



Navigating Life Insurance Choices in Challenging Times

Research Report August 2009

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How has the need for Life Insurance changed in this weak economy?

Historically, life insurance has been considered a fundamental, basic financial product. For many individuals, it was the first product purchased when starting a family and many advisors would insist on adequate coverage before helping clients invest.

In the last 20 years, consumer opinions about life insurance have changed. Longer life expectancies may have contributed to a lower sense of immediate need. Many consumers may have felt secure with their high home values and high stock values in their retirement plans or other investments.

But in the last 12 months, the economy has taken a historical turn. Jobs have been lost and employers have cut benefits while home values weakened and equity account values declined. As a result, many consumers have cut back or reduced their exposure to a broad range of consumer goods and financial products.

- Was life insurance perceived as important enough to hold on to?
- Is life insurance becoming once again a fundamental requirement?
- What are the implications for consumers?

About the Study

Prudential Financial's study on *Taking a Pulse of American's Changing Life Insurance Needs* polled 1,000 Americans about the effects of the market downturn and their life insurance knowledge, attitudes, ownership and actions taken. The survey was administered from June 24 to July 1, 2009. The margin of error is +/- 3% at a 95% confidence level.

Respondents are online panelists invited by MRops, a Pennsylvania-based, independent, market research firm, to participate in this study. Study participants are a national sample of male and female sole/joint heads of households between the ages of 30 to 59, with a 2008 household income of \$50,000 or more and at least \$25,000 in total savings and investments. Additionally, they own at least three of the following financial products:

- Individual life insurance
- Long term care insurance
- Traditional savings accounts
- Mutual funds
- Stocks or bonds
- Annuities
- Defined contribution plans
- IRAs
- Estate plan/ will

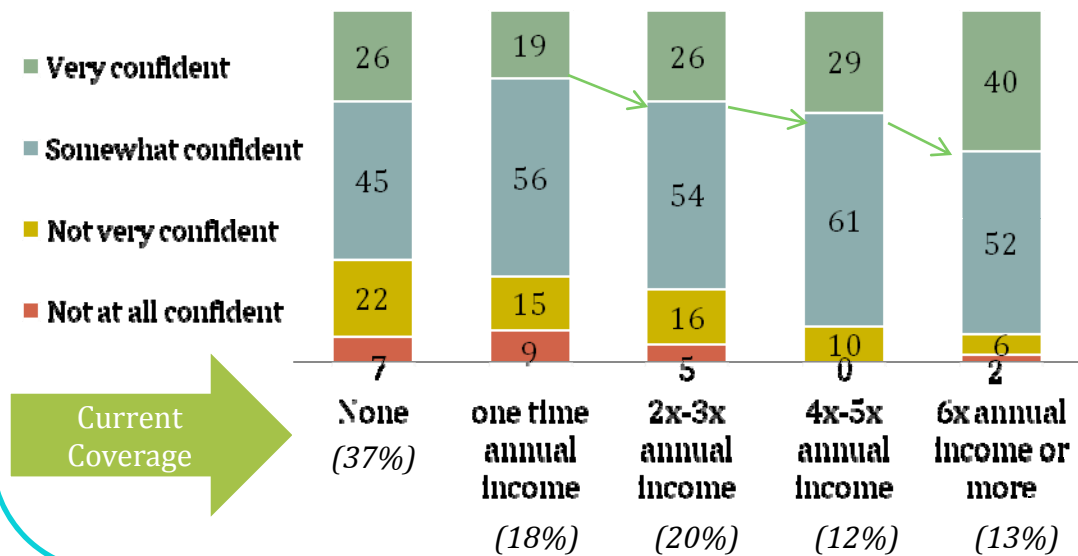
Current Life Insurance Ownership

None	Group Only	Individual Only	Both Group and Individual
18	22	20	40

Current economic conditions call for consumers to reexamine their Life Insurance coverage

Many Americans are under-insured and as a result, lack clear confidence that their loved ones could maintain the same standard of living in the event of their premature death.

