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The state of insurance in 2026: Growth is up. Participation isn't. The industry is concentrating.

A harder look at a record-setting 2025, and what it says about the state of play moving forward.

Published: May 2026

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Introduction

By almost every headline metric, 2025 was a strong year for life insurance. Total individual life premium growth came in at the high end of expectations, with indexed universal life (IUL) and variable universal life (VUL) both significantly outperforming their own forecasts. Policy counts were up approximately 6% through the third quarter of 2025¹ — a genuine improvement, driven in part by growth in simplified issue and final expense products. The industry, by the standard measures, is doing well.

So this is not an argument that the industry had a bad year. It didn't.

It's an argument about what the good year is obscuring.

Because the growth is not broad-based, but rather concentrated in high-premium accumulation products at the top of the market, late-life simplified issue at the bottom, and in a distribution model that has been systematically moving upmarket for decades. The middle (the working American with a family, a mortgage, and a genuine protection need) is not where the growth is. And that middle represents the largest pool of expressed, unmet need in the market.

What looks like healthy segmentation at the individual carrier level adds up to a structural gap at the industry level. That gap is not new. What is new in 2026 is that the specific conditions driving the recent outperformance are moderating, the traditional triggers that have historically brought middle-market consumers into the funnel are structurally weakening, and the operational economics of actually serving this segment have shifted in ways that make the opportunity more addressable than it has been before.

The data makes all three of these things visible at once. That's what makes 2026 different.

What the long-term data actually shows

Start with the number that premium figures don't capture: policy count.

While coverage per policy has increased, policy count remains the clearest proxy for how many households the industry is actually reaching. In the early 1980s, the U.S. life insurance industry issued approximately 18 million new individual policies per year². By 2023, that figure had been halved, even as the U.S. population roughly doubled. The 2025 uptick is real and welcome, but it does not close a forty-year gap. Adjusted for population, the industry is still reaching a fraction of the households it once did, and real premium adjusted for inflation has been essentially flat for decades despite record nominal figures.

LIMRA's inflation-adjusted analysis makes the mechanism clear. Premium growth reflects a combination of inflation, product mix shift toward higher-premium products, and distribution concentration among more affluent customers.² These are not illegitimate drivers of revenue. But they are not the same as reaching more people. They don't represent an expansion in participation. In short, the industry has been writing bigger policies to a narrower slice of the population, and calling the resulting premium growth evidence of a healthy market.

Here's the more precise framing: industry growth is concentrated in high-premium accumulation products and late-life simplified issue¹, while term — the primary middle-market protection product — is forecast to grow just 0–4% annually through 2028.³ That concentration is not a coincidence. It reflects decades of distribution economics (think agent incentive structures, underwriting cost models, and channel development) that have made the affluent market increasingly attractive and the middle market increasingly difficult to serve profitably under traditional models.

Each carrier making that calculation is behaving rationally. The aggregate result is that the middle market is systematically underserved, not because carriers are making bad decisions, but because they are all making similar ones. That is a structural gap, not a segmentation strategy. And that gap compounds over time. When middle-market consumers are not captured early, the industry is actually forfeiting decades of potential customer lifetime value.

What changed in 2025 that matters for 2026

The structural gap is not new. What is different as we move through 2026 is a convergence of developments that makes the status quo harder to sustain.

The product tailwinds are reversing.

The conditions that drove 2025's exceptional IUL and VUL performance were specific and time-limited. LIMRA's forecast projects IUL growth moderating to 8–12% in 2026 and VUL slowing to 1–7%,³ as forecasts point to potential equity market softening beginning in 2026 and prior-year comparables becoming increasingly difficult to beat. Fixed universal life continues its structural decline.³ Total market premium growth is expected to settle into 2–6% through 2028³. The carriers that built their 2025 plans around IUL and VUL tailwinds are entering a materially different environment.

The demographic trigger model is weakening.

