



Insurance Among Canadian Homeowners

CAFII

March 2024



Contents



- Background & Research Objectives
- Methodology
- Key Findings
- Low-Income Homeowners
- Insured vs Uninsured Homeowners
- “At Risk” Homeowners
- Recommendations
- Q&A



Background & Research Objectives

Background

The Canadian Association of Financial Institutions in Insurance (CAFII) is seeking to understand the prevalence of insurance products among Canadian homeowners.



Research Objectives



The goal of this study was to answer the following questions:

- Are homeowners traditionally uninsured or underinsured?
- Do more homeowners with lower income have credit protection than others?
- Is credit protection playing a disproportionately important role in the marketplace for low-income homeowners?



Methodology

Sample

We sampled $n = 1,175$ Canadian homeowners with the following household income bands:

- 34% Low (fewer than \$60,000)
- 37% Middle (\$60,000 - \$124,999)
- 29% High (\$125,000 or more)

At least 55% of each income band had a mortgage, a home equity line of credit, or both.



Survey



Participants completed an online survey that took an average of 12.5 minutes.

The survey comprised of 46 questions and covered the following topics:

- Insurance Ownership
- Financial Attitudes
- Insurance Coverage
- Demographics



Key Findings

Some Definitions & Short Forms

- **Credit** = Mortgage or Home Equity Line of Credit (HELOC)

The only type of credit examined in the study were home-related loans.

- **CPI** = Credit Protection Insurance

This refers to mortgage or HELOC insurance (e.g., life, disability, critical illness, job loss).

- **TLI** = Traditional Life Insurance

This refers to term, whole, universal, and employee benefit life insurance.

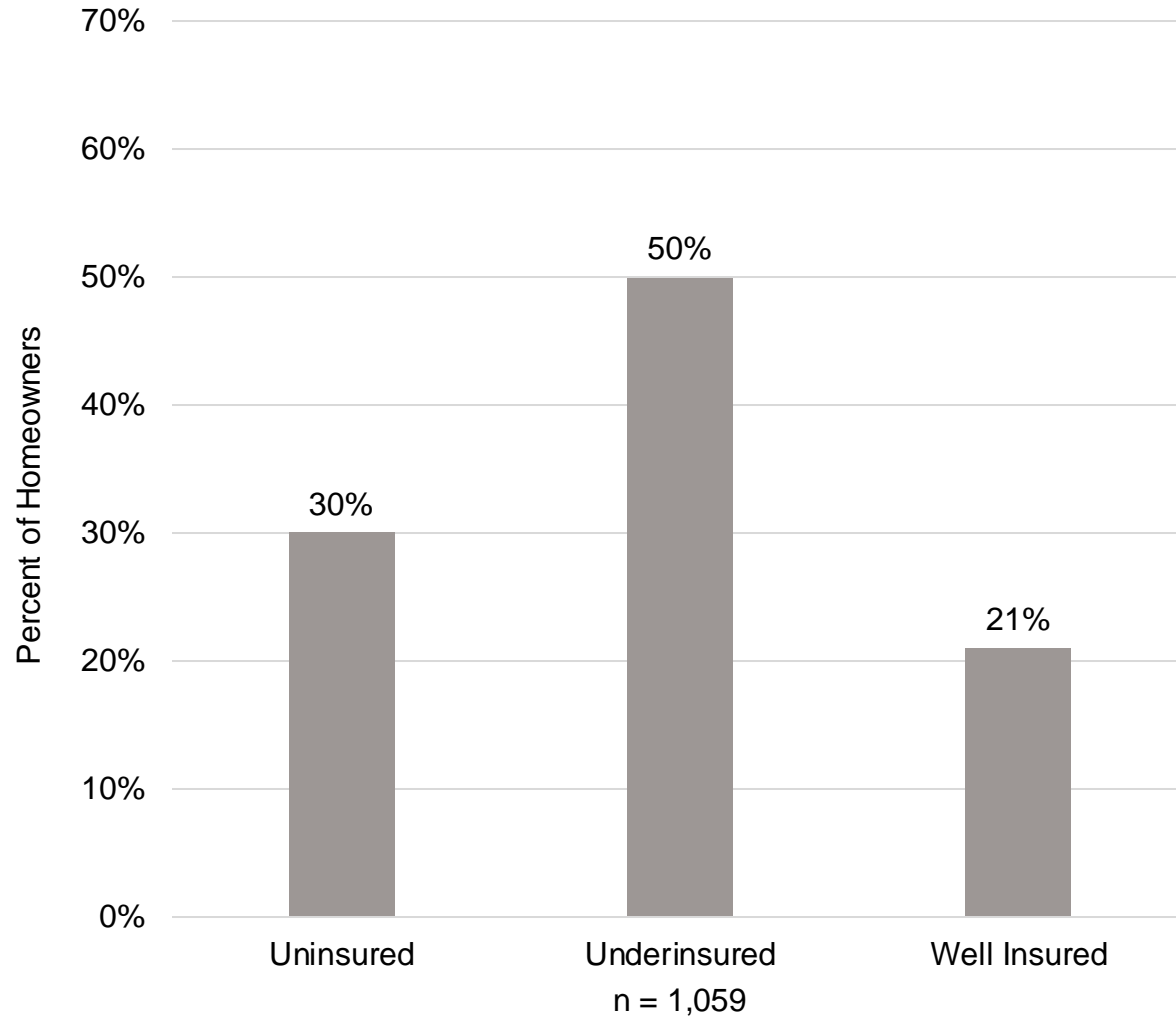
Household Income Brackets:

- Low = fewer than \$60,000
- Middle = \$60,000 to \$124,999
- High = \$125,000 or more

Traditional Insurance Status:

- **Uninsured:** Do not have any TLI.
- **Underinsured:** Have TLI that cover fewer than 7 years of income.*
- **Well Insured:** Have TLI that covers 7 or more years of income.*

1. Are homeowners traditionally uninsured or underinsured?



Yes

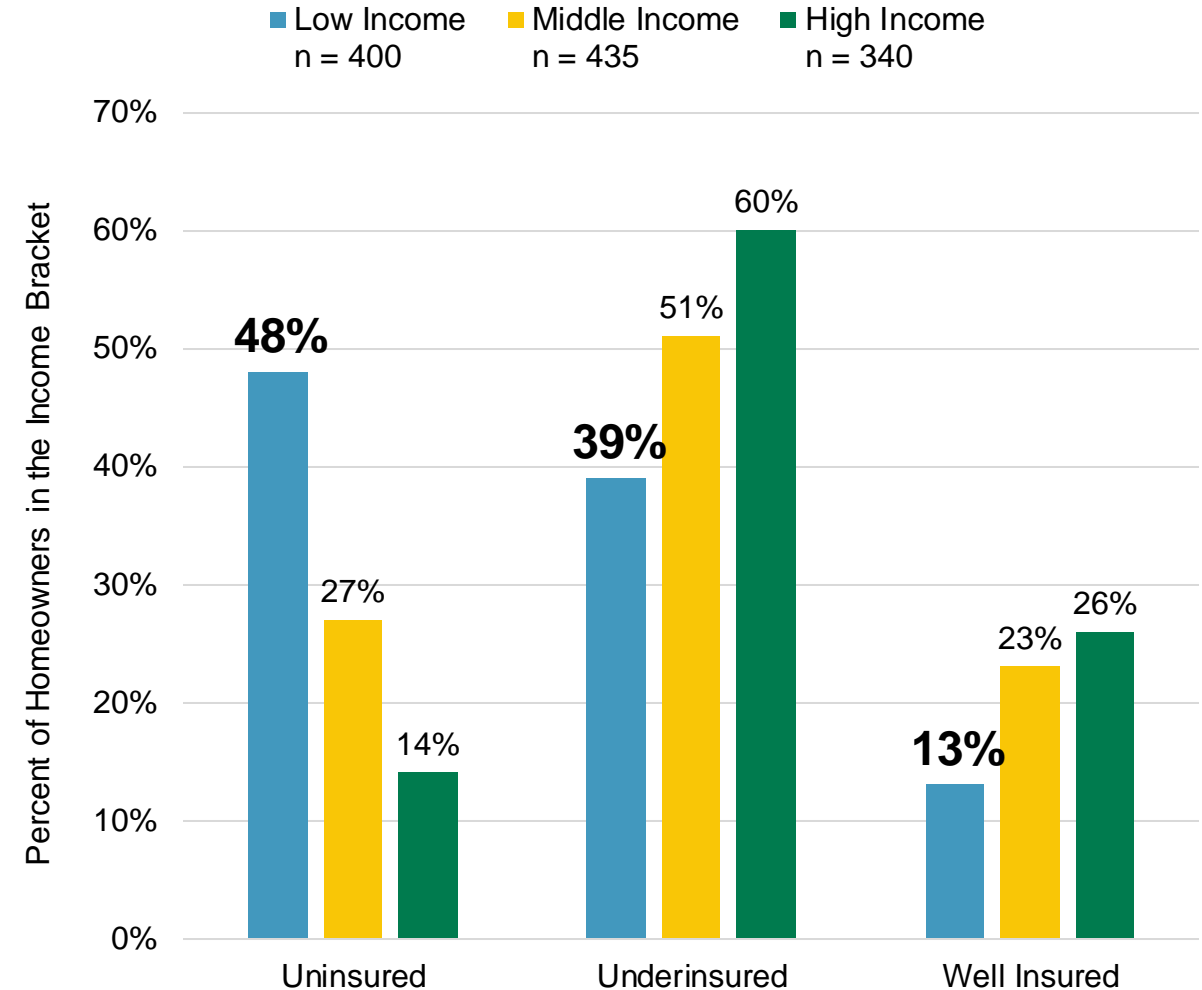
80% of Canadian homeowners uninsured (do not have traditional life insurance) or underinsured.

