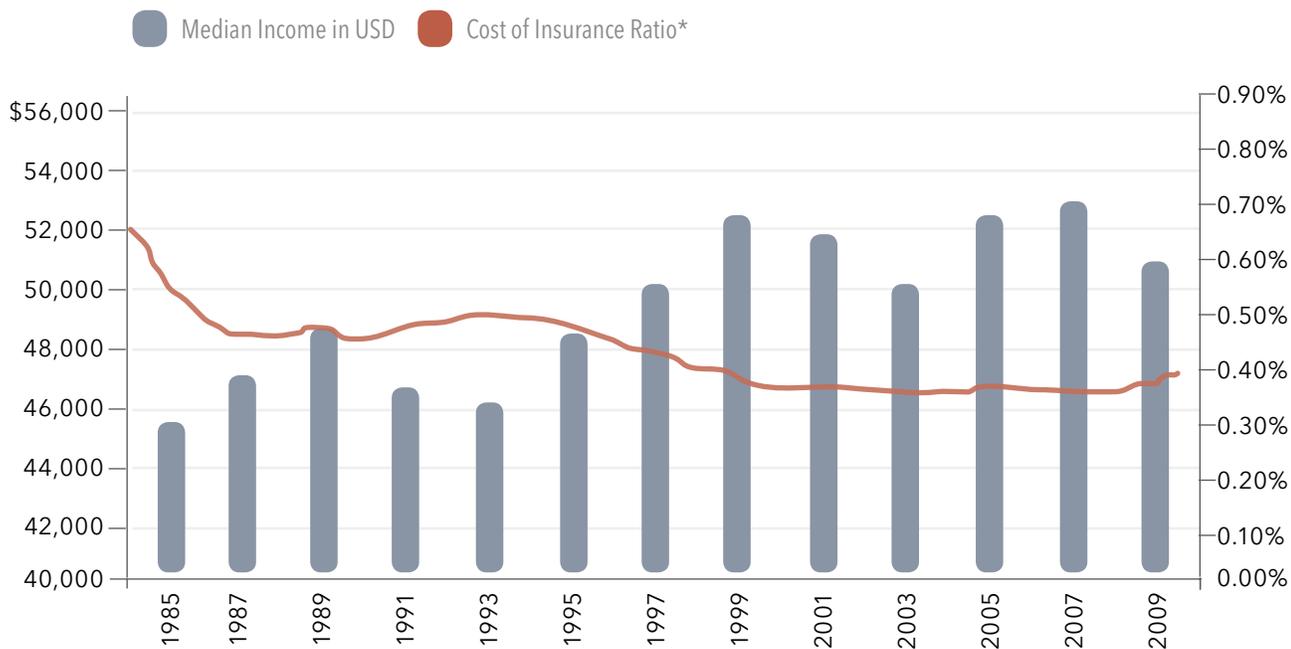
**Key Takeaway:** Clients want an annual life insurance review, and those who receive one report having a stronger relationship with, and more trust in, their advisor. It doesn't have to be elaborate – just one hour a year can have a big impact.

## Stuck in the Past

One issue facing the industry is that, of those who own life insurance today, one-third purchased their policies over 10 years ago. This implies that there is a large population of consumers whose life insurance needs have changed dramatically since purchasing their policies and there may be advantages to replacing or supplementing them. For those who say they will be replacing or supplementing their older policies in the

next few years, 30% say they fear high costs, despite the fact that life insurance is cheaper than ever (see chart), while 27% perceive the process of getting life insurance as too complicated or difficult to initiate. Advisors can play a key role in educating this population on the significant improvements in the life insurance industry over the last decade in areas such as product features, application process, underwriting, and costs.

### Relative Costs of Insurance Versus Median Household Income



\*Ratio of average premium prices for \$100,000 of coverage in a given year against the median household income in that year.

Many of these individuals may already have a relationship with a financial professional, and a simple needs analysis could uncover gaps in their coverage, as their needs have likely changed over time. Those who are ready to replace or supplement their policies in the near future would benefit greatly from the guidance of an advisor who could help them find both the appropriate amount of coverage based on their current needs as well as the right product for them.

