

Avoiding life insurance policies: When optimism bias works against your workforce



You know that roughly 50% of first-time marriages will end in divorce — but when you say “I do,” you believe it won’t happen to *you*.¹ Or you understand that your dream home is in a hurricane zone, but you buy it regardless. And while you get that regular exercise and a healthy diet support a longer, healthier life ... well, that ice cream won’t eat itself.

These are examples of optimism bias, or the human tendency to underestimate our likelihood of experiencing a negative event (and to overestimate our odds of a positive one — carnival games, anyone?).

Optimism bias lets humans thrive. Without it, we wouldn’t fall in love, eat bacon cheeseburgers or shoot ourselves into space. But it has a dark side — especially when it comes to death. We all *know* we’re going to die, but that doesn’t mean we’re preparing for it.

For something as important as being protected after a breadwinner’s death, that’s not something families can afford.

Why employees struggle with buying life insurance

People have all sorts of reasons for not purchasing life insurance. Eighty-one percent of people without it say it’s too expensive (maybe because they don’t know how much it actually costs or that there are low-cost options such as [term life insurance](#)), 65% say they don’t know how much they need or what type to buy and 62% simply haven’t gotten around to it. An additional 43% say they wouldn’t qualify for coverage.²

But optimism bias plays a role: More than half of people without life insurance say they don’t have it because they don’t like thinking about death.¹ And people who are particularly optimistic are likelier to be underinsured than people who are less optimistic.³ Even people who know they need life insurance aren’t necessarily scrambling to sign up: There’s an 18 percentage-point needs gap for life insurance, meaning there are 46 million Americans who say they need life insurance but don’t have it.²

As a benefits decision-maker, you can help your employees navigate some of these barriers. Aflac offers affordable life insurance, including guaranteed issue policies available to anyone regardless of health, as well as guidance on which type of policy is best for your employees’ needs. And given that 42% of people without life insurance say they don’t have it because it’s not offered by their employer, you remove an obstacle simply by offering a plan.²

But if you want to help your workforce navigate the psychological difficulty of preparing for death, you might also want to learn about how humans found ourselves in the position where our optimism can work against us.



How denying death has helped us flourish

Optimism bias doesn't mean that we literally don't think we're going to die. In fact, not being consumed with fear of death actually has some positive effects as it reduces our stress and anxiety.⁴

So how did we get to this place where we walk the line between recognizing death and being paralyzed by fear? Physician-scientist Ajit Varki, a professor at the University of California San Diego School of Medicine and co-author of the book *Denial: Self-Deception, False Beliefs, and the Origins of the Human Mind*, has a theory. (Dr. Varki is not affiliated with or endorsing Aflac products.)

Today's humans hold two contradictory beliefs unique to our species. (As Varki puts it, "You might find a mountain goat jumping from crag to crag, but you don't see a mountain goat trying to fly.")⁵ First, we recognize that just like the people we see around us, we will die someday. Yet every day, we also deny our own demise.

This wasn't always the case. Varki posits that a small group of our early ancestors evolved both features simultaneously, giving this group an evolutionary advantage that eventually resulted in the human race we are today. When these ancestors evolved to the point that they could understand that the people they had seen die weren't outliers, they were embracing a part of what's now known as "theory of mind," or the ability to consider the experiences of other humans. But because of the other evolutionary factor happening at the same time — the ability to deny reality, including the certainty of our own deaths — instead of simply being paralyzed by this knowledge, this group was able to hold both ideas in their heads at the same time.

"Extreme optimism is the ultimate denial of reality," Varki says. "Humans pursue things that should never work, and you'd think the species would give it up. And maybe the optimist does die because of a crazy optimistic idea — but others can figure it out."

Set the stage for your employees to protect their loved ones with life insurance

This evolutionary collision allows us to hold a lot of competing ideas in our heads at one time — it's part of our higher function as humans. But it also allows us to do things that work against our best interests; Varki points to climate change as a prime example.

Avoiding life insurance is another, but simple acknowledgment can go a long way toward overcoming psychological barriers. When discussing employee benefits with your workforce, consider being frank about what life insurance actually does — protect the people your employees care about — instead of glossing over it or treating death planning as a taboo.

Life insurance and its immediate implication, death, don't have to be treated with fear. They can be treated as something to tend to and care about. When considering his own reality denial, Varki turns to an old adage: "Hope for the best," he says. "But prepare for the worst."

Ready to help your employees prepare for the inevitable? Contact your Aflac benefits advisor or visit [Aflac.com/business](https://www.aflac.com/business).

¹ American Psychological Association. "Marriage & divorce." [Accessed 8.19.2021](#).

² LIMRA. "The Life Insurance Need Gap." Published 2021. [Accessed 7.8.2021](#).

³ Financial Services Review. "Optimism, overconfidence, and insurance decisions." Published 3.1.2021. [Accessed 7.15.2021](#).

⁴ Ethics Unwrapped. "Optimism Bias: The Dark Side of Looking at the Bright side." Accessed 08.24.2022.

⁵ Personal interview, June 2021.

Coverage is underwritten by Aflac. In New York, coverage is underwritten by Aflac New York.

In Arkansas, Idaho, Oklahoma, Oregon, Pennsylvania, Texas and Virginia, Policies: ICC1368100, ICC1368200, ICC1368300, ICC1368400. In New York, NY68100-NY68400.

This is a brief product overview only. Coverage may not be available in all states. Benefits/premium rates may vary based on plan selected. Optional riders are available at an additional cost. The policy has limitations and exclusions that may affect benefits payable. Refer to the policy for complete details, limitations and exclusions. For costs and complete details of the coverage, please contact your local Aflac agent.

Content within this article is for informational purposes and does not constitute legal, tax or accounting advice regarding any specific situation. Aflac cannot anticipate all the facts that a particular employer will have to consider in their benefits decision making process.

**Aflac | WWWHQ | 1932 Wynnton Road | Columbus, GA 31999
Aflac New York | 22 Corporate Woods Boulevard, Suite 2 | Albany, NY 12211**