1a. Does that change depending on income bracket?

Yes

Significantly more low-income homeowners are traditionally uninsured as opposed to other income brackets.

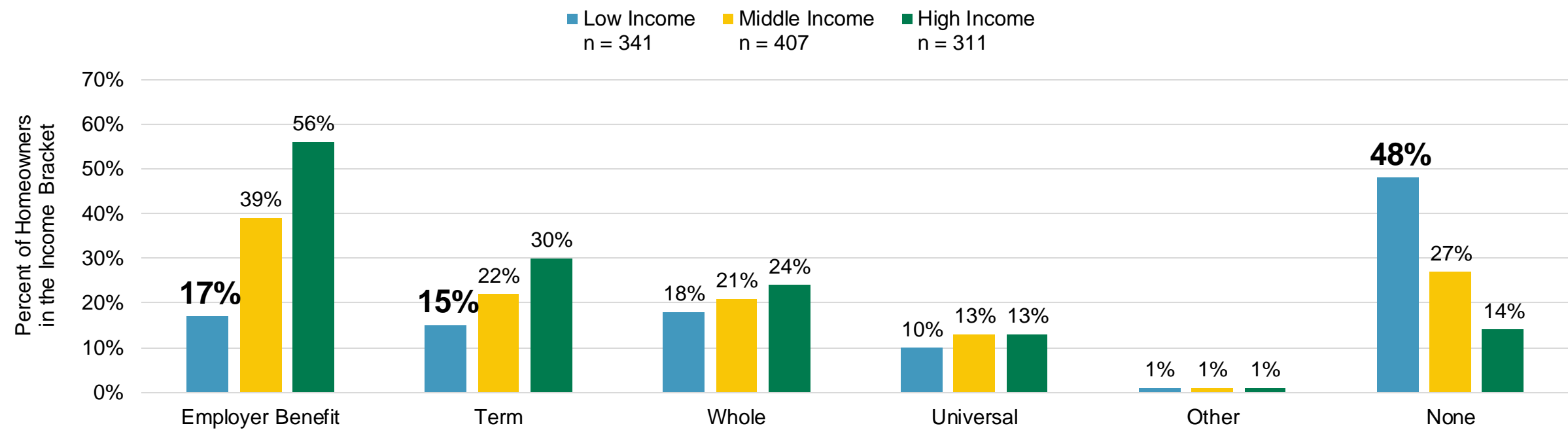
Of those insured, 75% of low-income homeowners are traditionally underinsured.



1b. Does ownership of TLI product depend on income bracket?

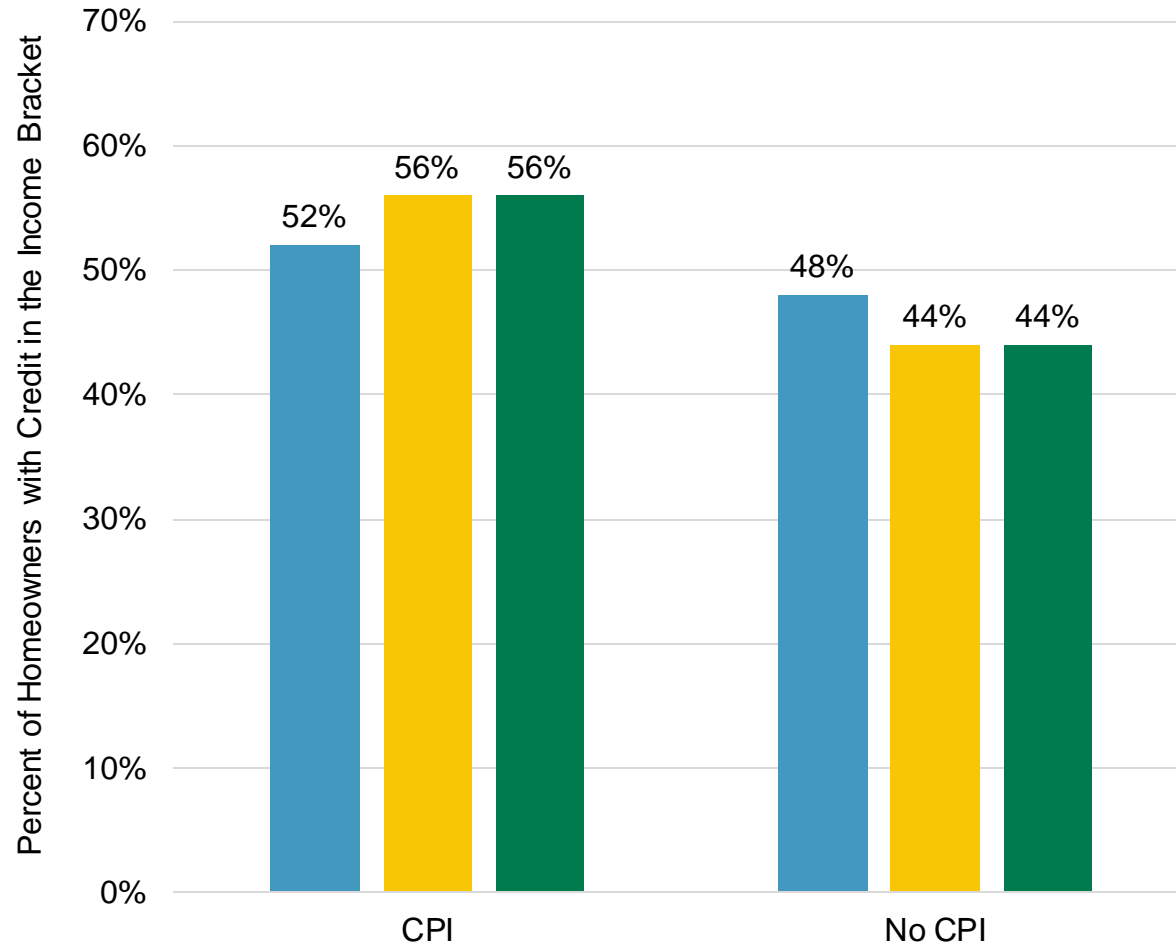
Yes

Significantly fewer low-income homeowners own employer benefit life and term life insurance than other income brackets.



2. Do more homeowners with lower income own CPI than others?

■ Low Income
n = 195 ■ Middle Income
n = 288 ■ High Income
n = 244



No

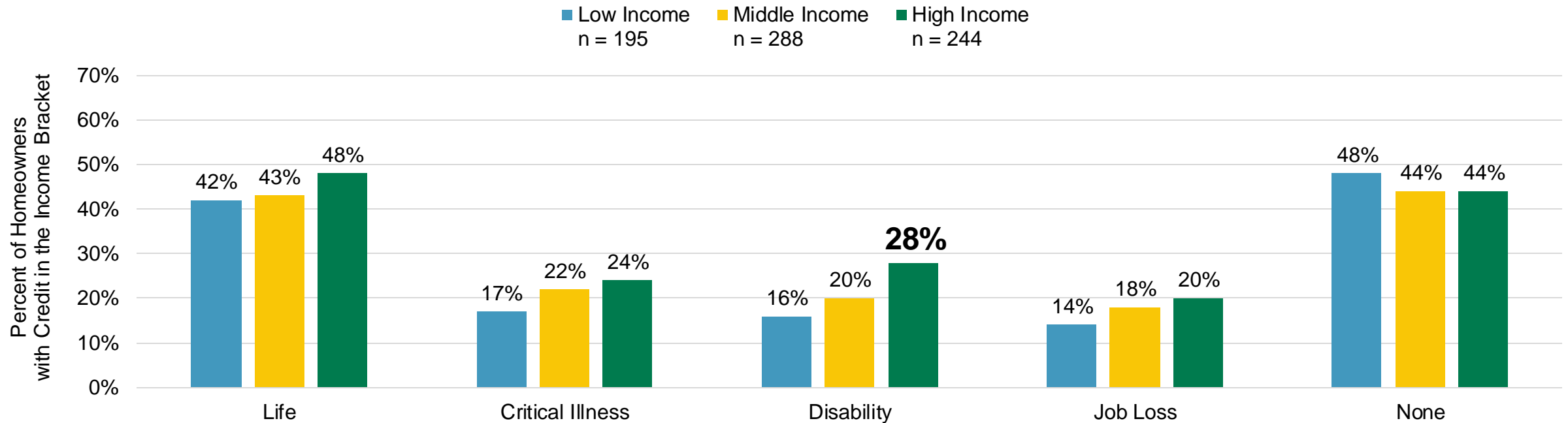
55% of all homeowners with credit own a form of CPI. There are no significant differences between income brackets.