**Key Takeaway:** Take a look at your current client base to identify those with older policies.

A simple conversation and a quick needs analysis can uncover unforeseen gaps in their coverage.



"When I got married and began to have children, that focus changed. Now I had other people I needed to worry about.

And as the kids got a little bit older, I began to realize, college isn't too far away. I'd better make sure I buy life insurance, in the event something happens to me."

–John T.

"The first six months were really hard. I had to learn all this stuff that my husband took care of. Having the insurance money helped me focus on moving forward."

–Pam N.

"Because of the life insurance, I did not have to go back to work if I did not want to."

–Pat F.

"When my mother died, there was no life insurance. I am scrambling to pay unanticipated legal bills to settle her estate and piles of medical bills. I also did not anticipate the thousands of dollars for the funeral..."

–Alex E.

# Old Rules of Thumb Are Dead

There are several measures commonly used in the life insurance industry as yardsticks to determine the amount of coverage an individual or family should have – for instance, a common formula is 7 times one’s annual income.\* In the past, these rules of thumb were used to simplify the life insurance conversation to quickly estimate the amount of coverage. However, with the greater availability of simple online life insurance calculators, a more accurate analysis can be performed in a matter of seconds. One risk of applying only a generic multiple to a person’s income is that an advisor could potentially overestimate or underestimate the appropriate amount of coverage.

**Key Takeaway:** There is a considerable difference in the needs of your clients, and simple needs analysis tools can be quick, easy, and far more accurate than a multiple of income.

\*Closing the Coverage Gap, Driving Growth Through a Renewed Focus on Risk, 2007 Corporate Executive Board



# The Need for Needs Analysis

**88%** of consumers responded that an online calculator would be helpful in the purchase process.

**77%** of consumers say they've never used one to determine their life insurance needs.

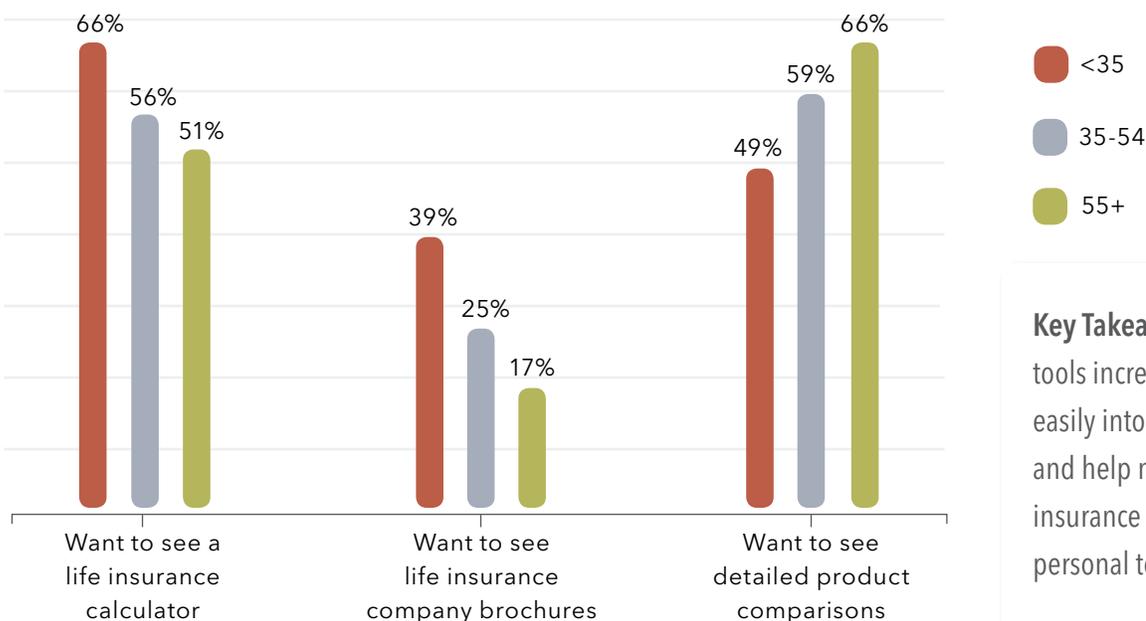
Although online life insurance calculators have been around for two decades, 77% of consumers say they've never used one to determine their life insurance needs. However, when shown Genworth Financial's Online Life Insurance Calculator, 88% responded that it would be helpful to them during the purchase process.

