

Are You Covered? Do You Have What it Takes to Protect Your Family?

Written by Jeffrey L. Boney
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One thing that is inevitable about life is that it must one day come to an end.

And while we never like to talk about the 'D-word', being prepared to deal with your untimely death and protecting those who depend on your livelihood is one of the most important family and financially-important decisions you could make.

According to the "African-American Consumers: Still Vital, Still Growing 2012 Report," the average income for African-American households nationwide is \$47,290 with 35% earning \$50,000 or more. With an overall aggregate household income level of \$695.6 billion, African-Americans are a strong consumer, with a projected buying power estimated to reach \$1.1 trillion by 2015.

In other words, African-American people make money and spend it.

There is a long-running urban myth that has been circulating over the years that African-Americans don't have or don't purchase life insurance like other culture groups.

The question is, however, is it true?

BLACKS AND LIFE INSURANCE

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According to a study released by two leading insurance industry associations, The Life Insurance Marketing and Research Association (LIMRA), and the nonprofit Life Foundation, African-Americans actually buy more life insurance than the general population.

Tommy Portley, who is a franchise owner with Allstate Insurance, agrees with the findings in the study and states that African Americans have always believed in life insurance.

“For decades, Blacks have purchased some form of insurance in order to ensure their family was protected,” says Portley. “Black people deeply care about their family and purchasing insurance has been a way to make sure their spouse and their children have more than enough money to provide a continuation of their family’s lifestyle, pursue an education and take care of their burial once they are gone.”

The study further shows that African-Americans are more likely to own life insurance (76 percent) versus Whites (62 percent) and Hispanics (54 percent).

Portley believes that the African-American community is a lot more educated about the insurance industry than they were in the early 20th century, primarily because of the Internet and because insurance agents are doing a better job of educating consumers about insurance products.

THE UGLY HISTORY OF INSURANCE

This is a far cry from the 1920s and 1930s, when African-Americans used to have life insurance sold to them door to door. This insurance, known as “burial insurance policies,” were policies sold by insurance companies based on the business assumption that this was the only insurance that most African-Americans could afford or even cared about.

“At one time, Black people couldn’t buy major life insurance policies from big insurance companies,” says Portley. “Now, Blacks can buy insurance from any major company without the

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fear and worry of discriminatory practices.”

Because insurance companies believed African-Americans were financially unsophisticated, these “burial insurance policies” were marketed to mostly low-income African-Americans. Insurance underwriters would base their underwriting decisions on the assumptions that according to records, African-Americans were more susceptible to violence, less likely to hold steady jobs, given to having a lot of children, and had shorter life expectancies.

Life insurance companies often referred to African-American applicants as “substandard,” which to them meant that African-Americans were less likely to keep up with paying their premiums and would be more likely to force the company they worked for to pay out on a death benefit while they were still young. African-Americans were seen as greater risks than Whites, and insurance premiums for policies were so high that if the policy was kept for its full term the premiums exceeded the death benefit.

Due to legislation and protests against the system, it is now a violation of federal laws for any life insurance company to use race as part of the criteria for underwriting, evaluation of risk, or pricing of an individual’s life insurance policy. Furthermore, underwriters are not permitted to even know an applicant’s race anymore.

INSURANCE AND BURIAL COSTS

As stated earlier, African-Americans have always understood the importance of purchasing insurance, especially “burial insurance policies,” because they wanted to make sure they were able to have their burial costs covered and not passed on to their family as a burdensome expense.

In addition to not burdening others with their burial expenses, African-Americans have primarily remained loyal and committed to life insurance because life insurance is one of the only means they have of passing on an inheritance to their family.

Helen McCoy Abernathy, co-owner of McCoy and Harrison Funeral Home in Houston, states

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that 80% of the African-Americans who they service have some form of insurance to bury their loved one, but not everyone is so fortunate.

“We oftentimes have people who just don’t have the money,” says McCoy Abernathy. “It is a very emotional time for the family and they have to go and seek funds from other family members, friends or try and raise the money anyway they can. Most times, when all else fails, a lot of them choose to have a direct cremation with no viewing and no service because it is cheaper.”

McCoy Abernathy states that a direct cremation costs roughly \$1,600.

For a standard burial, McCoy Abernathy states that not only does the family have to pay for the burial costs, which costs approximately \$10k; the family also has to pay for the cemetery opening and closing which costs roughly \$2,200.

“I would suggest that every family go out and buy a basic policy,” says McCoy Abernathy. “It is so important for you and your family to be proactive about this issue, because although most of us don’t want to talk about it, it is a very important matter and something that all of us have to face one day.”

NEED FOR INSURANCE

McCoy Abernathy also points out that most African-Americans only have job-related insurance and must not rely on that insurance solely.

“I believe that every family should secure insurance outside of their job,” says McCoy Abernathy. “You never know what will happen in life, so just in case you get fired or lose your job and insurance for whatever reason, you need to be prepared.”

Nearly a third of American adults are uninsured, according to LIMRA and 40% of adults who are

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insured believe they don't have enough coverage. LIMRA also reports that many adults are likely to carry only the group life insurance they receive through an employer.

Tommy Portley believes that although every household situation is different, purchasing insurance that people are able to afford is critical.

"Having a small policy that you can afford is better than having no insurance at all," says Portley. "The average burial cost is roughly 10,000, so if you purchase a small \$20k-\$50k policy with an affordable monthly premium and that person dies, not only will you be able to cover the costs of the burial, you will also be able to leave your loved ones between \$10k-\$40k as a benefit."

So where did the myth African-Americans don't buy life insurance originate from?

Who knows and who cares.

It is vitally important that African-Americans understand that life insurance is important to their family and to their future. Insurance is an important financial asset that can protect the current livelihood of a family and enhance the future of that same family. If you don't have life insurance or if you don't know if you have what you need, it is important that you talk to a life insurance professional as soon as possible and get empowered.

Don't let your lack of knowledge or fear of the unknown stop you from talking with an insurance professional today. Your family and its future are dependent on it.