Confidence in Maintaining Standard of Living for Loved Ones By Current Individual Life Insurance Coverage

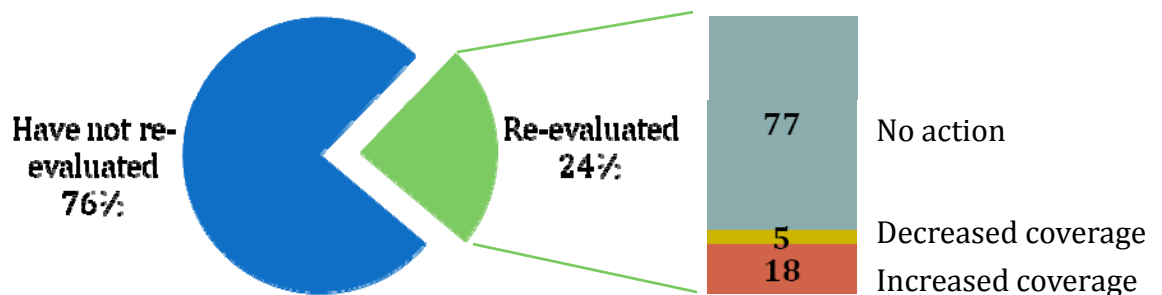


Market downturn has reinforced the need for adequate coverage, but few have taken action.

“The market downturn has reinforced the need to make sure I have adequate life insurance coverage.” **66% Agree**

“The recent wave of layoffs has made me realize how important it is to have life insurance coverage that is not tied to my employer.” **66% Agree**

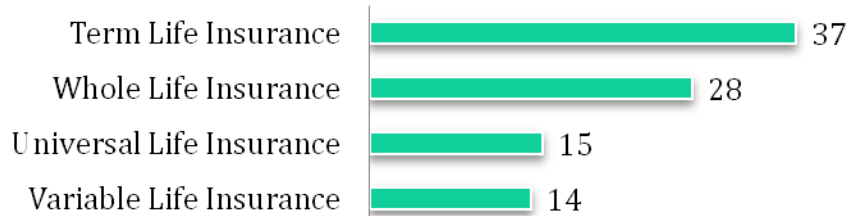
Have you re-examined your life insurance coverage following the market downturn? What actions have you taken?



Life insurance remains a topic where consumers need – and want – education to make informed decisions

Consumer understanding of different types of life insurance is moderate at best. While Term insurance is a more common vocabulary, few have thought about longer-term implications.

How well do you understand the features/benefits of each? (% Very Well)



“In hindsight, many investment gurus gave bad advice when they advised people to buy low-cost Term life insurance and invest the difference in the stock market.”

67% Agree

“I have a good idea of what it would cost to purchase a new Term life insurance policy at my desired retirement age.”

Only 13% Strongly Agree

Knowledge of Permanent insurance is even more deficient, despite 75% of respondents expressing preference for lifelong death benefit.

“I would strongly prefer my death benefit to be in effect for life, even if it means paying extra for the policy.”

75% Agree

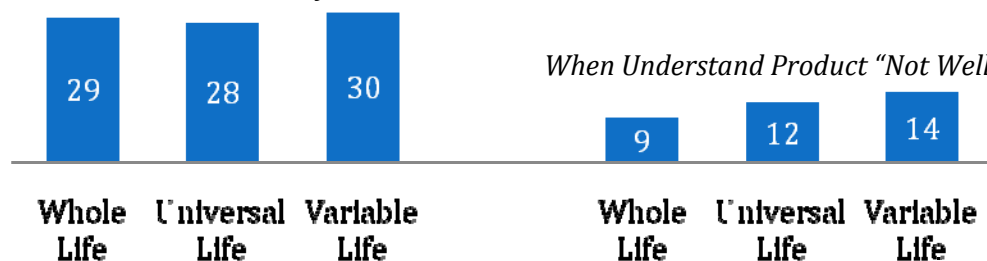
“The guaranteed cash build-up that certain life insurance products offer looks much more attractive than it did prior to the market downturn.”

68% Agree

Likelihood to Consider Permanent Life Insurance By Product Understanding

(% Very Likely)

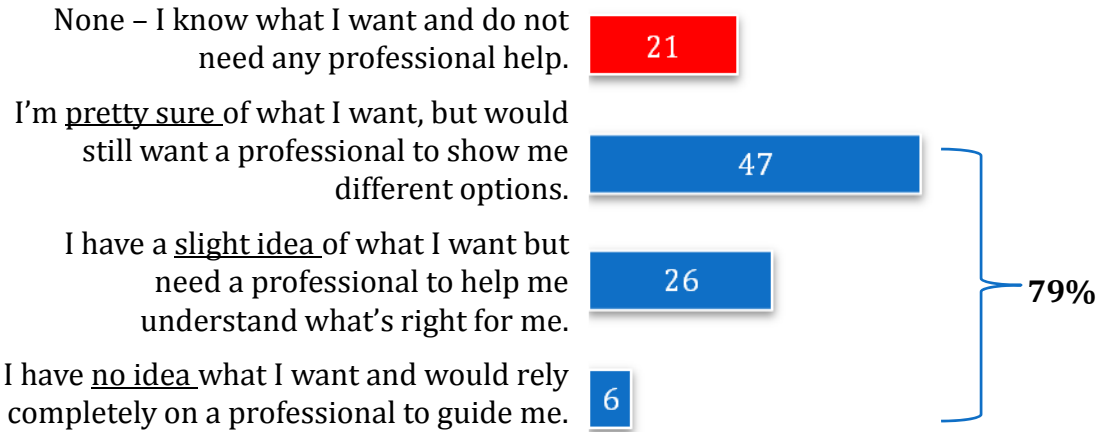
When Understand Product “Very Well”