In fact, the majority of consumers wanted to see a calculator displaying an amount of insurance based on their individual situation during the actual purchase process. Advisors who are not using some form of needs analysis calculator with their clients are missing an opportunity to dynamically illustrate the important elements that make up adequate coverage, such as income replacement, debt payment, future college costs, etc., and truly personalize the life insurance policy.

Recent research from LIMRA also indicates that customers who go through a needs analysis are significantly more likely to purchase life insurance. Of those who performed a life insurance needs analysis, 73% went on to purchase a policy versus just 49% of those who had shopped for life insurance but never performed a needs analysis.\*

When looking at age, younger consumers expressed greater interest in using online calculators while older consumers had greater interest in product comparisons (see chart). It's important to note that different age demographics have different informational needs. Younger consumers, being more sensitive to the price of coverage, have a greater desire to understand how much coverage is needed, while older groups are more interested in the form and features of various policies.

## Informational Needs Vary by Age



**Key Takeaway:** Needs analysis tools increase credibility, fit easily into an annual review and help make the life insurance policy feel more personal to your client.

\*Source: LIMRA, Life Insurance Buyers/Non-Buyers Study 2011

# Life Insurance is a Journey, Not a Transaction

Those with inadequate life insurance may well leave their families in a negative financial situation, burdened with debt, bills, estate costs and daily expenses that could have been alleviated by the appropriate amount of insurance. However, for many, the costs associated with purchasing a sum of life insurance large enough to cover all of their families' long term needs is unrealistic in their current budget. For too many consumers, buying enough life insurance becomes an "all or nothing" proposition, when, in fact, advisors can help their clients understand that having some is better than having none. A reasonable preliminary goal of life insurance is to at least get your client's surviving

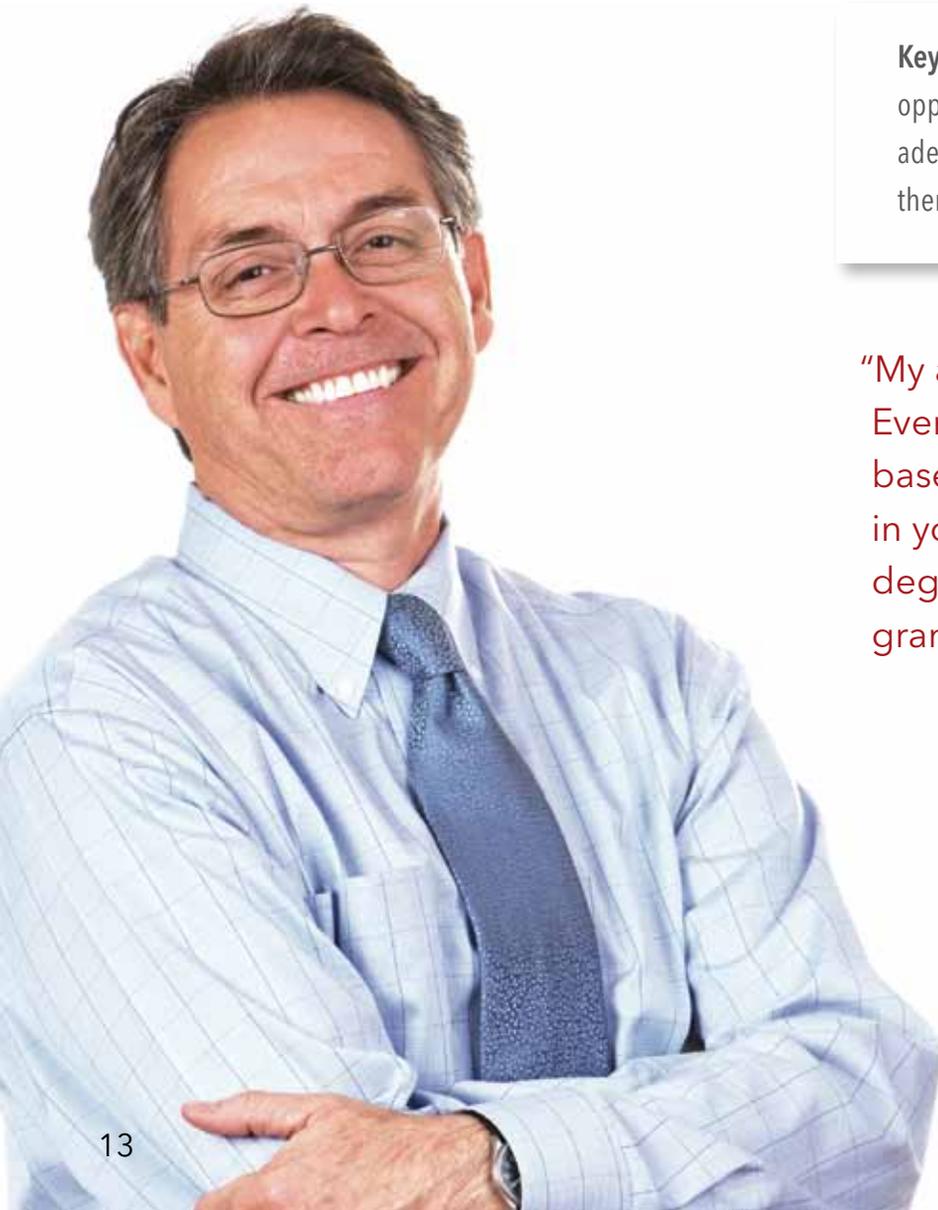
family members to a financially neutral position upon your client's death, i.e., "getting to neutral," a place that protects them from the burdens of immediate debt.

