



Life Without the Life Insurance Industry?

Critical Support Would Vanish for Families Across New York State

By Thomas E. Workman, President & CEO, Life Insurance Council of New York, Inc.

Having a family is one of the greatest reasons for having life insurance. There is so much we want for those we love—security, happiness, education... the list is endless. And, there are so many things we do not want for them — to worry, to suffer, or to otherwise hurt from financial burden. If we have not secured financial protection for our loved ones before our passing, we may leave behind a significant financial struggle — and not just for our immediate family. If more and more people were left uninsured, or if there were no life insurance industry to mitigate the loss from the death of our loved ones, there could be a significant financial strain on government assistance programs, and on our society as a whole.

When Tragedy Strikes

Many of us know of a family struck by an untimely death. Steven Tedesco* from Corinth, New York, was 28 years old when he purchased life insurance coverage to protect his wife, Natira, and five young children. He worked hard to secure a strong financial foundation for his family. Becoming a small business owner was his next step towards that goal. It was at that time he consulted with a financial advisor.

Good health and Steven's young age enabled him to purchase an affordable \$1 million, 20-year personal term life insurance policy. Only a few months later, he fell ill and was diagnosed with a life-threatening disease.

After two years of fighting it, Steven lost his battle. At the time, his family had grown to six children, the youngest just four months old. The policy was paid as promised, and allowed a stay-at-home mother to continue to stay home and care for their children. With the benefits of the insurance policy, Natira set up a retirement savings ac-

count, educational accounts for their children and purchased a home, rather than remain in a rental property, and secured a life insurance policy for herself.

Millions are Covered

For the Tedescos, they had the financial protection needed through life insurance. Life insurers provide protection to individuals so they can go on with their lives—continue covering their mortgages and car loans, continue paying for education, or allow a stay-at-home mom, like Natira, to continue to stay at home to take care of the children.

The life insurance industry pays billions to New Yorkers annually—\$28 billion was paid to New Yorkers in the form of death benefits, matured endowments, policy dividends, surrender values and other payments in 2013, according to the American Council of Life Insurers. Another \$7 billion was paid in the form of annuity payments for a total of \$35 billion. Those funds keep people in their homes, pay the car loans, continue paying for education, continue to operate the family business, and provide financial assistance for other needs.

As a comparison, OASDI and SSI payouts totaled more than \$56 billion, making insurers responsible for almost 40% of all benefits paid in New York. Imagine how much pressure would be placed on our society if that 40% were not funded by the insurance industry.

More New Yorkers Should Be Covered

A major challenge for the life insurance industry is to reach the uninsured. According to LIMRA estimates for New York State, there are \$2.1 trillion of life insurance in

force and an unmet need of \$950 billion. Said another way, for every \$2 of existing life insurance coverage in New York, there is approximately \$1 of unmet need.

Furthermore, according to LICONY-sponsored research, the number of individual life insurance policies in force declined from nearly nine million in 2003 to eight million in 2013. The existing coverage gap, coupled with the reduction in the number of policies in force, suggest a growing challenge.

The life insurance industry is well equipped to meet this challenge and has the capacity and capital to insure as many New Yorkers as would seek coverage, as well as to fulfill its obligations to those covered New Yorkers. New York State government efforts toward creating a regulatory environment that encourages people to get the insurance protection they need would be helpful in both solving this challenge and limiting the potential burden on government assistance programs and our society.

Thomas E. Workman is the President & Chief Executive Officer of the Life Insurance Council of New York, Inc. LICONY is the voice of the life insurance industry in New York. LICONY works to create and maintain a legislative, regulatory, and judicial environment that encourages its members to conduct and grow their life insurance businesses here in New York State. For stories about New Yorkers who have benefitted greatly from purchasing the products of life insurers, go to www.licony.org, click on "Published Articles" in the NEWSROOM box on the homepage. [A]

* This story is based on Real Life Stories from Life Happens.



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