Additionally, low-income homeowners own significantly fewer CPI products ($M = 1.78$) than high-income homeowners ($M = 2.27$).

2a. Does ownership of CPI product depend on income bracket?

No

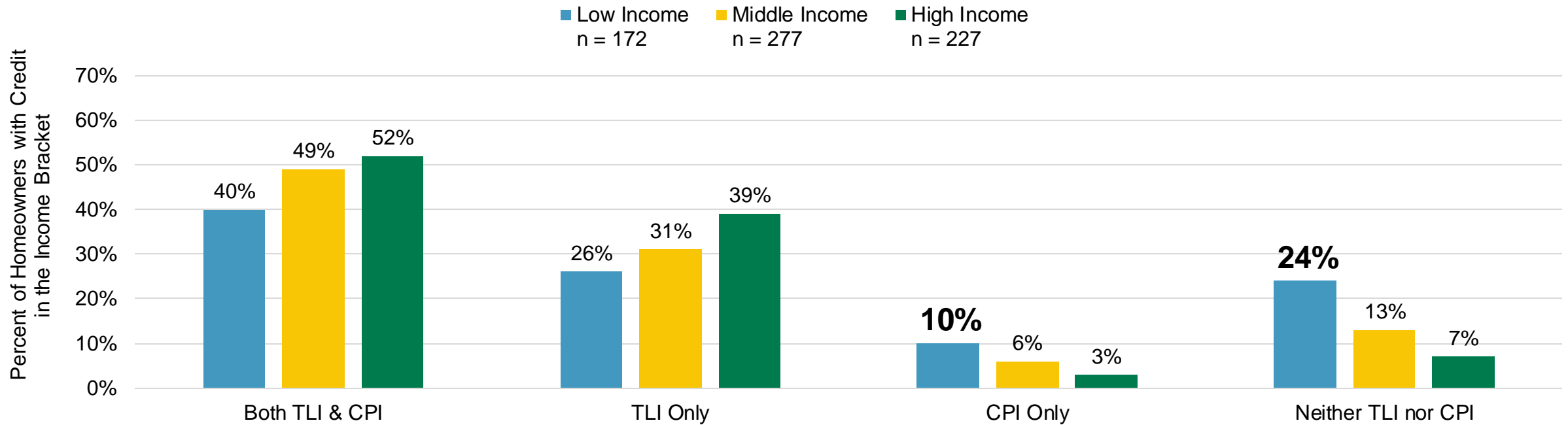
CPI product ownership follows the same pattern across all income brackets.



3. Is CPI playing an important role for low-income homeowners?

Possibly for a few.

Significantly more low-income homeowners with credit (10%) only own CPI compared to other income brackets.





Low-Income Homeowners (with Credit)

Quick Look at Demographics

- Avg 45 yrs old (30% are Boomers or older)**
- 57% Female
- 52% Unpartnered (Single, Divorced, or Widowed)**
- 61% No children or adult dependents**
- 57% Some University or fewer**
- 65% Less than \$50,000 in investible assets**
- 75% Born in Canada
- 57% First-time homeowner

Low-income n = 221

* Significantly fewer than other income groups

18 ** Significantly more than other income groups



Financial Attitudes & Concerns

- 48% say they are somewhat or not at all financially knowledgeable.**
- 38% say they don't have and don't want a financial professional.**
- Top 3 Financial Concerns:
 1. Paying monthly bills (53%)**
 2. Having enough money for a comfortable retirement (44%)*
 3. Paying for long-term care services if I become unable to take care of myself (38%)
- 60% believe having life insurance is important or very important.*

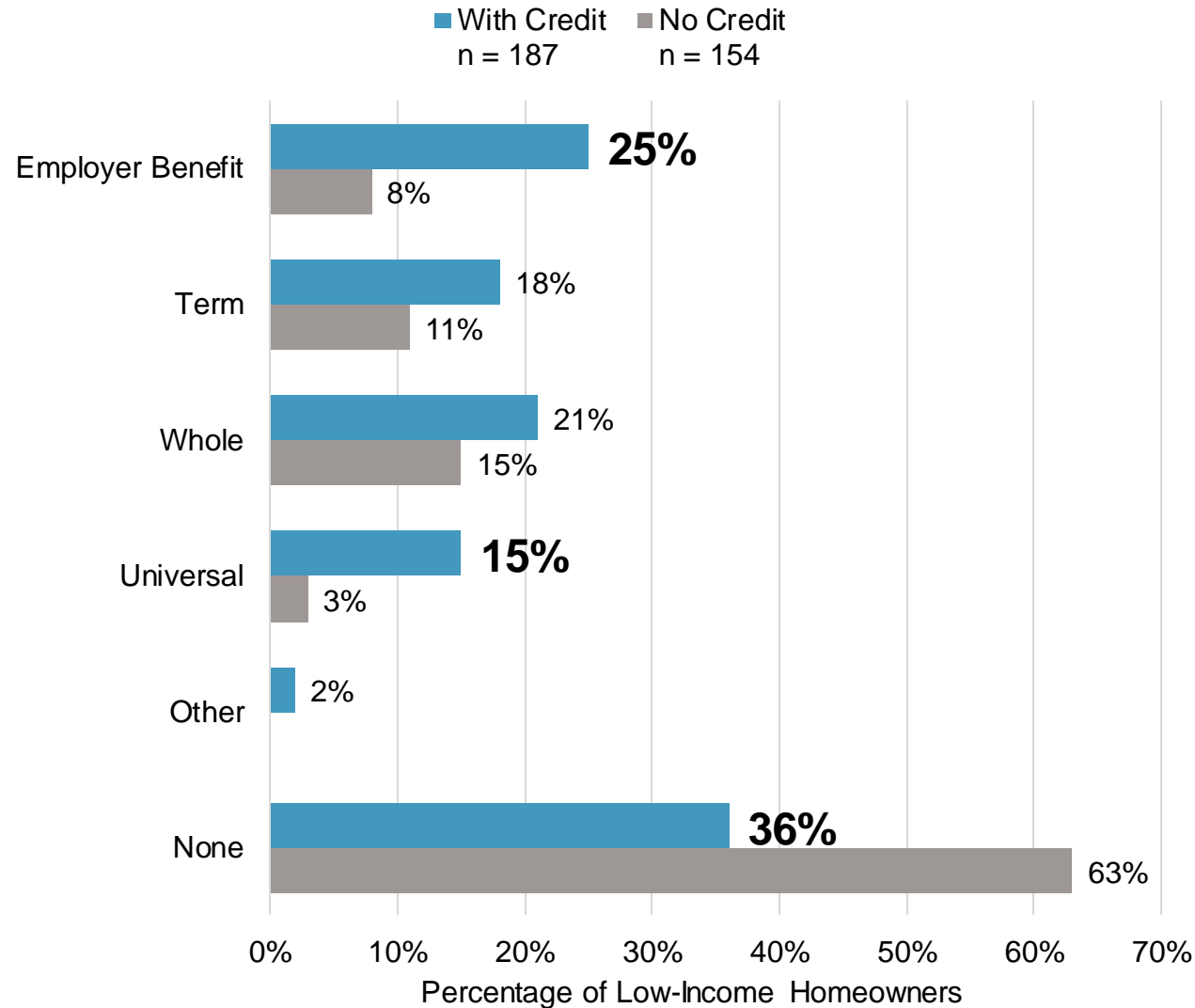
Low-income n = 221

* Significantly fewer than other income groups

19 ** Significantly more than other income groups



Traditional Life Insurance Ownership



- More Homeowners with credit are traditionally insured (with more products on average), than their counterparts without credit.
- However, they are the least insured as compared to higher income brackets.
 - Less employer benefit insurance
 - Less term insurance
 - More traditionally uninsured

Insurance Coverage

- 60% believe they have enough life insurance.
- 76% have insurance to cover income for fewer than 7 years and 31% for 2 years or fewer.
- 52% believe they should have insurance to cover income for fewer than 7 years.
- 61% say their families would have trouble covering living expenses if the primary wage earner passed away tomorrow.

Low-income insured n = 110

* Significantly fewer than other income groups

21 ** Significantly more than other income groups



The Traditionally Uninsured Homeowner with Credit

46% say they can't afford life insurance...

50% don't have an emergency fund or other personal savings to access in place of life insurance...**

53% say their families would have trouble covering living expenses for several months or fewer if the primary wage earner passed away tomorrow...