The most satisfactory coverage, of course, would provide enough assets to essentially "get them to positive." However, for many Main Street Americans, getting to positive requires that life insurance be treated not as a transaction, but as a journey from "some coverage" to "enough coverage" over time. That is why the role of an advisor, especially one who reviews clients' life insurance needs on an annual basis, is so valuable to this journey.

**Key Takeaway:** As an advisor, you have a unique opportunity to be a guide. Getting your clients adequately covered is the ultimate goal. Getting them there can take time.

"My agent stayed in touch with me. Every couple of years he would touch base with me, call. 'Anything changing in your household?' Even to the degree of asking about coverage for grandchildren later on."

—Ryan H.



# Beneficiaries: The Real-Life Insurance Experts

“Even though we thought our coverage amount (100K) was sufficient, I was unable to do all I had expected to do with the money.”  
—Jerry D.

**40%** of married households are uninsured.

**69%** of single adults with children are uninsured.

**66%** of single women with an income of \$250K+ per year are uninsured.

Throughout this report are collected quotes from actual insurance beneficiaries,\* those with the unique perspective of having personally experienced the tangible, real-world impact of life insurance benefits. Their words and memories provide an opportunity to get behind the numbers, to learn how insurance coverage has influenced financial conditions for these families after the death of a primary wage earner. In our research, we were able to probe for often-unexpressed impressions, including the benefits and services these beneficiaries valued, as well as the things they wished they had known about prior to the death in the family.

As you have read, many express great relief that their family tragedy was followed by having the financial building blocks needed to move forward. These resources allowed survivors to carry on with goals and aspirations, despite their financial and emotional stress.

Others found they had unexpected additional debts and expenses to settle. Some described a desire to have known more about the policies that were meant to help support them: the size of potential benefits and relation to their financial health, the costs associated with interring the deceased and settling their financial affairs, and the details associated with making and completing their claims.

When asked how much additional coverage they felt would have “gotten them to positive,” they expressed on the average that it would have taken more than two times what they had actually received in order for them to have maintained their previous standard of living. These are regrets and unfortunate “surprises” that might have been avoided with an open and sustained relationship with a financial advisor.

Here, then, is the real-world evidence of the impact of life insurance.