Consumers value face-to-face interactions to garner professional advice from insurance agents & advisors

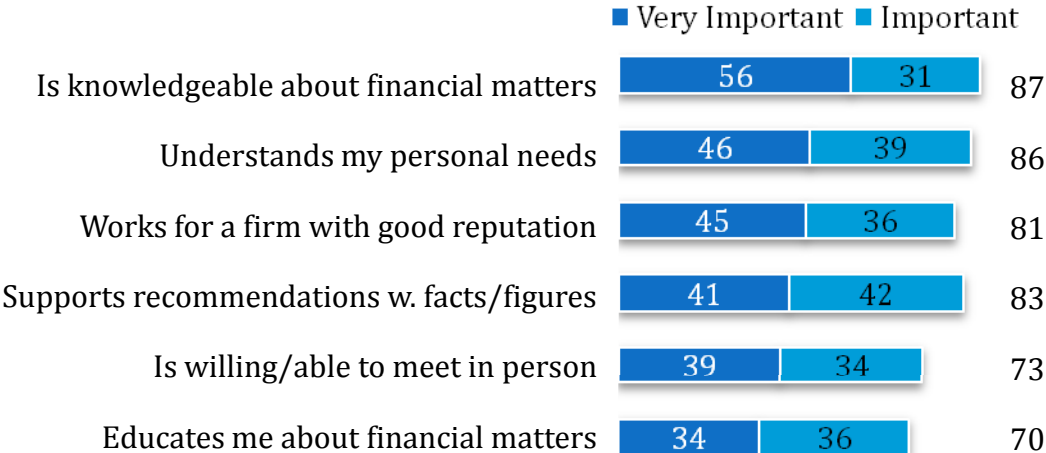
Consumers who know exactly what they want when it comes to buying life insurance are few and far between. Most desire help from a professional.

What is the role of the life insurance agent/ advisor in your life insurance purchase?



An insurance professional can help consumers find the policy that meets their individual needs today and in the future. Consumers look for important qualities when selecting an agent as their partner.

Importance of various qualities of a person from whom consumers might purchase life insurance



Summation

Americans understand the main purpose of life insurance is to offer peace of mind by replacing lost income of the insured in the event of premature death. This purpose is even more critical in difficult economic times when jobs are harder to find and dependents need financial assistance even more. The recent high rate of unemployment also forced Americans to realize that individual life insurance coverage, separate from employer, is an essential component of financial security for their families and loved ones.

That said, spending money on life insurance in a time when household expenses are cut and large expenditures put on hold needs to be a carefully evaluated decision. The choices in life insurance policies are often bewildering to consumers and life insurance needs vary depending on individual situations.

A financial advisor or a life insurance agent plays an important role in helping consumers determine what level of protection individuals need, depending on present and future financial responsibilities and income, and what are the right products to meet those needs.

Term Life Insurance

Like its name implies, Term life insurance provides coverage for a specified “term” or period of time. It is usually less expensive than Whole life or Permanent insurance because it generally doesn’t offer any savings, loan or investment features. Rather, it provides pure financial protection for a limited amount of time.

Term insurance is an appropriate choice for people who want or need to maximize the amount of coverage they can purchase for a lower cost. It is also useful to cover needs that are likely to exist for a limited period of time, such as college funding or paying off a mortgage.

Whole or Permanent Life Insurance

Whole or Permanent life insurance is designed to provide coverage for one’s entire life and premiums are typically paid for as long as the policy remains in place. In addition to providing a death benefit, permanent policies are designed to potentially accumulate cash value, which can be accessed later via loans or withdrawals and used to fund various needs, including the cost of the policy itself.

As long as premiums continued to be paid and other contractual conditions are met, Permanent life insurance remains in place throughout one’s lifetime, regardless of any changes in health. With loans and withdrawals, there may be tax consequences.

Since age and medical condition are two of the major factors used in determining the price of life insurance, purchasing Permanent life insurance early, and when one is in good health, will allow for lower premiums and ensure coverage later in life, even if a future medical condition would make one ineligible to buy life insurance.