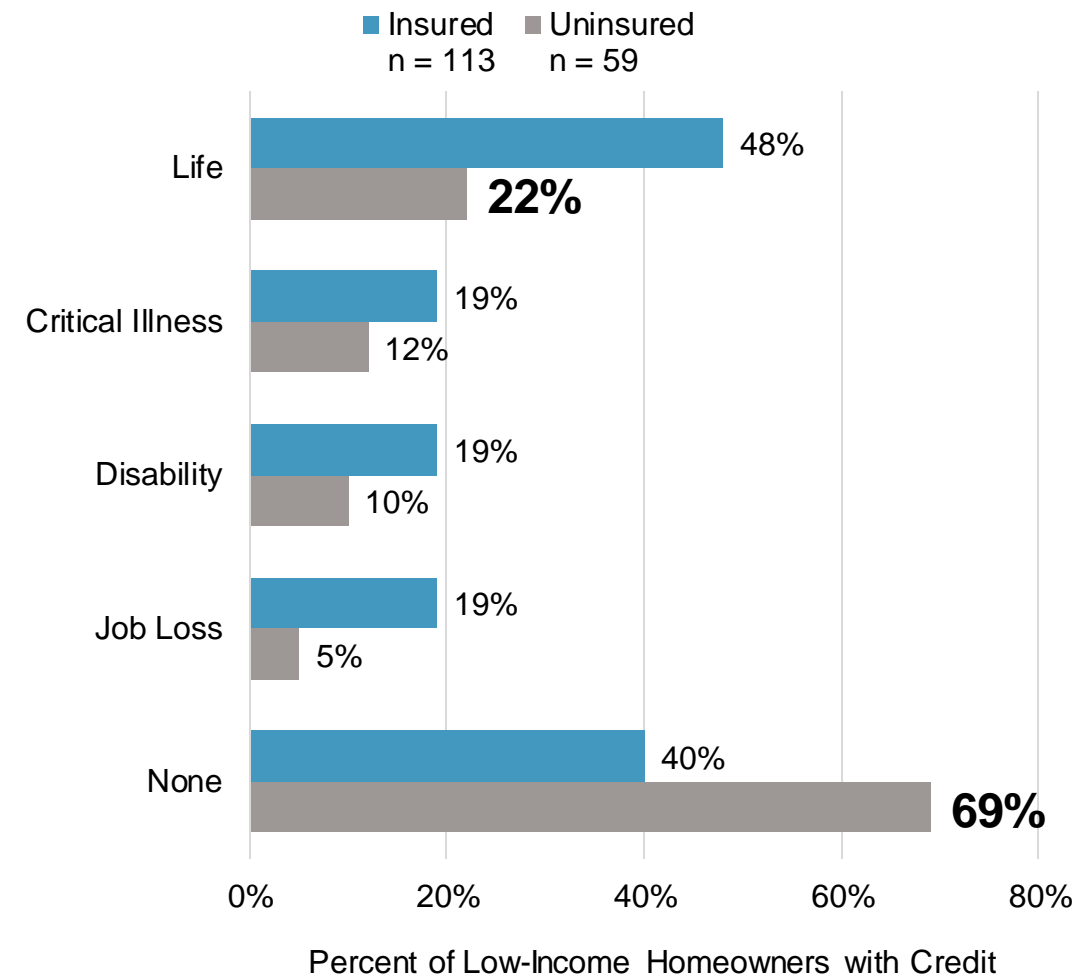
Low-income uninsured n = 68

* Significantly fewer than other income groups

22 ** Significantly more than other income groups

Credit Protection Insurance Ownership

- 31% of traditionally uninsured homeowners own at least one CPI product.
- Significantly fewer homeowners that are traditionally uninsured own Life CPI than those who are traditionally insured.
- Significantly more homeowners that are traditionally uninsured also don't own CPI, than those who are insured.
- 10% of traditionally uninsured homeowners who don't have CPI intend on purchasing it at their next mortgage renewal.



Low-Income Homeowner Summary



- Significantly more traditionally uninsured (do not have traditional life insurance) homeowners:
 - Have the least survivorship (partner and/or dependents)
 - Lowest investible assets
 - Say they can't afford traditional insurance
- CPI could be a great solution for the uninsured low-income homeowner... but not many utilize it!



Traditionally Insured vs Uninsured Homeowners (with Credit)

Quick Look at Demographics

TRADITIONALLY INSURED

- Avg Age 43 yrs old (51% Millennials or younger)**
- 52% Female
- 75% Partnered **
- 52% Children or adult dependents**
- 65% Completed a technical, an undergrad, or a post-grad degree
- 46% \$100,000 or more in investible assets**
- 48% Household income \$100,000 - \$200,000**
- 77% Born in Canada
- 54% First-time homeowner

TRADITIONALLY UNINSURED

- Avg Age 52 yrs old (67% Gen X or older)**
- 59% Female
- 41% Unpartnered **
- 71% No children or adult dependents **
- 51% Completed a technical, an undergrad, or a post-grad degree
- 40% less than \$50,000 in investible assets**
- 58% Household Income less than \$80,000**
- 77% Born in Canada
- 54% First-time homeowner

Insured n = 577

Uninsured n = 154

* Significantly fewer than others

** Significantly more than others

Financial Attitudes

TRADITIONALLY INSURED

- 41% say they are somewhat or not at all financially knowledgeable.
- 49% have a financial professional.**
- 80% believe it is important or very important to have life insurance.**
 - 14% are neutral to the importance of having life insurance*

TRADITIONALLY UNINSURED

- 43% say they are somewhat or not at all financially knowledgeable.
- 45% don't have a financial professional and they don't want one.**
 - Of those who don't have one, 79% have not had one in the past.**
- 21% believe it is not very important or not at all important to have life insurance.**
 - 47% are neutral to the importance of having life insurance**