Traditional carrier acquisition strategies have been built around life events: marriage, the birth of a child, buying a home. These triggers are not disappearing, but they are becoming less reliable. LIMRA 2026 global research, which surveyed more than 6,000 consumers ages 18–39 across 18 markets, found that 63% of under-40s globally have no immediate plans to marry and 84% have no plans to have children.⁵ Among the U.S. Gen Z and Millennial population specifically, LIMRA puts the life insurance need gap at 45%⁷ — meaning nearly half of this cohort says they need more coverage than they have, while ownership rates remain low. The engine that historically converted need into purchase is running on fewer cylinders.

Economic anxiety is accompanying engagement, not suppressing it.

This is perhaps the most counterintuitive finding in LIMRA's October 2025 Consumer Sentiment data. Among consumers actively planning to purchase life insurance in the next year, concern about personal finances runs significantly higher than among the general population — and confidence in life insurance companies rises to 45%, nearly double the population average of 23%.⁶ The conventional assumption is that financial stress suppresses insurance buying. The data suggests the opposite for motivated prospects: people who feel financially exposed are more likely to be in market. Economic uncertainty in 2026 is not a headwind for carriers who can reach these consumers, it's a tailwind. That is, of course, if the distribution infrastructure exists to capitalize on it.

The need gap is real, but need isn't the same as demand

Approximately 40% of U.S. adults say they need more life insurance coverage than they currently have. That figure spiked during the pandemic and has not returned to pre-COVID levels. Among Gen Z and Millennial consumers, it sits at 45%.⁷

It would be too simple to call this latent demand. Need and demand are not the same thing. People can recognize a gap in their coverage and still not convert due to things like prioritization, inertia, distrust, or the friction of a purchase process that feels overwhelming. LIMRA's qualitative research with young consumers ages 24–35 documents this precisely: the majority of non-owners cite insufficient knowledge as a barrier, not lack of interest.⁴ They associate life insurance with peace of mind and financial security. They want it. They don't know how to navigate to it.

The more accurate framing is expressed need that is not converting under current distribution and product models. That distinction matters because it changes where the problem sits. If consumers didn't want coverage, the solution would require changing minds. The data says the issue is structural: the path from awareness to purchase is too long, too confusing, and too friction-heavy for a generation accustomed to financial tools that are transparent, fast, and self-directed.

The cost perception problem illustrates this clearly. LIMRA's 2025 Insurance Barometer found that 61% of adults under 45 overestimate the cost of life insurance, with 43% basing that estimate on a gut feeling or a wild guess.⁷ A 20-year, \$250,000 level term policy for a healthy 30-year-old can cost less than \$20 per month. That figure consistently surprises young consumers who have purchased coverage. The barrier is not affordability. It is the absence of clear, accurate pricing information delivered through the channels where this demographic actually researches financial decisions.

This is a solvable problem, though not with the traditional awareness-led approach the industry has relied on. The persistence of the cost perception gap across years of digital transformation and product innovation suggests that solving it requires more than awareness campaigns. It requires a purchase path that delivers accurate information early, reduces friction throughout, and meets consumers in the digital and social environments where they are already doing their research.

Product expectations are shifting faster than product design

The structural gap in customer participation is compounded by a widening gap between what consumers want from life insurance and what the industry is offering them.

LIMRA 2026 global research identified a clear preference hierarchy among under-40 consumers: 48% want cash withdrawals for major life events, 41% want health and wellness support, and 39% want critical illness coverage.⁵ These are living benefits that provide immediate, tangible value throughout the policyholder's life rather than a distant promise payable at death. The research describes a fundamental shift in consumer expectations: life insurance is moving from a safety net for dependents to a practical financial tool for navigating uncertainty in real time.

Living benefits exist today. The problem is structural. They are typically offered as optional riders — disconnected from the core policy, with complex terms, cumbersome servicing, and little visibility in the purchase experience. They are not intuitive features. They are add-ons that require navigation, and for a generation accustomed to financial products that are transparent and immediately useful, this design gap is a conversion barrier.