\*To protect their privacy, all beneficiary names have been changed.

**Key Takeaway:** A majority of families have either no life insurance or not enough. The good news is you can help your clients get the coverage they need. Use the pull out in the back of this brochure to help clients create a plan to help secure their financial futures.

# Methodology

Over the course of 2010 and 2011, Genworth and Dr. Gregory Fairchild of the University of Virginia’s Darden School of Business conducted a wide variety of quantitative and qualitative research studies. These studies were employed using various third-party research firms and several different respondent bases in order to help answer the key research question of, “Why are so many Americans uninsured or underinsured today?”

In seeking these answers, Genworth’s customer insights team either interviewed participants or worked with outside research firms to develop, launch and interpret results for the following studies:

	Date	Methodology Employed	Study Name	Number of Participants	Research Firm
<b>2010</b>	Summer	Qualitative-Interviews (telephone )	Genworth Beneficiary Study	25	Genworth Customer Insights Group
		Qualitative-Interviews (in person)	Producer In-Depth Interview Study	9	Shugoll Research
	Fall	Quantitative-Online	National Beneficiary Study	400	Directive Analytics
<b>2011</b>	Winter	Qualitative-Focus Groups (in person)	Consumer and Producer Life Insurance Attitude Study	29	Martin Research
		Qualitative-Focus Groups (in person)	Producer Life Insurance Attitude Study	15	Martin Research
		Qualitative-Focus Groups (in person)	Consumer and Producer Life Insurance Attitude Study	30	SIRS
		Qualitative-Focus Groups (in person)	Producer Life Insurance Attitude Study	13	SIRS
		Quantitative-Telephone, Mail and Online	LifeJacket Uninsured Study	23,000	Ruf Strategic Solutions
	Spring	Qualitative-Focus Groups (online)	Life Insurance Consumer Conversations Study	83	Prince Market Research
		Qualitative-Focus Groups (online)	Life Insurance Producer Conversations Study	36	Prince Market Research
	Summer	Quantitative-Telephone	National Consumer Poll	1,009	CARAVAN, a Service of ORC International
		Quantitative-Online	National Consumer Poll	1,036	MarketTools/ Zoom Panel



## Letter from Dr. Fairchild

The financial well-being of the average American household has been challenged in recent years. With a seemingly constant tide of negative, perplexing or unpredictable economic news, clearly some families are retreating, deciding to wait things out and let the spell of “bad weather” pass.

Our research provides new findings that show pockets of promise and opportunity – households prepared to actively pursue financial planning in difficult times. Those households expressed a confidence in that planning, exhibited a desire to be responsible to those who rely on them, and saw a role for life insurance in securing their families’ futures.

In this study, we focus on that Main Street knowledge of and desire for life insurance. This group represents 70% of U.S. households with \$50,000-250,000 in annual income. Past research has found these households to have a wide and diverse range of current and future financial needs, as well as a desire to build a comprehensive suite of products in their financial plans – the resources that will allow them to carry on with valued goals and aspirations, even (or especially) in the face of difficult economic times, unexpected burdens or tragic loss.

The findings in this guide – extracted and condensed from a telephone, online and email study of more than 26,000 adults across the U.S. – provide the fruits of an effort to untangle the role and importance of life insurance for the majority of American consumers.



Yours,

Gregory B. Fairchild

Associate Professor

Darden School of Business, University of Virginia



# It's Easier Than You Think

Getting life insurance can be as easy as taking these three simple steps:

1. Calculate your life insurance needs.
2. Discuss your needs with a financial advisor.
3. Repeat steps one and two annually.

Genworth has introduced new tools to help you understand the risks associated with not having life insurance as well as how affordable it can be.

- **Life Insurance Calculator**

Genworth has created an innovative and simple way to help you think about your individual life insurance needs. Answer 6 questions about what you want life insurance to cover and see an estimated cost for that coverage.

- **Budget Calculator**

Genworth's interactive online budget calculator helps demonstrate how small changes, such as bringing a lunch to work once a week, can expand your life insurance budget significantly.