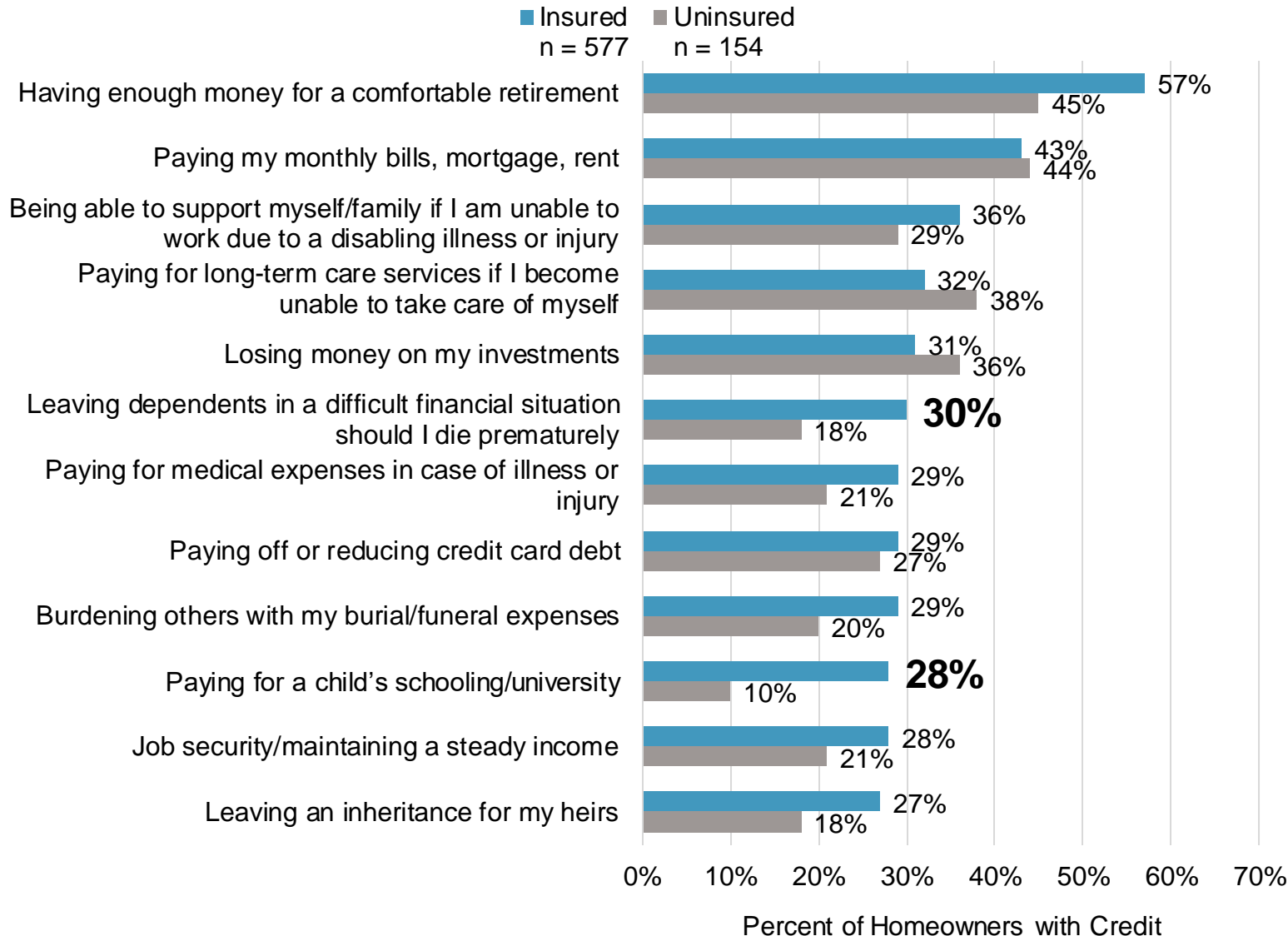
Insured n = 577

Uninsured n = 154

* Significantly fewer than others

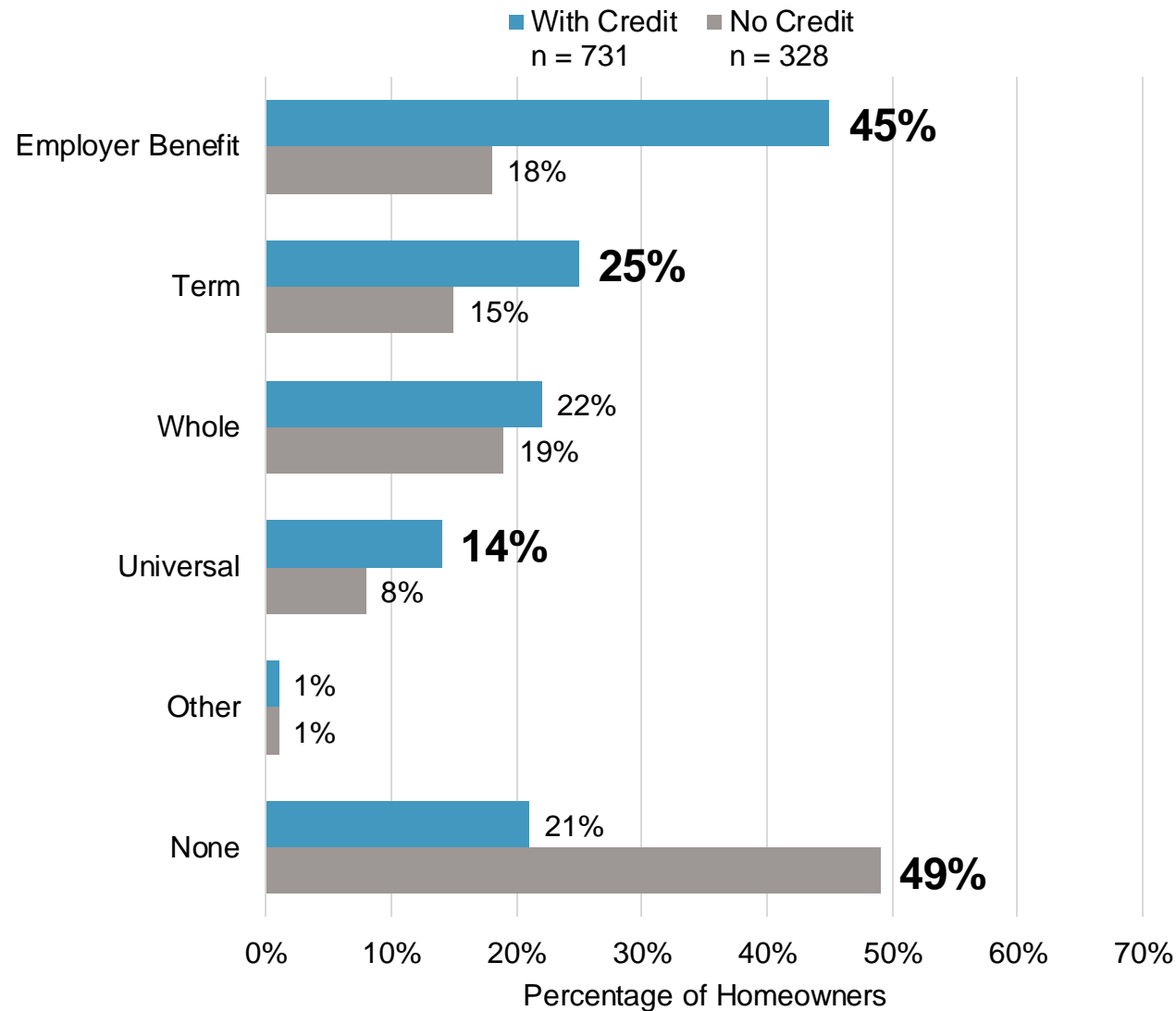
** Significantly more than others

Financial Concerns



- Top 2 financial concerns are the same among all homeowners with credit.
- Significantly more traditionally insured homeowners are concerned about leaving dependents in a difficult financial situation as well as paying for a child's education.

Traditional Life Insurance Ownership



- Significantly more homeowners with credit have employer benefit, term, and universal life insurance than those who have no credit.
- Significantly more homeowners without credit are traditionally uninsured than those with credit.

Insurance Coverage

- 67% believe they have enough life insurance.*
- 72% have insurance to cover income for less than 7 years and 29% for 2 years or fewer.
- 53% believe they should have insurance to cover income for less than 7 years.
- 58% say their families would have trouble covering living expenses in a if the primary wage earner passed away tomorrow.**

Insured with credit n = 536

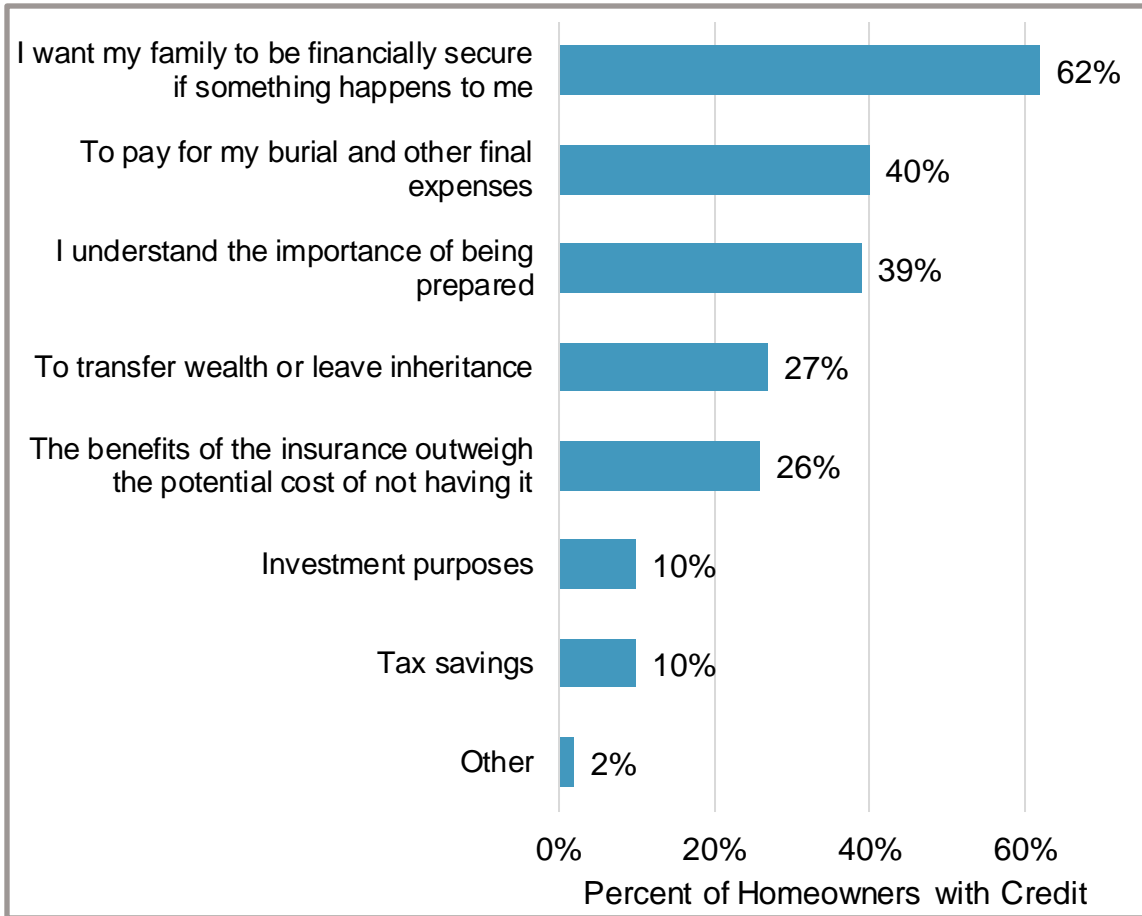
* Significantly fewer than without credit

