

The Underappreciated Insurance Industry



Imagine a world without insurance. You pay—out-of-pocket—the full cost for every car accident. You replace—out-of-pocket—the full cost of rebuilding your home following a fire, a tornado or other natural disaster. Following the death of a spouse, you pay—out-of-pocket—for the medical expenses, the funeral, the residual debt, and any taxes due. We know that insurance can help us personally, but what do we know about the insurance industry?

It's an industry that at best is taken for granted, and at worst, often maligned or misunderstood. However, when you take a closer look, what you see is an industry that provides an important service and contributes directly to the success of the American economy. What are insurance companies' contributions to the American economy?

The Numbers Are Impressive

- 1. Employment:** According to the U.S. Department of Labor, the insurance industry provides approximately 3 million jobs.¹
- 2. Taxes:** Insurance companies pay income taxes and premium taxes in the billions.¹
- 3. Death Benefits:** The life insurance industry had over \$830 billion in claims and benefits in 2023.²

While the statistics are impressive, the real contribution goes beyond these numbers. There is a more meaningful contribution that affects us as a community and personally. **Insurance helps to stabilize a crisis.**

Insurance is a Stabilizer

Again, imagine our economy without it. Whether it's a disruption created by Mother Nature, a fire, or theft, insurance can be used to repair or replace damaged tangible property while helping to protect against the necessity of an invasion of our personal assets to indemnify the losses.

While insurance cannot prevent the crisis, it does work toward mitigating the process of rebuilding. Insurance provides a platform of stability that allows us to plan for the future with an expectation of success.

The role of life insurance cannot be disregarded in these scenarios. Life insurance benefits allow families and businesses to continue to plan for the future. Following the loss of a loved one, life insurance benefits can help to provide a source of stability during a period of life that may require reassessment and readjustment.

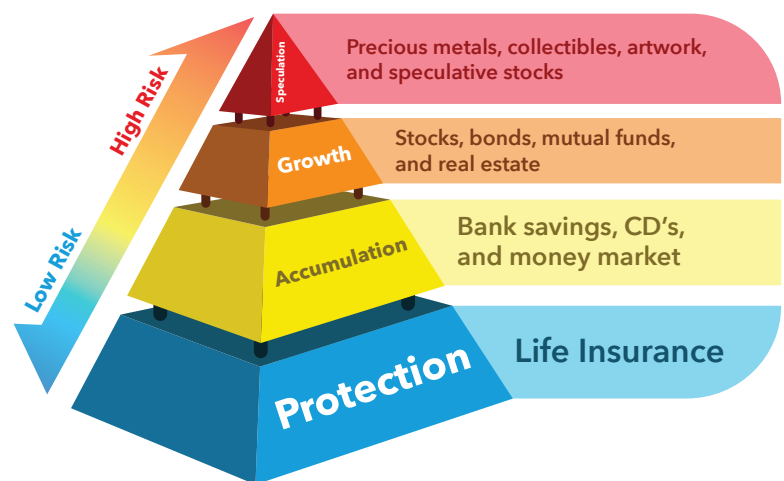
It can replace income, help pay medical expenses, pay off the mortgage, help provide for college expenses, or assist with any financial need a family has.

Yes, life insurance can play an important role in the stabilization of the American family.

Protection of Other Assets

Think of a pyramid. The base holds the other pieces up. So, you need a base that can be depended on. Here is a financial risk-based pyramid. Assets with guarantees form the base; while assets with the most risk are at the top.

The base is **PROTECTION**. Without protection, your other assets can tumble in value. **Life insurance is that base.**



Potential Threats vs a Certain Event

Imagine your home is destroyed by fire. Without insurance you may need to take part of your retirement plan to cover the cost of rebuilding. Most of us recognize that we must have insurance to protect us from a **potential** disaster . . . fire, flood, burglary, etc.

Priorities can be misplaced. We insure our assets against an “in the event” event and fail to insure against that “certain” event we all face . . . an event that will almost certainly reduce our legacy.

Life insurance is an asset that can help replenish your legacy while reducing the risk of performance or the delays of time. As a result of the benefits paid to our beneficiaries, mortgages can be paid and funding for college is available. The American Dream remains alive and well.

Flexibility

The flexibility of life insurance as an asset makes it a well-suited base for the family or the business’s financial plan.

Life insurance also has living benefits that other financial assets do not. A properly designed and funded policy may offer tax-free loans from the cash surrender values. And through the use of a chronic or terminal illness rider*, you may get early access to a portion of the death benefit if you are subject to a chronic or terminal illness rider*.

Life insurance offers some creditor protection in most states. Life insurance can offer guarantees. You can have access to the cash values for loans without the usual reams of paperwork. It can sometimes be used as collateral for loans as well. The death benefit is generally paid to the named beneficiary income tax-free.

The contribution of the insurance industry to the American economy is incalculable . . . employment, investments, taxes, even charitable contributions—and, of course, the payment of benefits to policyholders—all work together to help support our national, state and local economies.

Even if all that could be calculated, the benefit to the policyowner of knowing action has been taken to help provide financial support for families and businesses during dreadful circumstances has a value beyond measure.

Contact your local Security Mutual Life insurance advisor today to coordinate your financial plans and achieve your goals and objectives.

¹Insurance Information Institute. “Facts + Statistics: Careers and employment.” iii.org. <https://www.iii.org/fact-statistic/facts-statistics-careers-and-employment> (accessed Nov. 7, 2024)

²Insurance Information Institute. “Benefits and Claims.” iii.org. <https://www.iii.org/publications/triple-i-insurance-facts/life-annuity-financial-data/benefits-and-claims> (accessed Nov. 7, 2024)

***The Chronic Illness Accelerated Death Benefit Rider is a life insurance policy and rider that accelerates the death benefit on account of chronic illness, and is not a health insurance policy or rider providing long-term care insurance subject to the minimum requirements of New York law or other applicable law, does not qualify for the New York State Long-Term Care Partnership program or similar programs in other states, and is not a Medicare supplement policy or rider.** The payments under the Chronic Illness Benefit Rider are intended to qualify for favorable tax treatment under Section 101(g) of the Internal Revenue Code. However, payments made under this rider may be taxable depending upon specific facts and circumstances. Accordingly, the policyowner should consult with his or her tax advisor to determine the tax consequences before requesting the payment of an accelerated benefit under this rider. Receipt of accelerated death benefits may be taxable and may affect eligibility for public assistance programs.

Life insurance death benefits are generally income-tax-free to the beneficiary. Tax laws are complex and subject to change. The information presented is based on current interpretation of the laws. This publication is intended for general information purposes or to support the promotion or marketing of the Company’s products and does not constitute legal or tax advice. This publication is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties that may be imposed on the taxpayer under the Internal Revenue Code or any other applicable tax law. Taxpayers are advised to seek tax advice based on the taxpayer’s particular circumstances from an independent tax advisor.

Loans from the policy will reduce the death benefit and cash surrender value and may cause the policy to lapse. Lapse of a policy with a loan may have tax consequences.

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