To use the tools, please visit the following link:  
[genworth.com/lets-talklife](http://genworth.com/lets-talklife)



"I didn't know where to begin.  
 No one ever tells you where to begin."  
 – Rebecca S.



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 download the app, and scan  
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# 7 Things to Consider

Taking stock of what matters and what we've achieved in our lives is a great way to get started in one of life's most important subjects. Here are some insights to consider as you explore your options:

## ▶ Everyone's Situation is Unique

Key life events, like buying a house or having a baby, have historically prompted people to contact a financial professional. But any event in your life, like starting a new job or reaching a certain age, can cause you to revisit your coverage to make sure your life insurance still meets your needs.

## ▶ Rules of Thumb Have Changed

Simple formulas, like multiplying your annual salary by five or ten, were commonly used in the past to get a quick estimate of how much coverage you should have. That method can lead you to over – or underestimate your needed amount.

## ▶ Do the Math

Life insurance calculators can give you a more specific assessment of your individual needs. Visit [genworth.com/lets-talklife](http://genworth.com/lets-talklife) to easily determine your coverage needs.

## ▶ Got Benefits?

Employer-provided life insurance is better than nothing, but odds are the coverage may not be enough to cover everything you need. And if you leave your job, your policy may not be portable.

## ▶ Start Out Small if You Need to

Life insurance doesn't have to be an all-or-nothing product. Having some coverage is better than having none. You can step up coverage over time, as your budget allows, or as your coverage needs evolve.

## ▶ Get an Annual Check Up

Consider how your life has changed in the past year. Did you buy a new house or make a major purchase that added to your family's financial obligations? Or did your marital situation change?

## ▶ Experience is the Greatest Teacher

Statistics and facts prove that people need life insurance. But stories from people who have "been there" are often the best way to understand the need for coverage.



"I needed to take care of my future and then I could move on. Now I feel safe and secure financially, which is important when you don't feel secure emotionally."

– Kari B.

# A List to Get You Going

Some people can quickly identify what funds will be needed to cover obligations and other expenses once someone passes away. Some will have a tougher time. Have a look at these general areas and see what might apply to your situation, then go to our life insurance calculator ([genworth.com/lets-talklife](http://genworth.com/lets-talklife)) to get a realistic estimate for the amount and cost of coverage you may need. This list can help you have a better conversation about your protection needs.

## 1 HOUSING

- Mortgage Payment or Rent
- Utilities
- Home Maintenance
- Yard Maintenance
- Insurance
- Homeowners Association Fees
- Property Taxes
- Relocation Expenses

## 2 FAMILY

- Childcare
- Household Help
- School Supplies & Fees
- Health Insurance
- Entertainment
- Lessons
- Sports and Other Activities
- Clubs
- Family Members Who May Need Lifelong Support
- Obligations to a Former Spouse and/or Children

## 3 TRANSPORTATION

- Auto Maintenance
- Periodic Replacement of Vehicle
- Car(s) for Others
- Auto Insurance

## 4 LIFE

- Groceries
- Clothing
- Vacations and Travel
- Second Home
- Birthday and Holiday Expenses
- Entertainment and Dining Out
- Periodic Technological Upgrades and Must-Haves

## 5 EDUCATION

- College for Children
- Continuing Education for Surviving Spouse
- Help with Grandchildren's College

## 6 DEBT & ONGOING OBLIGATIONS

- Credit Card Debt
- School Loans
- Funeral Expenses
- Medical Bills
- Estate, Property and Other Taxes

## 7 PETS

- Veterinary Bills or Procedures
- Pet Food
- Grooming
- Boarding
- Arrangements for Pets Who May Outlive You

## 8 MEDICAL EXPENSES

- Current and (to the degree you can predict) future medical or long term care costs
- Health Insurance and Prescriptions

## 9 OTHER CONSIDERATIONS:

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For more information visit  
[genworth.com/lets-talklife](http://genworth.com/lets-talklife)

“When I got married and began to have children, that focus changed. Now I had other people I needed to worry about. And as the kids got a little bit older, I began to realize, college isn't too far away. I'd better make sure I buy life insurance, in the event something happens to me.  
—John T.



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