30 ** Significantly more than without credit

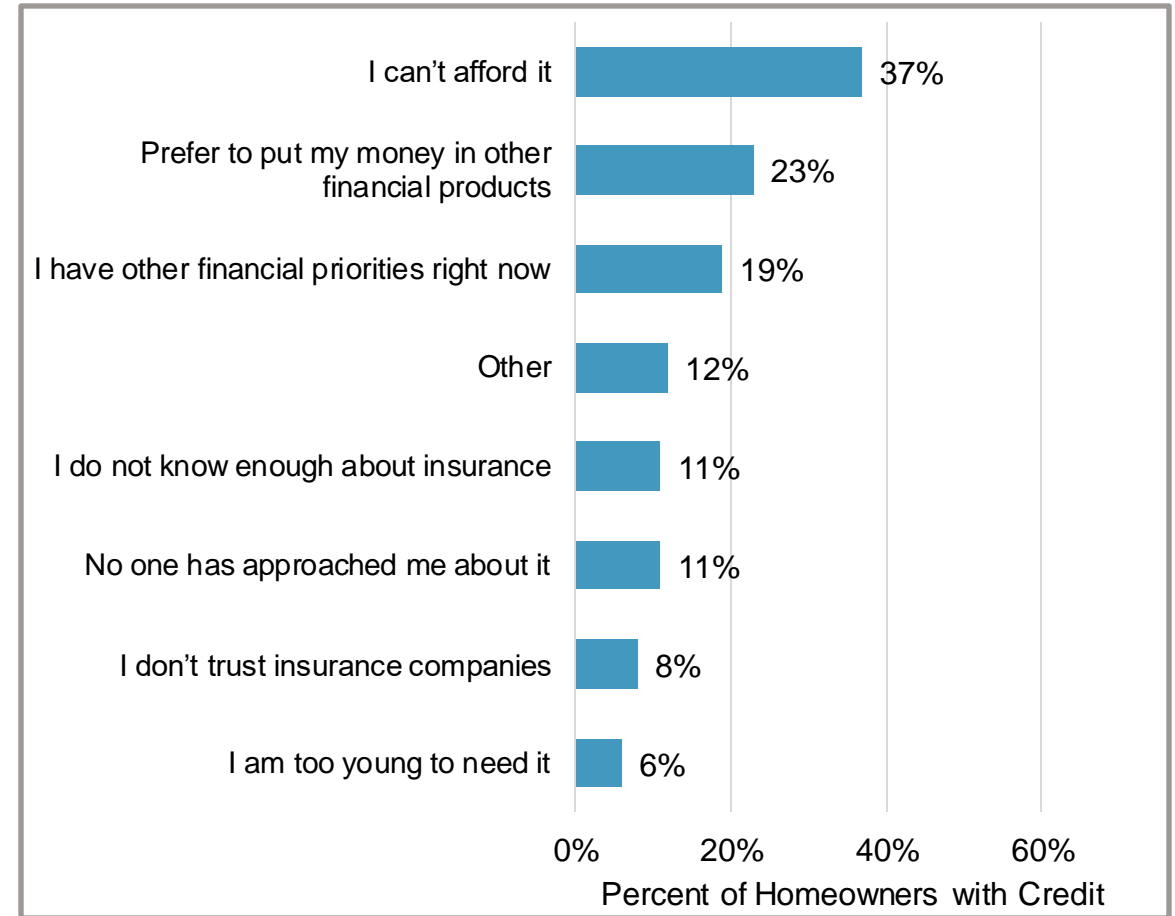


Why do you / don't you have TLI?

TRADITIONALLY INSURED



TRADITIONALLY UNINSURED



The Traditionally Uninsured Homeowner with Credit

38% don't have an emergency fund or personal savings to access in place of life insurance...**

52% say their families would have trouble covering living expenses for several months or less if the primary wage earner passed away tomorrow...**

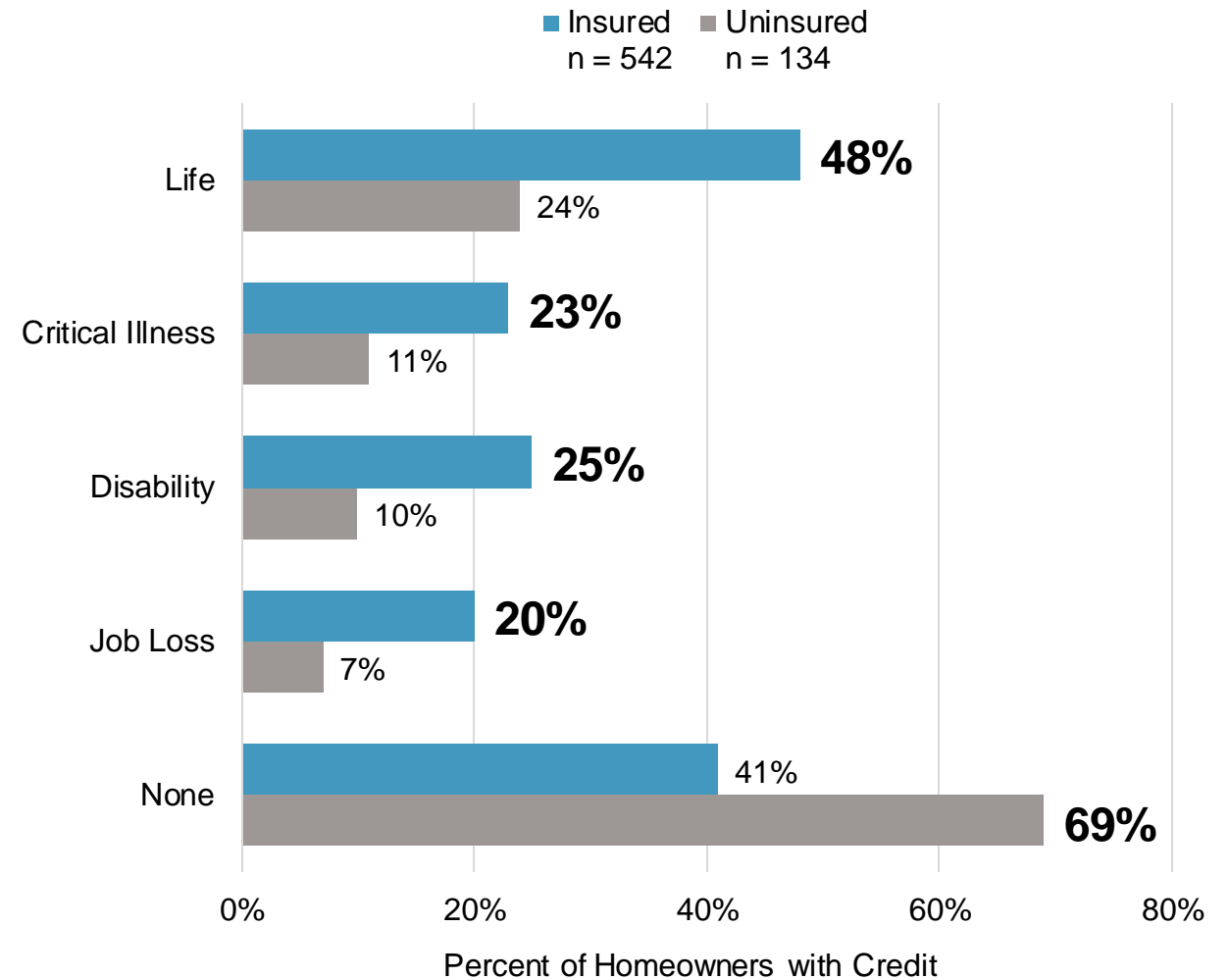
Uninsured with credit n = 154

* Significantly fewer than without credit

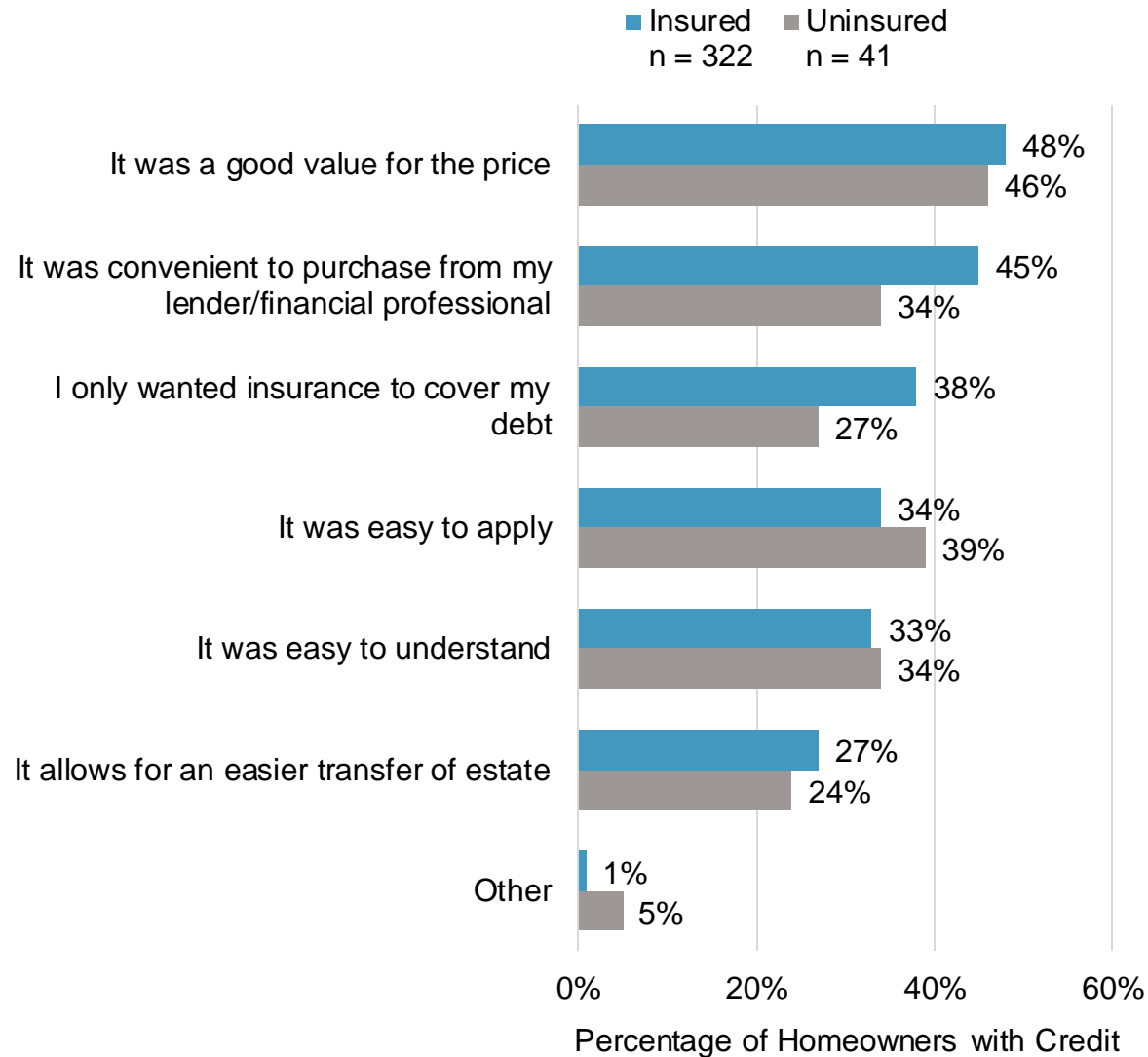
** Significantly more than without credit