The distribution expectation gap is parallel. The same research found that 67% of under-40 consumers globally prefer a hybrid experience (digital channels for research and initial quoting, human guidance available when needed) and 77% express frustration with traditional onboarding and claims processes. These consumers want to start online and finish with confidence. Carriers whose new business workflows require heavy manual touchpoints throughout the application are not built for what this cohort expects, regardless of product quality.

These product and distribution design gaps aren't insurmountable. But they require infrastructure flexibility that is genuinely difficult to achieve on legacy platforms without significant investment and long timelines.

The economics of the middle market are changing

The standard carrier argument for not competing aggressively in the middle market has been economic: distribution costs, underwriting costs, and agent incentive structures make lower-premium policies difficult to serve profitably. That argument was largely correct under traditional operating models. It is becoming less correct.

What previously required multiple manual touchpoints and days of underwriting can now be completed in minutes with minimal human intervention. The marginal cost of processing a simplified issue application has fallen materially as straight-through processing has matured. Digital acquisition reduces the distribution dependency that made middle-market economics difficult — a carrier no longer needs an agent willing to write a \$300 annual premium policy when the consumer can initiate and complete the application digitally. Automated underwriting decisions, delivered in seconds rather than days, change the unit economics of a product category that traditional models made difficult to scale.

None of this eliminates the economic challenge entirely. Middle-market life insurance is not going to generate the margin per policy that high-net-worth accumulation products do. But the relevant comparison is not middle-market versus affluent. It is middle-market today versus middle-market five years ago. The infrastructure shift is real, and it is making a segment that was genuinely hard to serve profitably under old models increasingly viable under new ones.

This is where Bestow's platform thrives, with an infrastructure that makes the economics of high-volume, lower-premium life insurance work (automated underwriting, fast decisioning, digital-first application experiences that carriers can deploy without replacing their core systems). The carriers working with us are capturing growth in segments like term, final expense, and IUL without the operational drag that constrains competitors still running those products through manual workflows. In a market where the growth opportunity is increasingly concentrated in exactly these segments, carrier strategies must center around the infrastructure needed to serve them efficiently.

Conclusion: what the future requires

The life insurance industry entered 2026 with genuine momentum and a set of structural questions that momentum makes easier to defer. The 2025 policy count uptick is real. So is the fifty-year decline in participation relative to population. The premium records are real. So is their concentration in product lines and customer segments that represent a narrowing, not a broadening, of the market.

The convergence of factors that are evolving the market — moderating product tailwinds, weakening demographic triggers, shifting consumer expectations, and improving middle-market economics — creates a window that won't stay open indefinitely. Carriers that treat 2025 as confirmation that current strategy is working will likely discover that the conditions driving it were more temporary than they appeared. Meanwhile, carriers that expand participation will outperform those that only optimize premium concentration.

The more durable opportunity is the one the data has been pointing toward for years: expressed need that is not converting, a cost perception problem that is solvable, and a segment of the market that is becoming more economically accessible as the operational infrastructure to serve it improves. What looks like a gap in the market is where the next phase of growth will come from, specifically for carriers willing to build for it.

¹ LIMRA. *3Q25 U.S. Individual Life Insurance Sales Survey - Summary Report*. LL Global, Inc., 2025.

² LIMRA. *Inflation Impact: Perception and Reality in Life Sales Data*. LL Global, Inc., 2024.

³ LIMRA. *U.S. Individual Life Insurance Sales Forecast: 2025–2028*. LL Global, Inc., 2025.

⁴ LIMRA. *Young Consumers' Life Insurance Expectations and Experiences*. Opportunities in Underserved Markets Series. LL Global, Inc., 2025.

⁵ LIMRA. *Life Insurance for Living: Global Insights Into Next-Gen Expectations*. LL Global, Inc., 2026.

⁶ LIMRA. *U.S. Consumer Sentiment, October 2025*. LL Global, Inc., 2025.

⁷ LIMRA. *2025 Insurance Barometer Study*. LL Global, Inc., 2025.