Credit Protection Insurance Ownership

- Significantly more traditionally insured homeowners have **every** type of CPI product than those that are traditionally uninsured.
- 69% of traditionally uninsured homeowners have no CPI.



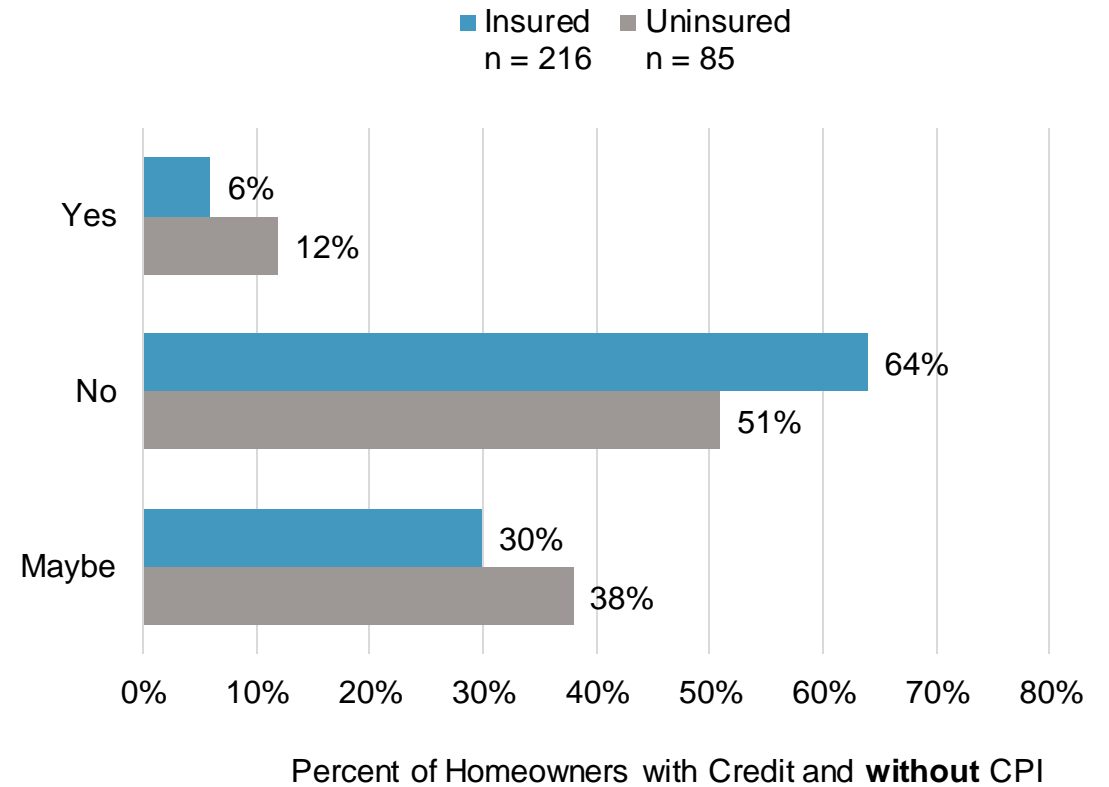
Why do you have CPI?



- Top 3 reasons for purchasing CPI are the same among insured and uninsured homeowners.
- Of uninsured homeowners that have Life CPI (n = 32), 28% say that they only wanted insurance to cover their debt as their reason for purchasing one over the other.

Do you intend to purchasing CPI?

- The traditionally uninsured who intend to purchasing CPI mention they would buy it for the protection it provides.
- The traditionally uninsured who don't intend to purchasing CPI mention they don't want to add additional cost to their budget.



Traditionally Insured vs Uninsured Homeowner Summary



- The traditionally insured homeowners are utilizing CPI more than the traditionally uninsured.
- Insured have more survivorship (partner and/or dependents).
- Insured have inherent positive attitudes towards insurance.
- Majority are underinsured.
- The traditionally insured are using CPI for additional or specific coverage.



“At Risk” Homeowners

“At Risk” Definition



Homeowners with all three conditions:

- Credit
- Traditionally Uninsured or Underinsured
- Survivors (partnered or with young/old dependents)

38% of all Homeowners

Quick Look at Demographics

- Avg 45 yrs old (78% Gen X or younger)**
- 54% Female
- 89% Partnered (Married, Common law, or Living with a partner)**
- 58% Children or adult dependents**
- 63% Completed a technical, an undergrad, or a post-grad degree
- 51% Less than \$100,000 in investible assets
- 58% Household Income \$60,000 - \$149,999**
- 75% Born in Canada
- 52% First-time homeowner

At Risk n = 431

* Significantly fewer than others

39 ** Significantly more than others



Financial Attitudes & Concerns

- 42% say they are somewhat or not at all financially knowledgeable.
- 26% say they don't have and are looking for a financial professional.**
- Top 3 Financial Concerns:
 1. Having enough money for a comfortable retirement (57%)
 2. Paying monthly bills (43%)**
 3. Being able to support myself/family if I am unable to work due to a disabling illness or injury (35%)**
- 72% believe having life insurance is important or very important.*

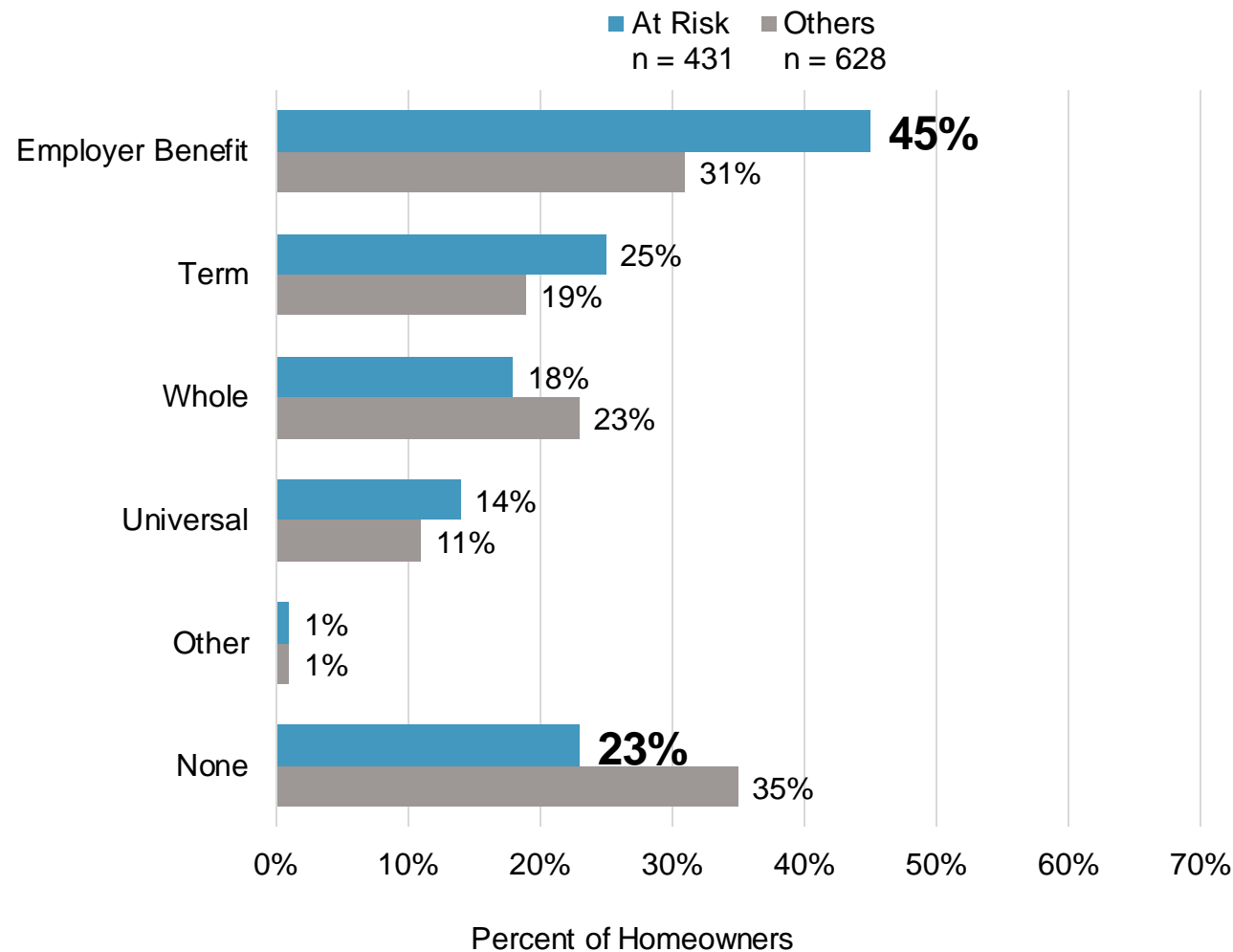
At Risk n = 431

* Significantly fewer than others

** Significantly more than others



Traditional Life Insurance Ownership



- Significantly more “at risk” own life insurance through their employer than others.
- Significantly fewer “at risk” own whole life insurance than their counterparts **with credit**.
- Extremely underinsured homeowners (2 years or fewer of income coverage in traditional insurance) “at risk” own significantly fewer TLI products than others.

Insurance Coverage

- 62% believe they have enough life insurance.*
- 37% have insurance to cover income for 2 years or less.
- 68% believe they should have insurance to cover income for less than 7 years.**
- 67% say their families would have trouble covering living expenses in a few months or less if the primary wage earner passed away tomorrow.**

At Risk insured n = 311

* Significantly fewer than others

42 ** Significantly more than others



The Traditionally Uninsured Homeowner with Credit

38% say they can't afford life insurance...

38% don't have an emergency fund or personal savings to access in place of life insurance...

62% say their families would have trouble covering living expenses in a few months or less if the primary wage earner passed away tomorrow...^{**}

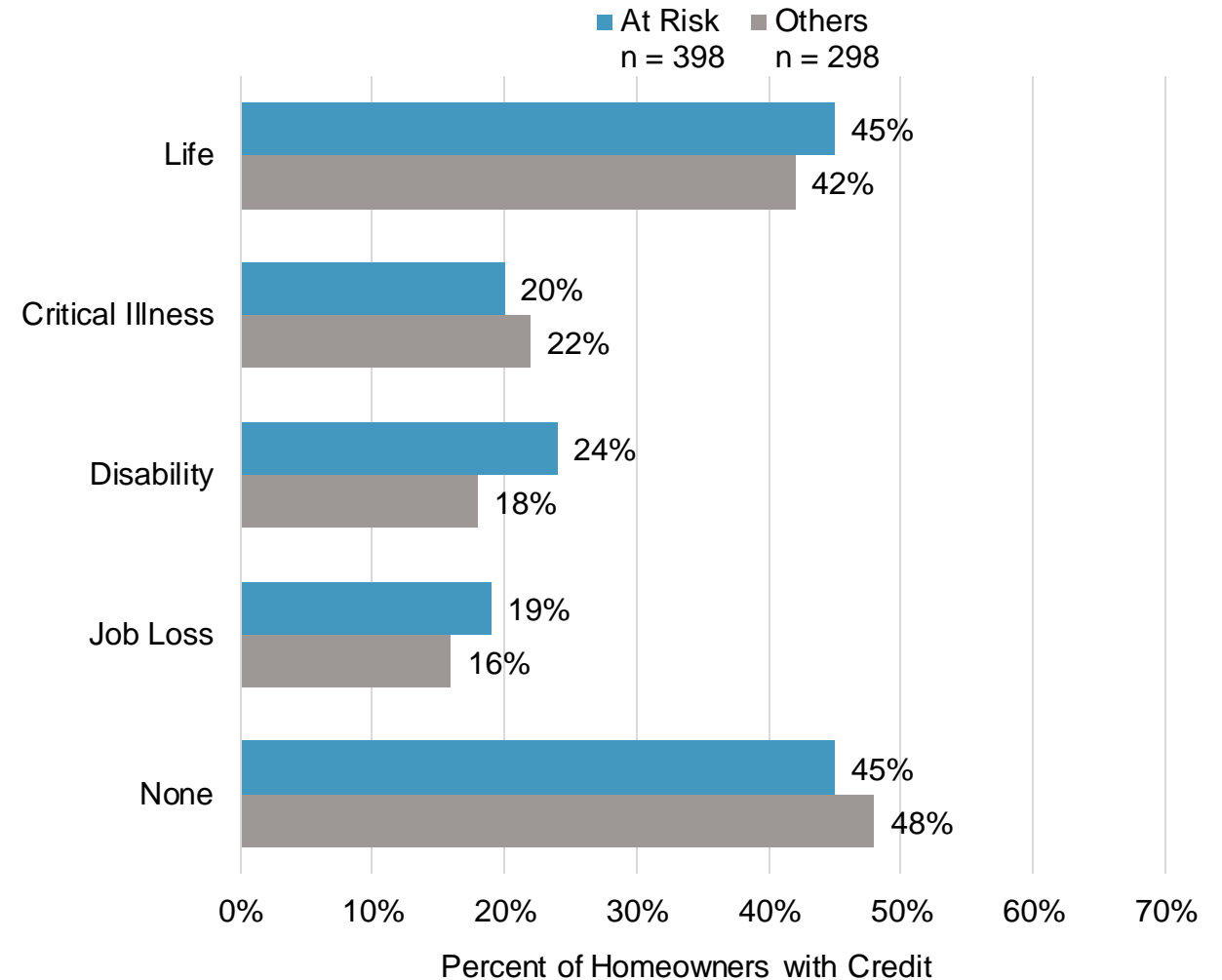
At Risk uninsured n = 97

* Significantly fewer than others

43 ** Significantly more than others

Credit Protection Insurance Ownership

- 55% of “at risk” homeowners own at least one CPI products.
 - Increases for traditionally underinsured (61%)
 - Decreases for traditionally uninsured (34%)
- 48% of extremely underinsured (2 years or less of income coverage in traditional insurance) homeowners own at least one CPI product.



“At Risk” Homeowner Summary



- Significantly more “at risk” homeowners are relying on employer benefit life insurance. Which is contingent upon their employment.
- Most believe their family will struggle with living expenses in a few months or less after the passing of the primary wage earner.
- More than half (55%) utilize CPI!

Recommendation regarding Canadian Homeowners

Considering 80% of Canadian homeowners are traditionally uninsured or underinsured, it is important to educate Canadian homeowners on insurance and credit protection as well as appropriate coverage.



Recommendation regarding Canadian Homeowners with Credit

For Canadian Homeowners with credit:

Purchasing Credit Protection Insurance (CPI) can fill the coverage gap for 78% of homeowners who are traditionally uninsured or underinsured.



Recommendation regarding Canadian Homeowners with Credit

For Canadian Homeowners with credit:

Survivorship (having a partner and/or a dependent) should be considered as a top criterion to assess the **need** of Credit Protection Insurance (CPI) coverage.

Efforts should be made to inform the 61% of homeowners with survivorship, who are also traditionally uninsured or underinsured, how and why CPI would be especially relevant considering they are “at risk” of leaving their loved ones with no, or insufficient coverage.





Q&A

Our Organization and Brands



Insurance

**Retirement
Income**

**Workplace
Solutions**



Advancing the financial
services industry by
empowering our
members with
**knowledge, insights,
connections, and
solutions**

LIMRA Applied Research Solutions

As the premier trade association for the insurance and financial services industries, with over 700 members, including 22 members in the Fortune 100, LIMRA has a privileged view into proven best practices and emerging trends. The breadth and depth of the data flow across the industry and our unique position within it enables us to provide you with insights no one else can provide. LIMRA combines industry knowledge and research expertise that translates into a thorough understanding of the marketplace and thoughtful research design and methodology.

CUSTOM RESEARCH

LIMRA's Applied Research team partners with you to conduct quantitative and qualitative research to capture the specific insights you need to support decision making across all product lines and distribution channels. Custom research can help you improve the customer experience, design a new product, test a product concept, explore new markets, and more.

CONSORTIA RESEARCH

Consortia research allows members to partner with and through LIMRA to cost-effectively research hot topics. Consortia research gives companies the opportunity to play an active role with other organizations to investigate a common area of need, including exploring opportunities in emerging markets, determining the market potential for new products, understanding the buying process, positioning with producers, and more.

Applied Research Solutions Team

Lai-Sahn Hackett

Corporate Vice President

lhackett@limra.com

(860) 285-7753

Michelle Lorenz

Sales Director

mlorenz@limra.com

(860) 285-7736

Lynn Ferris

Director of Business Development

lferris@limra.com

860-970-8048

Shannon O'Keefe

Associate Research Director

sokeefe@limra.com

(860) 285-7806

Dararith Ly

Assistant Research Director

dly@limra.com

(860) 285-7818

Justeena Zaki-Azat

Senior Research Analyst

jzaki-azat@limra.com

(860) 298-3966